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GOVERNING COUNCIL

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SUMMARY RECORD OF THE 26th MEETING

Held at the Palais des Nations, Geneva,  
on Friday, 8 June 1990, at 3 p.m.

President: Mr. POPESCU (Romania)  
later: Mr. BABINGTON (Australia)

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The meeting was called to order at 3.05 p.m.

HIGH-LEVEL SEGMENT: POLICY REVIEW (continued)

1. Mr. SENE (Observer for Senegal) said that, at the threshold of the 1990s, UNDP faced many even more formidable challenges than during the previous decade. As the most recent report of the Economic Commission for Africa emphasized, most of the socio-economic indicators in Africa had declined between 1980 and 1989: per capita income, gross fixed capital formation, volume of imports, commodity prices, unemployment and indebtedness had all fallen. At the recent summit conference in Kuala Lumpur (Malaysia), the South-South Consultation and Co-operation Group had also made the point that, despite the sustained growth of international trade and world production over several years, the great majority of developing countries had stagnated or regressed during the 1980s.

2. In those circumstances, his delegation considered it vital greatly to increase UNDP's resources for the fifth programming cycle. He appealed to potential donors to ensure that UNDP had at least sufficient resources to maintain the indicative planning figures (IPFs) for the fourth programming cycle in real terms. His delegation endorsed the views of the delegation of Switzerland regarding the guiding principles for allocating programmable resources for the fifth cycle.

3. Furthermore, as the African ministers of development planning had said in 1988 and 1989, UNDP should ensure increased funding through resources other than those it had to allocate to basic activities. That would enable it to strengthen its co-ordinating role and support capability and reduce the channels for providing aid within the United Nations system. To marshal those new resources, the Programme should organize joint programming with the other United Nations agencies and bilateral partners.

4. During the fifth cycle also, the effectiveness of country programming should be improved in a real spirit of partnership. In order to do so, country programmes should focus on a few priority sectors and projects which could have a particularly strong impact; at the regional level, national leaders should be trained in UNDP policies and economic management activities, and to an increasing extent projects should be executed directly by Governments; non-governmental organizations (NGOs) should be involved more widely in project execution and in order to improve the project preparation and approval process, the co-ordinating role of resident representatives should be reinforced, together with the operational and technical capacity of field offices; lastly, UNDP should draw more and more on the skills of national experts. The main thrust of any action should essentially be to promote the private sector, environmental protection, population control, integration of women in development and co-operation among developing countries. If those conditions were satisfied, UNDP could really attain the ultimate goal of development which, as the representative of the Netherlands had said, should be "development of man, by man and for man".

5. During the present session, UNDP should also take decisions on two essential aspects of its future work. The first, the transfer of project execution to Governments, was an option that his delegation supported unreservedly. However, the process should be gradual and its pace geared to the development management capabilities of each country. The time-limit set should therefore be reconsidered, because 1992 seemed too close.

6. The second aspect concerned the reimbursement of support costs to executing agencies. On that score, his delegation agreed with the delegation of France that the solution lay in replacing the project approach by the programme approach. The programme-centred approach would ensure real savings of resources and harmonize the work done within each sector. Such an option would undoubtedly involve certain costs, and efforts would have to be made to mitigate its adverse effects.

7. Mr. TOUKAN (Observer for Jordan) said it was beyond dispute that UNDP promoted the development of third-world countries. The aid that Jordan had received, particularly in the form of transfer of technology, though small, had boosted the country's development. During the fourth cycle, UNDP would have contributed to the funding of a good 30 projects, including the development of human resources and also covering production, science and technology, as well as the exploitation of natural resources.

8. In preparation for the fifth programming cycle, the Jordanian authorities, together with the UNDP Resident Representative in Amman, had carried out a mid-term review in order to determine whether, in the light of the changes that had taken place in Jordan, the goals set at the start of the previous cycle were still valid and whether they could serve as the basis for new priorities. It had turned out that those sectors which had received UNDP assistance during the fourth cycle were still priority areas and that the various programmes and projects were being executed satisfactorily. However, a number of administrative measures were required, such as the formulation of a genuine development strategy for science and technology and the establishment of an institutional framework in the key sector of water. The priorities needed to be modified, in particular in order to remedy joblessness among qualified people and to adjust supply and demand on the job market, or to speed up production, so as to generate a better import-export balance.

9. His Government hoped that UNDP would raise the IPF allocated to it, since the mid-term review had shown that some of the projects adopted at the beginning of the cycle had not been implemented for lack of resources. Furthermore, despite its present financial difficulties, Jordan intended to maintain the level of its voluntary contribution. It sometimes contributed the entire cost of a project, and unreservedly supported the view that recipient countries should be able to play an active part in project execution.

