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SUMMARY OF VIEWS EXPRESSED DURING THE TWENTY-NINTH SESSION OF THE GOVERNING COUNCIL ON OPTIONS AND RECOMMENDATIONS FOR THE LONGER-TERM FINANCING OF UNDP AND OTHER MATTERS RELATING TO THE IMPLEMENTATION OF THOSE MEASURES  

Note by the Administrator  
In response to the request of the Council, the Secretariat has prepared the attached summary of the discussion.  

INTRODUCTION  

1. In paragraph 1, section II, of decision 82/5, the Governing Council of UNDP established the Intersessional Committee of the Whole with the following mandate:  

"(a) To study, in consultation with the Administrator, as a matter of priority, options and recommendations for the longer-term financing of UNDP contained in documents DP/1982/15 and DP/1982/35, including such measures as voluntary contributions, replenishment, multi-year pledging, assessed contributions and various combinations of voluntary and assessed measures, and taking into account the views expressed on these matters, inter alia, in the discussions of the Council;  

"(b) To study, in consultation with the Administrator, other matters that might facilitate the implementation of the measures outlined in sub-paragraph (a) above, including, in particular, options and recommendations for strengthening the effectiveness of the work of the Governing Council."  

The present document, in accordance with sub-paragraph 1(a) above, summarizes the views expressed during the Council's twenty-ninth session on the options and recommendations for the longer-term financing of UNDP contained in the above-mentioned documents as well as the views expressed with regard to "other matters" to be considered by the Intersessional Committee as specified in sub-paragraph 1(b) above. The views presented herein are for the most part those which were expressed during the high-level segment of the Council's deliberations; also
I. CURRENT RESOURCES SITUATION

2. During the twenty-ninth session, the Governing Council focused its attention on the critical issue of the shortfall in resources for the third programming cycle and on the concomitant need to take concrete steps to resolve longstanding problems which are increasingly threatening the Programme's operational effectiveness. In his statements to the Council, the Administrator emphasized that the time had come to act vigourously in order to preserve the integrity and the credibility of UNDP, to initiate a thorough-going review of its structure and modus operandi and to make critical decisions of fundamental importance to the future of the Programme.

3. In their statements, Council members agreed with the Administrator that UNDP had come to a crucial juncture in its history. Various explanations for the present situation were offered, including the adverse impact of international economic conditions on the Programme and on the official development assistance (ODA) budgets of donor countries, shifts in the multilateral/bilateral composition of ODA budgets and in the UNDP share of funds within the United Nations development system. The Programme's narrow funding basis, which depends on five donors to supply over 50 per cent of its resources, was also cited in this regard. A number of delegations, however, attributed the shortfall in resources to a lack of political will on the part of major donors with respect to implementation of the relevant provision of Governing Council decisions 80/30 and 81/16. Frequent mention was also made of the proliferation of special funds, which were seen as competing with UNDP for available development resources and diminishing its essential central funding role. A number of recipient and donor countries called for a halt to the creation of such funds; several donors referred to the necessity of adopting an attitude towards special funds that would be more consistent with their acknowledged support for the central funding role of UNDP. The need to confirm, safeguard, strengthen and promote the central co-ordinating and funding role of UNDP was reiterated throughout the debate.

4. The proposals for mobilizing resources on a predictable basis and for additional and alternative ways of financing contained in the documentation before the Council, would require in-depth study. Evaluation of these proposals should take account of such criteria as their effect on the central funding and co-ordinating role of UNDP, the likelihood of attracting additional resources and the administrative costs entailed. It was generally agreed that the funding and related institutional problems of UNDP should be approached with flexibility, imagination and a positive spirit. The future of UNDP was seen by many to depend above all on the confidence and support shown by its member Governments.

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1/ Since copies of statements made in BFC were not readily available, the general summary of the discussion contained in the report of the Committee (DP/1982/95) was consulted to supplement the views expressed with respect to document DP/1982/35.
II. VIEWS EXPRESSED WITH RESPECT TO NEW AND SPECIFIC WAYS AND MEANS
OF MOBILIZING INCREASED RESOURCES ON AN INCREASINGLY PREDICTABLE,
CONTINUOUS AND ASSURED BASIS (DP/1982/15)

A. Voluntary contributions

5. Support for the voluntary nature of the Programme as a basic principle of the
1970 Consensus was expressed by a number of Council members. Several, for various
reasons and with varying degrees of emphasis, rejected the possibility of any
modification of or deviation from the principle (Australia, Bulgaria, German
Democratic Republic, Federal Republic of Germany, Hungary, India, Italy, Japan,
Malaysia, New Zealand, United Kingdom, USSR). It was stated in this regard that
a system of more predictable contributions would help UNDP planning but was not
likely to enhance prospects for increased resources (Italy).