10. Referring to the situation in the developing countries as a whole, he agreed that the overall picture was a negative one: socio-economic problems had worsened as the debt burden had grown heavier, and debt servicing was overwhelming. The decline in foreign and national investment was reducing earnings and accentuating balance-of-payments deficits. Furthermore, a large number of developing countries had adopted a structural adjustment programme which was in the short term causing their currency to decline in value, and the financial austerity which had become a necessity was inevitably leading to a reduction in social and economic expenditure, whereas the market mechanisms only began to produce tangible results after a rather long time. Consequently, in the short run, structural adjustment triggered more unemployment and created new pockets of poverty. The United Nations system should shoulder responsibility for some of the necessary remedial measures.

11. For example, structural adjustments seriously eroded per capita income, which was the most important criterion used in setting IPFs. Logically,

therefore, the volume of resources allocated to countries through the IPFs should be increased for the fifth cycle. However, the parameters used were often the averages established over a two-year period, which made no allowance for any recent devaluation of the currency in relation to the dollar, and the increase in resources allocated was curbed accordingly. Similarly, certain relative inflation indicators were disadvantageous to countries which, in 1987 and 1988, had shown inflation below that of the United States. Other countries would be in an unfavourable position because their share of IPFs which was set on the basis of the supplementary criteria would be lower than it should be. For those practical reasons, the Administrator should revise the method of calculating IPFs.

12. For several years, the countries of the Arab region had appreciated the value of regional co-operation for development, as demonstrated by the establishment of an economic union between Egypt, Yemen and Jordan, and the creation of the Co-operation Council for the Arab States of the Gulf. Those groups represented a step towards genuine economic integration. But external aid was still essential for them and, there again, he hoped that UNDP would take needs into account.

13. Development planning would never be perfectly satisfactory in the region as long as the Palestinian people was unable to exercise its right to self-determination. He earnestly hoped that the Governing Council would authorize the Administrator to increase the volume of resources earmarked for the Palestinian people.

14. Mr. DRAPER (Administrator, UNDP) summed up the general debate and the guidelines for UNDP action that had emerged from it.

15. There was no doubt that the Governing Council was unanimous in acknowledging the need to rethink development and give it direction, not only from the standpoint of economic growth, but also from that of the everyday life of the individual. The need to make the operational activities of the United Nations development system more effective and to improve their quality was no longer in dispute.

16. After 40 years of multilateral technical co-operation, genuine progress had indeed be made, but vulnerable groups had also been created - women, unemployed young people and children. Consequently it was more essential than ever to invest in human resources. He thanked delegations for having complimented UNDP on the publication of the "Human Development Report, 1990"; some had already offered to contribute to the human development policy analysis and the identification of methodologies for its measurement.

17. Many delegations had contributed to the clarification of UNDP's socio-economic objectives for the years ahead. The Programme's objectives and mandates were particularly relevant in the context of Africa. Many speakers had endorsed UNDP's plan to continue assisting African countries in strengthening their economic management capability and acquiring the requisite institutional capacity to undertake the necessary administrative reforms. That was a long-term task which needed to be carried out more urgently in the least developed countries.

18. Referring to the issue of the environment, he welcomed the recognition of UNDP's role and of the need for international co-operation in that area. The

Secretary-General of the United Nations Conference on Environment and Development had emphasized the important role being played by the UNDP resident representatives in preparing for the Conference.

19. Delegations had paid special attention to the need, in all UNDP activities, to take account of women and their potential role, especially in programmes to alleviate poverty and the social costs of adjustment. Several delegations had emphasized the importance of NGO activities and had welcomed UNDP's support for them. Many had restated their support for TCDC and for the United Nations Volunteers Programme. A number of delegations had welcomed the increasing attention paid by UNDP to strengthening the role of the private sector as a catalyst for growth.

20. As to preparations for the fifth programming cycle, there were differences of view on the likely level of increase in general resources, but there was undoubted unanimity regarding continuing and increasing needs in the developing countries for additional technical co-operation. With the daunting list of needs and problems to be solved, he regretted the lack of certainty regarding the real growth of the Programme's resources, although virtually all delegations had emphasized that they needed to be increased. Several delegations had linked that question to that of confidence in the quality of UNDP's programmes. In his opening statement, he had drawn the Council's attention to the fact that UNDP's methods of managing programme and project execution and the total support system that facilitated that delivery would be reviewed. There were four principles which summarized UNDP's concern about efficiency and accountability: (1) arrangements should be designed to meet the needs of the developing countries in the best possible way; (2) they should encourage full utilization and strengthening of national capacity; (3) they should enhance programme and project quality and cost effectiveness, partly by facilitating the adoption of a programme approach; and (4) they should reflect partnership within the United Nations system.

21. All delegations were clearly aware of the critical link between national execution, self-reliance and sustainability. In that connection, some delegations envisaged an evolution in the role of executing agencies, noting that government execution combined with continuing agency involvement was a very compatible and cost-saving arrangement. The renegotiation of the support-cost arrangement offered an opportunity to improve the efficiency of assistance provided by the United Nations system. It was possible to discern a common understanding that some kind of change was needed to reinvigorate the United Nations technical co-operation system, while at the same time maintaining and strengthening the tripartite relationship.

22. Another common thread in delegations' statements was the recognition given, in accordance with General Assembly resolution 44/211, to decentralization, enhanced country-level co-ordination, use of the programme approach and enhanced national execution. The proposals submitted to the Governing Council had been drafted in the spirit of that resolution. Concerning the new arrangements for support costs, the real issue was to use the voluntary contributions to UNDP in the most cost-effective and efficient manner possible. The other major question to be debated by the Council was the goal of national execution, which should be attained as quickly as possible. The time had come to act and to act decisively.

23. The present session of the Council could be a landmark in the history of the United Nations technical co-operation system, bearing in mind the fundamental issues raised and the decisions to be taken. Once they were taken by the Council, they would be scrupulously implemented by all UNDP personnel.
24. The PRESIDENT said that the statement by the Administrator brought to an end the high-level segment of the Council's debate. He was convinced that the debate would provide a firm basis for the negotiations which were about to begin on preparations for the fifth programming cycle. Important statements had also been made about assistance programmes in Africa and Latin America, the programme of assistance to displaced persons, refugees and returnees, the review of funds and programmes, and matters relating to UNDP management and administration.
25. Most delegations had felt that the publication of the "Human Development Report, 1990" represented a major contribution to the dialogue on the development of human resources. The questions of the environment and development, women in development and the problem of drugs had also been raised on several occasions. Several speakers had provided useful information on future programming needs of their respective regions and countries. In order to meet those needs, major financial and intellectual resources would be needed. UNDP's comparative advantages had been referred to by many speakers, who had asserted that the Programme was particularly well placed to meet many of those formidable challenges. Most participants had referred to the population issue and the excellent results achieved by UNFPA. Those issues seemed to have taken on decisive importance for the Council, and important decisions had already been prepared on that subject by the drafting group.
26. In their statements, many delegations, including some from donor countries, had stressed the need for a substantial increase in resources. Whatever decisions the Council took on that question would certainly help to facilitate the mobilization of those resources.
- PROGRAMME PLANNING (agenda item 5)
- (c) PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE AND NETT CONTRIBUTOR STATUS (DP/1990/43 and Add.1 and 2).
27. MR. DRAPER (Administrator, UNDP) said that the documentation on the preparation of the fifth programming cycle had been prepared in response to Council decision 90/4, which had called for a synoptic table of the debates of the extraordinary session held in February, as well as information on the supplementary criteria for determining IPFs. The introduction of that agenda item marked the final phase of preparations for the fifth cycle. In the interim, members of the Council had been provided with four reports dealing with the various possible options for the use of resources during the period 1992-1996. A series of informal consultations had been held, during which several key issues had been raised.
28. The level and growth of voluntary contributions during the next cycle would be a measure of the confidence that Governments placed in UNDP's technical co-operation programme. He believed that the minimum level of resources for the fifth cycle should reflect growth in real terms for the Programme, which in 1990 would be at the highest level ever achieved. Continued real growth was essential if UNDP was to maintain its leadership in

multilateral co-operation. He therefore repeated his appeal to double the size of UNDP's technical co-operation programme in the fifth cycle. That would require at least 16 per cent of annual growth of voluntary contributions, and he called upon all contributing Governments to spare no effort in meeting that goal.

9. The amount of resources to be centrally managed was another critical issue, because the programmes and initiatives undertaken with those resources served as a catalyst for new activities which often resulted in follow-up financing from the IPF or other resources. If UNDP was to continue to be a catalyst for technical co-operation, adequate resources would have to be provided for research, evaluation, innovative approaches and initiatives which promised programme and project enhancement. He had therefore proposed that 300 million should be authorized for Special Programme Resources (SPR) to finance various activities - disaster relief, support for TCDC, assistance to the Palestinian people, round tables, etc., as well as new initiatives at the regional and national levels to deal with poverty and environmental management. Centrally-managed resources also offered a valuable mechanism for programme integration. For example, earlier in the year, the High-level Committee on TCDC had reiterated its recommendation to allocate at least 5 per cent of funds for regional, interregional and global IPFs to TCDC activities. SPR financing for TCDC activities in the fourth cycle had amounted to over \$10 million. He proposed an increase of \$5 million in the fifth cycle, in response to the High-Level Committee's recommendation.

10. A third major issue involved the distribution of IPF resources. The General Assembly and the Governing Council had reaffirmed the need for priority allocation of those resources to the execution of programmes and projects in low-income countries, particularly the least developed countries. In that context, he reminded the Council that a significantly increased level of resources for the fifth cycle was vital, failing which the needs of one group of countries could only be satisfied at the expense of those of another group. That was certainly not the intention of the Assembly or the Council, because the principle of universality in UNDP programming was essential to the integrity, diversity and strength of the development process.