6. Several delegations, including those of Bangladesh, Barbados, Brazil, Ecuador,
India, Jamaica, Tunisia and Venezuela, considered that the principle of voluntary
contributions was still valid. The shortfall in resources could be quickly
eliminated if donor countries would demonstrate the necessary political will to
respect and implement Governing Council decisions 80/30 and 81/16. On the other
hand, several major donors (Austria, Federal Republic of Germany, Finland, Italy,
Japan, Netherlands and Norway) maintained that the 14 per cent average annual rate
of growth of resources contained in decision 80/30 was an indicative figure, not
a commitment. Adequate resources could be mobilized through a more equitable system
of burden-sharing. The representative of the United Arab Emirates added that it
would be unfair to propose theoretical solutions to the financial situation without
any commitment to sharing the burden of the problems facing the Programme.

7. In the opinion of other delegations, the present shortfall of resources demon-
strated that voluntary contributions pledged on an annual basis constituted a
real problem for the effective funding and management of a Programme organized on
five-year cycles. Modifications of the principle of voluntary contributions were possible,
although these would be long and difficult to achieve in view of the international economic
crisis and the political will required (Belgium, Finland, Malawi, Pakistan, Switzerland).
Introduction of an indicative type of predictability to the existing system of
voluntary contributions was suggested (France), as was the notion of shorter
programming periods combined with rolling indicative planning figures (IPFs)
(Norway); it was recognized, however, that the latter might not mobilize
resources on a sufficiently predictable basis. Certain countries supported the
notion of enhancing voluntary contributions as a possible solution to the present
crisis (Egypt, Federal Republic of Germany, France, Spain, Turkey, Venezuela, Zambia).
The representative of Sweden referred in this regard to a possible "one-shot"
enhancement effort in 1983 to secure future resources for UNDP in more formalized
and predictable forms. It was also suggested that the Administrator consult with
donors and other participating countries to inform the Governing Council as to
their "firm readiness regarding future voluntary contributions to UNDP" (Yugoslavia).

8. Willingness to explore the options set forth in document DP/1982/15 for
mobilizing increased funds on an increasingly predictable, continuous and assured
basis was expressed by the following countries: Austria, Belgium, Canada, Denmark,
Finland, Malawi, Maldives, Mali, Norway, Pakistan, Poland, Portugal, Sudan
Suriname, Sweden, Switzerland, Trinidad and Tobago, United Kingdom, United
States, Yugoslavia, Zambia). Some members expressed interest in a particular
option or options. (See sections B-F of part II below.) The representative of Romania supported consideration of those proposals which did not contradict the principle of voluntary contributions. The representative of Tunisia suggested that the proposals contained in document DP/1982/15 be submitted to the General Assembly for consideration if results of the 1982 Pledging Conference indicated that the 14 per cent annual growth rate in resources targeted for the third cycle would not be met.

9. It was suggested that use be made of all mechanisms at the Administrator's disposal, including accumulated non-convertible currencies, to provide the needed resources (Bulgaria, Cuba, German Democratic Republic, Hungary, Poland, Romania, USSR). To utilize these accumulations to at least some degree, the representative of Sweden indicated that his Government would consider a system whereby a recipient country under its bilateral programme wishing to make purchases from a country, the currency of which was accumulated in UNDP, could draw on the UNDP accumulations; his Government would then reimburse UNDP in convertible currencies. Other members stressed the need to increase UNDP resources by making voluntary contributions in convertible currencies (Bhutan, Canada, Denmark, Finland, Spain).

B. Multi-year pledging

10. Discussion of multi-year pledging during the high-level segment of the twenty-ninth session centered on whether the procedure was constitutionally feasible for member Governments and on whether it could provide resources to the Programme on a sufficiently predictable basis.

11. The representative of Bhutan urged that the current practice of annual voluntary contributions be replaced by a multi-year commitment by all donors in order to make budget and programme management realistic exercises. The representative from the United Kingdom, in contrast, doubted whether multi-year pledging, in any of the forms described in document DP/1982/15, could improve on the present system in terms of providing certainty as to the level of resources to be made available in future years. In the view of the representative of Jamaica, multi-year pledging could serve to reach the volume of resources targeted for a cycle but contributions would have to be reviewed in the light of actual Programme operations during the cycle. Two developing countries (India, Malaysia) held that the method deserved consideration, provided it did not unnecessarily burden donor and recipient Governments.

12. While holding to the principle of voluntariness, the representative of Romania stated that his Government had recognized the importance of multi-year pledging for the five-year UNDP programming cycle and would make its contribution in five-year pledges. The representative of Bulgaria found multi-year pledging acceptable only for planning purposes; the first year's pledge could be firm, but those for succeeding years would be indicative, with each year's amount subject to confirmation at the Pledging Conference for that year. Indicative multi-year pledging as a means of avoiding unexpected fluctuations in resources was favoured by the delegate from Turkey.
13. The representative of Poland expressed support for multi-year pledging but recognized that acceptance of it was a sovereign decision. Along these lines, the representative of the Federal Republic of Germany found it an option to be considered by those willing and able to do so. For some Council members (Japan, United States), multi-year pledging posed constitutional problems, particularly in terms of national budgetary machinery. The representative of Hungary summed up arguments opposing the measure by observing that most Governments, for one reason or another, could not commit themselves for several years. Furthermore, long-term commitments tended, in his view, to cause donors to freeze their level of commitment rather than increase it. The representative of Egypt supported the view expressed in paragraph 53 of document DP/1982/15, namely, that the appeal of multi-year pledging was limited at present but the method might gain greater acceptance as means of mobilizing resources for the "nearer term".

C. Replenishment

14. Opinion was divided as to whether UNDP should adopt a replenishment approach to resource mobilization. The representatives of Brazil, France, the Federal Republic of Germany, Japan, Romania and Venezuela spoke in opposition to such a method. The delegate from France admitted the attractiveness of the mechanism, but cautioned that it had proven fragile and that the reneging on commitments by one major donor could encourage others to do so. Experience led the representative of the Federal Republic of Germany to doubt whether UNDP could attain its current level of resources under the replenishment system. In addition to the difficulties with replenishment encountered by IDA and to the pragmatic considerations set forth in document DP/1982/15, the representative of Japan referred to parliamentary and other obstacles to implementation of the method. Discussion of the IDA, IFAD and other replenishment models required prior in-depth study by the Council in the view of the representative of Brazil; discussion of these models was premature in any case, since there would be no need to mobilize new and additional resources for UNDP if decision 80/30 were adequately implemented.

15. Delegations which expressed varying degrees of interest with respect to the replenishment option included those of Austria, Bangladesh, Canada, Denmark, Egypt, Finland, Malawi, Norway, Pakistan, Tunisia, Uganda and the United Kingdom. Most of these considered that careful study would be required before such a system could be implemented on even a trial basis. Other cautionary remarks were made. In the view of the representative of Austria, the greatest obstacle to the establishment of a replenishment system for UNDP would be the dramatic difference in existing levels of contributions. His delegation therefore considered the possibility of replenishment remote, but it would not rule out new guidelines for pledging operations, including a just system of burden-sharing with elements of a replenishment mechanism. The representative of Canada observed that the mechanism was not fully applicable to UNDP, particularly since his Government could not foresee any need for weighted voting within the Council; nevertheless, replenishment had other attractive elements and UNDP should move in this direction. The representative of the United Kingdom similarly referred to weighted voting and to the difficulty of introducing the procedure, given current pressure on aid funds, if its intention seemed to be that of binding donors to provide funds which they would not otherwise commit. On the other hand, if its intention were clearly to assure UNDP
resources rather than their automatic annual increase, the difficulties entailed might be less. The representative of India expressed similar concern, given the present climate, over the success of prolonged negotiations with "individual overtones," as would be required for establishment of a replenishment system. The Government of Norway found replenishment to be a good means of securing predictable resources for UNDP and was itself ready to accept the method but cautioned that it would not be realistic to expect general approval. The representative of Malawi wondered how the mechanism, which had been established mostly in lending institutions, could be adopted to accommodate the grant character of UNDP assistance.