31. The Council had other important issues to consider, such as the distribution ratio between country and inter-country IPFs, the use of special drawing rights, the level of the operational reserve, the resources to be allocated to certain programmes such as special industrial services and sectoral support, as well as the difficult issue of net contributor countries. During the 1990s an opportunity was afforded to reorder budget priorities, reverse the trend of the past few years to a negative net transfer of resources to developing countries, and keep technical assistance, human development assistance and financial assistance in step.

32. Mr. M. GEPP (Brazil), speaking on behalf of the Latin American and Caribbean countries, explained the views of those countries on document DP/1990/43. Those views could be summarized in the following manner: (1) support for maintenance of the floor principle as established by decision 85/15, and of IPF levels in real terms; (2) support for maintenance of the present proportion of resource allocation between country and inter-country IPFs (81 per cent:19 per cent), and of the present distribution between the poorest and middle and low-income countries (80 per cent:20 per cent); (3) maintenance of the basic criteria for the

allocation of resources to reflect the real situation of countries, and of the supplementary criteria, which should be improved. However, those criteria should not distort IPF calculations. Although the countries of the region attached great importance to the "Human Development Report", they considered that the human development index should not be taken as a supplementary criterion until its methodology and data were improved; (4) SPR-financed activities should be based on the development priorities of recipient countries. In that sense, the countries of the region favoured strengthening those resources for natural disaster programmes, TCDC, the Special Plan of Co-operation for Central America and crop substitution. However, any increase in SPRs should not affect country IPFs; (5) it was imperative to find a solution for the net contributor countries that took account of the deterioration of their economic situation. Net contributor status should not lead to a reduction of national IPFs.

33. The countries of the Latin American and Caribbean region endorsed the intention to give greater attention to extreme poverty affecting the least developed countries. Nevertheless, as most donor countries had stated during the high-level segment of the debate, the prospective increase in voluntary contributions was around 6 per cent. Realism was needed, because there would be practically zero growth in UNDP resources for the next cycle. In order to maintain the floor principle, there should be a 16 per cent increase in the nominal value of voluntary contributions, or a 10 per cent increase in real value. His region should not be penalized by a cut-back in resources to be allocated, which would once again signify the curtailment or cancellation of UNDP programmes in the region.

34. Mr. EL-FERJANI (Libyan Arab Jamahiriya) said that member States should seek primarily to reaffirm UNDP's universality and neutrality and the principle of fair and equitable distribution of resources. The new supplementary criteria proposed should be examined thoroughly. The criterion of the interim period was vague and complex, and should be defined more precisely. Clarification was needed as to whether it was intended to move from one economic system to another, or whether a period of reform and restructuring measures was envisaged. With regard to the external debt criterion, realism was needed in determining the actual size of each country's debt. The new social indicators proposed appeared inadequate; others could be added, such as the role of women in development and the involvement of the population in development. As far as the indicators relating to the environment were concerned, drought and desertification, which were besetting certain countries, should be taken into consideration.

35. His delegation associated itself with the consensus on the choice and establishment of criteria. There again, it was important to take particular account of the LDCs. In addition, the increase in SPRs should not affect those countries' indicative planning figures.

36. On the question of net contribution status, he referred members of the Council to decision 85/16, which provided that as from 1987 the Administrator would determine the difference in each year between (a) the contributions paid by each Government both to the Programme and the cost of the local office, and (b) the IPF. That decision had abolished neither voluntary government contributions nor the sharing of local office costs.



37. To distinguish between the obligation to contribute to the financing of local office costs and the obligations deriving from net contributor status, the Administrator was guided by legal instruments such as the basic Standard Agreement and Council decisions other than decision 85/16. It should be borne in mind that some of those legal instruments had been drafted to take account of the sharing of local office costs. What the new proposal was asking for was a review of the entire Standard Agreement. He drew the Council's attention to the consequences of that proposal if, for the purposes of the application of net contributor status, the Administrator henceforth negotiated agreements with countries to ensure that they met all local costs; if those negotiations did not lead to an agreement, he would close the field offices in question and provide reimbursable services to those countries from other field offices.

38. Mr. KELLER (France) said that the decisions to be taken by the Council regarding the fifth programming cycle would be crucial for the future of UNDP. As his delegation had already stated, a 6 per cent annual increase in resources seemed to be the most acceptable assumption. During the fifth cycle, UNDP would have to concentrate on the LDCs, whose situation had deteriorated seriously over the years and needed special attention, ad hoc programmes and increased resources. That did not mean that his delegation felt the other developing countries should be excluded from UNDP assistance; it was fully aware that many of them were still facing serious problems and would therefore need international aid. The LDCs were nevertheless in a special situation because they had deep-seated structural difficulties which called for urgent measures. His delegation therefore felt that a major effort must be made to assist them during the fifth cycle, and it was with that in mind that it was proposing that those countries should receive 60 per cent of the resources allocated to national IPFs. He hoped that the other recipient countries would, in a spirit of solidarity, agree to a reduction of their share.

39. That reduction could, however, be offset in different ways. If, for example, during the fifth cycle UNDP received a volume of resources which exceeded the 6 per cent target, the extra amount could be earmarked for regional programmes rather than being distributed among country IPFs. Furthermore, a part of Special Programme Resources (SPRs) could be devoted to those countries which, within the framework of appropriate programmes, were anxious to grapple with the problems of poverty and environment or the strengthening of TCDC. As it had already said in a recent statement, his delegation was very much in favour of UNDP and all executing agencies promoting that form of technical co-operation. For that reason it supported an increase in SPRs if they were allocated to specific programmes or themes. It would have no objection if the share of SPRs came to around 8 per cent of total UNDP resources allocated to operational activities, but it could not endorse the Administrator's proposal that SPRs should be increased to \$300 million. On the other hand, it could support his proposal to earmark 80 per cent of operational resources for country IPFs and 20 per cent for regional and global IPFs.

40. The supplementary criteria to be used during the fifth cycle should be few in number, quantifiable, transparent, non-controversial and fully in keeping with the wish expressed by recipient countries to find effective solutions for their development problems. His delegation was in favour of the strict application of net contributor status.

41. Mr. ÜGC (Observer for Turkey) said that universality was one of UNDP's guiding principles; the various scenarios proposed would make the Programme a special fund for the benefit of a certain group of countries. Although there was no denying the great needs of those countries, it should be recognized that such a decision would bring a host of problems in its wake.
42. Experience had shown that the most important factor in ensuring development was the use of human resources. It had also been demonstrated that international co-operation and assistance were the most effective means of ensuring development as long as a proper balance was maintained between physical and human investment.
43. Any increase in IPFs of between 4 and 6 per cent would mean that they remained at a standstill. In such circumstances, it was not easy to understand the rationale for reducing resources to be allocated to countries which had a higher economic and human potential and had performed well in the process of economic and social development. His delegation considered that the best approach would be to maintain the principle of universality, while giving more assistance to the LDCs. In the allocation process, it would be better to maintain the basic criteria and keep use of the supplementary criteria to a minimum (scenario C2 of document DP/1990/8), especially since the data for the latter were not very accurate and some were not likely to be universally accepted. The inclusion of supplementary criteria for resource allocation could only be justified if there were a rise in total resources in real terms of not less than 4 per cent. Having said that, his delegation felt that human resource development should be considered less as a criterion than as a high-priority area to which each developing country, and particularly the LDCs, should adjust their respective development plans and programmes. In that context, Turkey would continue to play an active part in the implementation of TCDC and the TOKTEN programme. It was also in a position to play a more active role in many regional activities.
44. Regarding the proposed rise in the share of SPRs in total resources, he endorsed the Administrator's proposal. He also supported the idea that preference should be given to environmental and poverty-alleviation activities.
45. Mr. Babington (Australia) took the Chair.
46. Mr. RADE (Netherlands) said that on the question of the growth scenario, his country would certainly be in favour of a substantial real increase in resources, since the needs of the developing countries were far greater than the means currently at UNDP's disposal. However, it had become obvious during the consultations that a high growth scenario would not bring one more dollar to UNDP and was, on the contrary, likely to create planning difficulties. Consequently, his delegation felt that a 6 per cent growth rate would be the most workable scenario.
47. Concerning the allocation of resources to country IPFs and other UNDP activities, his country's position would depend on the outcome of the discussions on a more thematic approach. UNDP resources were too limited to be scattered over too many programmes, but it was clear that human development would have to be at the heart of UNDP's activities, with themes such as the environment, poverty alleviation and women in development. If it proved difficult to establish a clear link between country IPFs and such themes, a substantial increase in funds for those themes could provide a means of strengthening the focus of UNDP activities.

48. An agreement on the distribution of IPFs among recipient countries would not be easy, which was only normal since each country had valid reasons to ask for more resources. However, given the scarcity of resources, they would have to be concentrated on the poorest countries. Obviously such an approach would imply the discontinuance of the floor principle, which should be abolished anyway.

49. Linked to that issue was net contributor status, which in the opinion of his delegation should be maintained. On the use of supplementary criteria he shared the view that the human development index might provide a valuable yardstick in the future. It was perhaps not possible to use it in the fifth cycle. As to the other supplementary criteria, his delegation favoured their discontinuance because their use would greatly complicate operation of the fifth cycle.

50. He would like to know UNDP's reaction to the three conclusions of the IMF consultants on the possible adoption of SDRs as units of account. First of all, the suggestion was made that UNDP's basic strategy on investment might be strengthened by the adoption of SDRs as units of account; secondly, further study should be made of the costs involved in using a more stable unit of account; finally it was suggested that the use of SDRs should be extended to other United Nations agencies.