16. The Government of Finland had repeatedly advocated that UNDP financing be placed on an IDA-type of arrangement in order to mobilize resources on a predictable, continuous and assessed basis. The necessary legal modalities and preconditions of such a system should be examined. It was hoped that consultations on the establishment of such a system would begin soon inasmuch as they were likely to be lengthy.

D. Assessed contributions and combinations of voluntary and assessed contributions

17. Discussion with respect to assessed contributions was extremely limited (Japan, Romania, United Kingdom). Whether by itself or in combination with voluntary contributions (Bangladesh), the option was unanimously opposed. The representative of Japan observed in this regard that compulsory assessment other than as provided for in the Charter and other basic legislation had met with opposition within the United Nations system. The representative of the United Kingdom specified that his Government's opposition extended to indirect as well as direct assessment. Indirect assessment should be understood as referring to "any increase in the technical assistance activities financed out of the regular budgets, and the assessed contributions of the specialized agencies, in an attempt to compensate for the reduction in voluntary funds being made available to UNDP."

E. Other options, specifically for UNDP or for development assistance in general

18. Of the other options suggested in DP/1982/15, only those concerning the revolving fund for technical co-operation and international taxation were mentioned during the high-level segment of the twenty-ninth session of the Governing Council.

19. The representative of Bangladesh stated that the applicability of a revolving fund was limited insofar as it would not meet the needs of the least developed countries; however, such a fund might encourage preparatory work on industrial and commercial projects in middle-income countries.

20. Opposition to international taxation was expressed by the representatives of Hungary and Turkey, the latter on the grounds of the parliamentary problems which taxation would create. The representative of Suriname, on the other hand, linked the need for automaticity in resource mobilization with international taxation and recommended that an in-depth study of the different modes of taxation described in document DP/1982/15 be undertaken.
III. VIEWS EXPRESSED WITH RESPECT TO ADDITIONAL AND ALTERNATIVE WAYS OF 
FINANCING AND PROVIDING DEVELOPMENT ASSISTANCE THROUGH UNDP AND THE 
FUNDS ADMINISTERED BY UNDP (DP/1982/35)

21. The report of the Administrator contained in document DP/1982/35 sets forth 
various suggestions as to how UNDP can make an enhanced contribution to meet the 
development requirements of the developing countries through the utilization of 
its structure and operational capacity. During the course of the Governing 
Council's twenty-ninth session, the document was referred to the Budgetary and 
Finance Committee for consideration. Section IV of decision 82/5, which was 
adopted on the recommendation of the Committee, sets forth the Council's 
resolution of certain issues contained in the report. The following section 
therefore summarizes only those remarks which pertain to the unresolved issues 
and proposals contained therein.

22. A number of representatives expressed interest in the Administrator's 
proposals. The representative of Finland remarked that they demonstrated the 
flexible and imaginative thinking which the present situation required. At the 
same time, it was also considered that the far-reaching nature of the proposals 
could have important implications for the mandate of UNDP. Detailed study of 
the proposals was therefore deemed necessary.

A. Cost sharing

23. Unresolved proposals presented in the Administrator's report under the rubric 
of cost sharing concerned the voluntary surrendering of IPFs by recipient countries 
in a position to do so and the establishment of a system of interest-free loans.

24. Limited mention was made during the course of the debate to the voluntary 
surrendering of IPFs as urged in Governing Council decision 80/30 and recalled 
in paragraph 13 of document DP/1982/35. One donor country (Japan) expressed 
admiration for recipients which had relinquished their IPFs either wholly or in 
part. The representative of Kuwait regretted that his Government's 
pioneering gesture had not been emulated by other developing countries. 
Similar regret at the failure to increase resources through this means was voiced 
by the representative of Barbados. In this context, reference was also made 
to increased third party project cost sharing as a means of augmenting the IPF 
funds available to needier countries (United Arab Emirates).

25. Little support was voiced for the concept of interest-free loans put forth 
in paragraph 14 of document DP/1982/35 during the high-level debate. The 
representative of the Federal Republic of Germany expressed reservations lest 
the proposal should take UNDP into banking operations. During the deliberations 
of the Budgetary and Finance Committee, the representative of the USSR stated 
that such an arrangement would turn UNDP to a commercial organization. His 
delegation opposed asking any country to repay assistance. Other members 
thought that benefits from the procedure would be minimal and slow and its 
implementation difficult.
B. Reimbursable procurement arrangements

26. One donor country (Switzerland) expressed support for reimbursable procurement arrangements (DP/1982/15, para. 15) as a means of utilizing UNDP structures to increase the flow of development assistance to recipient countries, provided the basic principles of UNDP were not jeopardized by this measure. Other members, during discussions in the Budgetary and Finance Committee, expressed support for the measure on the condition that normal UNDP procurement procedures were used. One member held that these services should be offered to recipient, but not to donor Governments. Other members requested further clarification of the proposal.

C. Trust funds

27. Several members commented on the proposals concerning the expanded use of trust funds. It was frequently observed that the principles involved in the measure would require careful study. The representative of Norway said that his Government would have preferred to avoid the use of trust funds but would accept it on a strictly controlled trial basis in view of the present financial situation. While basically supporting the concept, several Council members stated in the Budgetary and Finance Committee that no additionality of funds would result from it. One representative (Italy) considered that the proposal to set a ceiling on trust funds at 50 per cent of the donors' voluntary contribution to the central resources of UNDP would help preserve the basic principle of voluntariness; another, in contrast, considered the 50 per cent figure too high (Norway).

28. Serious reservations were expressed as to whether UNDP should accept trust funds conditioned by procurement from donor countries. Many members considered UNDP to be a unique organization which should not adopt such a practice. The Council did authorize the waiver of the relevant Financial Regulations for a limited, automatically terminating period of one year for UNCDF, UNSO and the United Nations Financing System for Science and Technology for Development, but did so in view of the particular operational characteristics of these programmes.

29. Executing agencies expressed reservations about several of the proposals made with respect to trust funds. The UNDP administration explained that none of the proposals would in any way affect existing arrangements for the execution of projects and selection of executing agencies.

30. The representatives of Austria and Turkey voiced support for suggestion that executing agencies should be charged for the services performed by UNDP field offices in support of the trust funds and other programmes of the agencies.

D. Management and other support services

31. Various delegations from developed and developing countries (Barbados, France, Italy, Malaysia, New Zealand, Switzerland, United Kingdom) commented on the proposal to have UNDP provide management and other support services to Governments for their bilateral programmes. It was stated that funds made available under a multi-bi arrangement of this sort should be limited in both role and volume; moreover, such funds should not come from a donor's voluntary contribution to the Programme's central resources (France). The extent to which donor Governments...
should pay for such services required careful examination (United Kingdom).
Implementation of the proposal on a provisional basis, with a review to follow
after several years, was supported by Italy.

32. Considerable concern relating to the proposal was voiced in the Budgetary
and Finance Committee. Provision of management services to bilateral donors
might interfere with the central co-ordinating role of the resident representatives
and co-ordinators in the view of some members. One member observed that the
independence of UNDP programmes would be lost if UNDP played the intermediary
between third party donors and recipients. Another expressed concern that
implementation of the proposal might encourage UNDP to expand its activities in
project execution. Another member cautioned that management services might prove
too rewarding financially to UNDP and the Programme's regular work might be compromised
as a result. The Committee agreed that the proposals should be studied further.

IV. OTHER MATTERS

33. Repeated reference was made by Council members during the debate to the
continuing validity of the principles contained in the Consensus of 1970. At
the same time, it was frequently mentioned that the goals envisaged in the
Consensus had not been fully realized; on the contrary, in recent years the
Consensus had been increasingly challenged. UNDP, in the view of various
dellegations, should be able to adapt to changing circumstances, even if this had
consequences for the way in which its mandate was implemented. The delegate from
the Netherlands cited decision 80/30, whereby 80 per cent of UNDP funds are to be
allocated to countries with a per capita GNP of less than US$500, as an example
of the Programme's ability to adapt to changing circumstances even though the
change effected by this decision, in his opinion, might eventually affect the
principle of the Programme's universality. Various delegations expressed the view
that UNDP was facing problems of structure as well as of resources and that a
certain reinterpretation of parts of the Consensus was needed (Canada, Denmark,
Fiji, Finland, Japan, Netherlands, Switzerland, United States). This review should
"seek such adjustments as may be deemed desirable to give new impetus and strength
to the Programme" (Denmark). Calling for "new understandings and commitments -
above and beyond those of the Consensus," the representative of Canada emphasized
that a new accommodation had to be worked out between participating states if the
Programme were to continue on as both vital and relevant. Several delegations
linked a revised system of funding, or even increased contributions under the
existing system, to a reappraisal of the operating policies and procedures of
UNDP (Canada, Fiji, Japan, Switzerland). Greater involvement of all Council
members in UNDP policy planning, programming and evaluation activities was
called for.