51. Lastly, he referred to the scenarios presented in document DP/1990/43. In the informal consultations, he had raised the issue of the percentages used in scenario 6. In that scenario, the IPFs were calculated according to decision 85/16, whereby 80 per cent of resources were allocated to countries with a per capita GNP of less than \$US 750. However, those countries were already receiving 83.6 per cent of resources. Furthermore, using an 80:20 distribution would give 20 per cent of resources to a group of countries which was currently receiving only 16.4 per cent. That would obviously pre-empt negotiations in the Council, and for that reason his delegation was formally requesting the Administrator to provide a version of scenario 6 using an 83.6:16.4 distribution.

52. Mr. AL-FARSI (Observer for Oman), referring to the application of net contributor status to his country, drew attention to the development and restructuring efforts made by the Sultanate in order to acquire a basic infrastructure, mainly through UNDP technical assistance. However, while Oman had over the past 20 years managed to reach a certain level of development, it still had numerous unsolved problems. The most serious obstacles to its development derived from its size, topography, lack of skilled manpower and raw materials, and dependence on a non-renewable resource, oil.

53. Oman had had difficulty in agreeing to Governing Council decision 85/16 because it regarded it as contrary to the spirit of General Assembly resolution 26/88, which stressed the voluntary nature of contributions to UNDP.

54. Since the GNP had declined with the drop in oil prices, Oman had been forced to cut back public expenditure, which had jeopardized execution of many development projects. It was therefore unable to increase its contribution, especially as it had not yet completed the establishment of its infrastructure.

55. At the previous session of the Governing Council, his delegation had proposed that net contributor status should depend on criteria which reflected

more accurately the capacity and development needs of countries in respect of basic services. Other proposals had also been put to the Council. The first of them was that net contributor status should be discontinued, that the per capita GNP threshold should be maintained, and that new criteria should be added to evaluate a country's situation. Oman's per capita GNP was \$US 2,495, a figure below the threshold of \$US 3,000. Moreover, its situation was aggravated by the essentially rural nature of its population, who primarily lived on very primitive methods of agriculture and fishing. In addition, the rise in the level of education had only taken place over the past 20 years, and the illiteracy rate among women was still very high. Lastly, economic growth had slowed dramatically because of the drop in oil prices, so that export earnings had declined by more than 25 per cent, forcing the country to undertake structural adjustment of its economy.

56. Another proposal was to increase the number of net contributor countries, to eliminate the per capita GNP threshold and to keep field offices only in those cases where the host country took responsibility for their cost, in his view, that proposal was contrary to UNDP's underlying principle of universality.

57. In accordance with the proposal by the delegation of Switzerland, the IPF of countries whose per capita GNP was higher than \$US 1,500 per annum should be set at \$1 million and that field offices should only be set up where UNDP annual expenditure exceeded \$2 million. The Administrator had said that the implementation of Governing Council decision 85/16 concerning local office costs in particular had proven to be complex, politically sensitive and administratively difficult. His delegation supported the Administrator's proposal to maintain the offices in those countries whose IPF was regarded as minimum in relation to office local costs. He stressed the negative effects of the Swiss proposal and particularly its restrictive financial perspective, which was contrary to the principles underlying UNDP activities. The developing countries needed technical assistance, and hence a field office responsible for administering the relevant programmes. He therefore urged the Governing Council not to take any decision which would have detrimental effects on countries for which UNDP was one of the most important sources of technical assistance.

58. Mr. SALMAN KAMAL (Observer for Bahrain) drew attention to the serious obstacles faced by island developing countries: their small size, deterioration of the environment, inadequate natural resources and, in some cases, an economy completely dependent on a single resource which was exhaustible and non-renewable. In those circumstances, the Governing Council should devise ecological, geographical and socio-economic criteria which made allowance for the specific situation of the countries concerned. At the very least, their net-contributor-status obligations should be waived. Furthermore, given the role of the field offices and the specialized knowledge they could bring to the developing countries, he firmly rejected any idea of linking the retention of field offices to observance of net contributor obligations. Such a move would be incompatible with the provisions of Governing Council decision 85/16.

59. Mr. ZHANG Guanghui (China) observed that development needs were enormous whereas the resources available to meet them remained clearly inadequate. It was therefore essential that UNDP should be given the means to provide the developing countries, during the 1990s, with more assistance than in the

past. To set the annual growth rate of voluntary contributions at 6 per cent was to condemn the Programme, through inflation, to maintaining its activities at a level equal to or lower than that of the fourth programming cycle.

60. Regarding the criteria governing resource distribution, he considered that the principles set forth in Governing Council decision 85/16 were fair and that the floor principle, inter alia, should be maintained - so that the volume of IPFs would not fall below their fourth-cycle level, together with the two basic objective indicators of population and per capita GNP. With regard to technical assistance, UNDP should give priority to those countries whose per capita GNP was below \$375. On the other hand, it would be unfair not to give a more favourable weighting to those countries whose population was greater than 1 million. The bulk of programmable resources should be allocated to country IPFs, and the ratio of country to inter-country IPFs should remain unchanged, as should the relationship between basic criteria and supplementary criteria.

61. The amount of Special Programme resources had been \$189.5 million for the fourth cycle, and the Administrator had proposed that it should be increased to \$300 million for the fifth cycle, which would be equivalent to raising it by 42 per cent. Since the activities which it was suggested should be financed by those resources were not clearly stated, he wondered whether such an increase was advisable. It would, in his view, be better to keep them at the level set for the fourth cycle and distribute them more rationally, earmarking a larger proportion for relief and recovery operations after natural disasters, the expansion of TCDC, environmental protection and, above all, the Special Industrial Services programme. He urged delegations to find common ground on all those issues so that a programme satisfactory to all could be devised.

62. Mr. WARD (Canada) considered that amendments should be made to the basic principles governing the allocation of resources in order to enable UNDP effectively to address the issues noted in the "Human Development Report". Firstly, the flow of resources to the least developed countries should be increased, but he was not convinced that that categorization should be formally integrated into the allocations framework. In the absence of an agreed indicator of technical assistance needs, the Governing Council was compelled to rely heavily on per capita GNP and population data. As to the formula for calculating country IPFs, he would agree to limiting the population size to be taken into account, but felt that 100 million was too low. Similarly, he could endorse eliminating the supplementary criteria, which should in any case be streamlined. The basic data on human development were not yet ready for use as an indicator.

63. UNDP should remain a global programme: however, during the fourth cycle, the countries in the Latin American and the Caribbean region had received only 9.6 per cent of country IPF entitlement. Their share could hardly be reduced further, for otherwise it would not be possible to retain a realistic profile in the region.

64. A third preoccupation of his delegation was that the floor principle should be carefully reviewed. It was based on historic entitlements and prevented UNDP from responding to evolving needs, even where the increase in resources was modest. In addition, measures should be taken to simplify

resource management and to facilitate the graduation of assistance given. The present system relating to net contributor status presented difficulties and must be re-examined.

65. On other key issues, he felt that the share of global and interregional programmes should be increased, if necessary by reducing regional programmes, in order to protect country IPFs and partially finance a centrally-managed pool for specified thematic use. Such a pool was compatible with the approach set out by the Administrator for the funding strategy and would facilitate participation in the Programme by countries which were no longer entitled to a sizeable country IPF. His delegation supported the Administrator's proposal on SPRs and felt that even more resources should be allocated to them, including adequate resources for the management development facility. Overall, it was becoming essential to reinforce the substantive links in the various elements of the operational programme, whether national or inter-country activities, activities financed through the Programme's special resources or other centrally-managed funds.

66. Lastly, because of financial stringency in Canada, at least in the short term, it could not recommend a growth rate assumption of more than 6 per cent per annum for voluntary contributions.

67. Mr. ROHNER (Switzerland) observed that if UNDP wanted to continue to play a significant role in international development co-operation and to mobilize growing voluntary resources for that purpose, it should concentrate the bulk of available resources on the least developed and other low-income countries which were in greatest need of technical assistance, and meet the new and pressing needs through thematic programmes. The universality of the Programme should be maintained, but the specificity of its contributions to the development of recipient countries should be enhanced. If UNDP was to be able to meet the challenges of the 1990s, it must take decisions which went beyond the framework set by Governing Council decision 85/16, and also the proposals made by the Administrator. He outlined the essential elements of his delegation's proposal and said that they all formed part of a closely interrelated whole.

68. Firstly, the annual growth rate of contributions should not be set above 6 per cent, in order to avoid having to revise downward the financing of activities, as had occurred only one year after the beginning of the third programming cycle. That had created difficulties for the developing countries.

69. Secondly, with regard to the field programme and the allocation of resources to its various segments, UNDP, by allocating 60 per cent of country IPFs to the LDCs, would significantly sharpen its ability to combat poverty. The IPFs in that case would serve to finance technical co-operation programmes. In the middle-income countries, the IPF would serve as seed money to generate co-operation programmes and activities. His delegation had suggested a fixed IPF of \$1 million for those countries, a figure which could be increased if population size so warranted. Those shifts took into account the changes proposed in the volume of resources for global, interregional, regional and thematic programmes within the field programme. Moreover, the services provided free of cost by field offices would depend on the volume of programme activities financed from core and non-core resources, rather than on the country's contribution to UNDP measured against its IPF.

70. The contributions of Governments to local office costs, which were currently determined by the basic agreement, would thus be considered separately and would have the advantage of replacing the difficult and complex net-contributor obligations established by decision 85/16. It was further proposed that population weighting should be flat beyond 100 million, and that the use of supplementary criteria and the floor and ceiling principles should be discontinued.