34. Several donor countries expressed specific interest in taking a more active
part in the country programming process. Various observations were made in this
regard. The collective wisdom and experience of Council members could contribute
to the review of country programmes (Netherlands). Approved IPFs might be brought
more in line with cumulative indications of donors' ability to contribute (Canada).
The degree to which UNDP projects should emphasize priority sectors was questioned,
as was how such emphasis could be reconciled to the Programme's multisectoral and
universal character (France). The representative of Sweden suggested greater Government
interest in discussions on the criteria for the acceptance of projects as well as in the reporting and evaluation of activities.

35. Certain comments made with regard to greater involvement by Council members related more directly to upgrading the work of the Council itself. The representatives of Sweden and Switzerland suggested that the consideration of country programmes could take a different form: one week was hardly sufficient for the serious examination of 74 programmes. The attempt to do so, in the view of the Swiss delegation, brought the Governing Council's ability to manage its own affairs into question. The limited possibilities to review programmes and policies in detail could be attributed to the lack of an "executive board" type of body (Finland). The representative of Canada spoke in this connection of an open-ended Governing Council consisting of all members of the United Nations which would meet one week each year for a high-level debate while a more restricted body, such as the present Council, would meet more regularly throughout the year to transact the Programme's normal business. The representative of Belgium supported modification of the Council's working methods provided subsidiary organs as well as administrative tasks and expenses did not multiply and direct contact of UNDP with the capitals of member countries was maintained.

36. The Administrator's intention to initiate a study concerning the establishment of an independent evaluation unit reporting directly to the Council was welcomed by many developing and developed countries. Various delegations viewed evaluation as an important adjunct of project monitoring. Such a unit would help the Governing Council to better judge how UNDP resources were used and would give major donors a clear picture of how their contributions were used (Bhutan). The representative of the Netherlands considered it imperative to secure independent evaluation not only to demonstrate the degree to which UNDP was implementing its mandate but also to provide material for a fundamental assessment of the Programme's future role. The Administrator's study should therefore consider various options with respect to the evaluation unit. The representative of New Zealand supported the proposal but advised that costly administrative structures be avoided. The representative of the United States also supported strengthened evaluation, but was sceptical about having the unit report to the Council; in his opinion, evaluation should be a co-operative endeavour between UNDP and the recipient Government in search of the lessons of the past. The Governing Council, however, should pass judgment on implementation of the evaluation process and receive the resulting reports, which could help donors make their budget decisions.

37. Information was a frequently mentioned link between resource mobilization and institutional review, including evaluation and the increasing participation of Governments in operational policies and procedures. The information provided through evaluation would allow Council members to better identify with the Programme, to defend its cause in public fora and strengthen the support accorded it (Switzerland). Reference was made to the need for better exchange of information at the field level among UNDP, Governments and agencies so as to improve the efficiency and effectiveness of development co-operation (France). The Governing Council should welcome a better informed public and parliamentary opinion (Uganda). The representative of Ecuador described information as a powerful force in the development effort, particularly in terms...
of its potential for mobilizing public opinion in favour of greater support of development activities. In this regard, he also noted that development and information activities within the United Nations system should be more closely co-ordinated.

38. Various delegations referred to the "image problem" of UNDP. Because of its role as a central funding agency and its multisectoral approach to development, the Programme was frequently not clearly identified with the activities it supported. (Canada, Finland, United Kingdom); the relative isolation of donor Governments from the programming procedures, implementation and evaluation processes of UNDP also contributed to the problem (Canada). The Administrator's efforts to meet with parliamentarians had proven most valuable in fostering wider appreciation of UNDP (United Kingdom).