71. So far, the resources allocated to regional IPFs had been distributed on the basis of criteria which were virtually the same as those governing country IPFs. In the light of the amendments proposed by Switzerland for country IPFs, specific percentages should be fixed for each region.

72. Through the centrally-financed thematic activities, UNDP would try to meet the specific new needs of developing countries that could not be met within the framework of the IPF programme. The funding strategy had identified three important areas for those activities, namely, poverty alleviation, environment and management, to which should be added science and technology and TCDC. The Governing Council should draw up specific programmes in those areas. By establishing a thematic element within the Field Programme, the Council could integrate many of the activities proposed by the Administrator for financing by the SPRs, which would again become the Programme's reserve.

73. He was submitting those proposals to the Council in the hope that constructive negotiations could be held on that very important item of its agenda.

74. Mr. HAMADZIRIPI (Zimbabwe), speaking on behalf of the African members of the Governing Council, observed that economic conditions in Africa were steadily deteriorating, despite the commendable efforts by many countries to remedy them. A real and substantial increase in voluntary contributions to UNDP was therefore urgently needed. The major donor countries certainly seemed to have the economic and financial capacity necessary to double the volume of the Programme's resources during the fifth cycle or at the very least maintain their real value.

75. As to the Administrator's proposal on the SPR allocation, the African countries would prefer SPRs to be calculated as a percentage of total resources rather than in absolute terms, and the share of SPRs to be maintained at the rate at which they had been set in the fourth cycle, namely, 3.5 per cent.

76. By the same token, the distribution of resources between country and inter-country IPFs should remain unchanged, the country IPF allocations should be in keeping with General Assembly resolution 44/211 and Governing Council decision 89/20, and a larger share of assistance in the form of grants should be given to low-income countries, particularly the least developed countries.

77. The African group wholeheartedly supported the Administrator's proposal to allocate an amount of \$US 11.97 million to the national liberation movements.

78. They felt that the existing supplementary criteria should be maintained overloading the criteria would render the weighting system useless. Lastly, he assured Council members that the Members of the African Group were ready co-operate with the other delegations in order to arrive at a mutually beneficial solution.

79. Mrs. GREDER (Sweden), speaking on behalf of the Nordic countries, said that the needs of the developing countries could obviously not be met from the present level of financial resources. Consequently, there was no doubt that significant overall increase in contributions to UNDP was necessary in the long term. That target must be achieved by a more equitable distribution of voluntary contributions through sharing of the burden represented by those contributions. For the purposes of the distribution of resources in the fifth cycle, a realistic target for growth in contributions was necessary in order to permit rational planning of activities and stability of programme delivery. It should be recalled that UNDP provided technical assistance but was not a financial institution.

80. The distribution formula adopted must take into account the basic features of UNDP, namely, its multilateral, universal and voluntary character together with the country programming approach. Furthermore, the distribution formula should be simplified in order to provide for transparency and efficient administration. The Nordic countries stressed that in the fifth cycle greater attention should be given to the poorest countries and the alleviation of poverty. Consequently, the floor principle should be abolished and the principle of graduation maintained. The Nordic countries were not demanding that that should be done through the application of the net contributor principle, but if that principle was maintained, it must be effectively implemented. Nevertheless, they could endorse the idea of a waiver of net contributor obligations in cases where the economic situation of a particular country had seriously deteriorated. On the other hand, they had difficulty in agreeing to the long list of criteria presented by the Administrator. Generally speaking, supplementary criteria should be few in number and clear-cut. Deteriorating economic conditions would be apparent from the GNP figures, which would then fall below the threshold.

81. The Nordic countries felt that the bulk of UNDP resources should be allocated to finance country programmes. However, for the fifth cycle, they would be in favour of a somewhat higher proportion of centrally-managed resources. That would make UNDP better able to cope with the major problems of the 1990s. Special allocations should be made for thematic activities, such as the environment, women in development, poverty alleviation, and the growing needs of refugees and displaced persons. There might also be a case for a greater emphasis on TCDC and management development.

82. They could agree to an increase in the Special Programme Reserve, whereby UNDP could deal with those problems which were not covered by the IPFs or thematic issues. She stressed the importance of better planning and utilization of centrally-managed resources.

83. With respect to the distribution of country IPFs, the Nordic countries felt that per capita GNP and population size should be retained as the main criteria. However, there should be provision for population weighting that



was flat for all countries with more than 100 million inhabitants. Supplementary criteria should be limited, quantifiable, clearly defined and objective. That was not always the case with the present formula, which had led to a cumbersome administrative system.

84. In decision 89/45, the Governing Council had asked the Administrator to examine the use of special drawing rights (SDRs) or a basket of currencies as a unit of account. From the report submitted by the Administrator it appeared that it would be too complicated to change the present system. In any event, SDRs would be preferable as a unit of account to a basket of currencies.

The summary record of the rest of the meeting appears as document DP/1990/SR.26/Add.1.