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on Thursday, 14 June 1990, at 3 p.m.

President: Mr. POPESCU (Romania)

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

PROGRAMME IMPLEMENTATION (continued)

(d) PROCUREMENT FROM DEVELOPING COUNTRIES: PROCUREMENT POLICIES AND PRACTICES (DP/1990/28)

1. Mr. AJELLO (Assistant Administrator and Director, Bureau for Special Activities), introducing the Administrator's report on procurement from developing and underutilized donor countries (DP/1990/28), said that, for 1989, the statistical data prepared by the Inter-Agency Procurement Services Office appeared in a separate document. The value of procurement from developing countries had risen from \$202 million in 1988 to \$278 million in 1989, an increase of 30 per cent. The developing countries' share in total procurement, which had been 22.3 per cent in 1988, had been 27.6 per cent in 1989. And in the context of government-executed projects, procurement from developing countries had accounted for 46.6 per cent of the total in 1989. Procurement from developing countries could therefore be expected to grow to the extent that projects were ever more frequently executed by governments.
2. With regard to underutilized donor countries, the value of procurement from them, the global total of which had been \$105 million in 1988, had risen to \$117 million in 1989, a growth of 10.6 per cent. Although, however, procurement from Denmark, Finland, Sweden and the Netherlands had increased, that from Canada and Norway had diminished. The Office would look into the reasons for the decrease and would try to remedy it. A number of measures had in any case already been taken on behalf of underutilized donor countries: the updating of catalogues, the publication of new catalogues, the circulation of information on potential markets in Development Business and in a new bulletin "Procurement Update", the organization of seminars to bring together enterprise managers, and the setting up of a mechanism to promote awareness of suppliers located in those countries. But many problems persisted despite those initiatives: all too frequently the requisite products and services were either unavailable in those countries or not competitive; suppliers were not sufficiently interested in the tenders issued by United Nations bodies and at times did not even reply to invitations to bid expressly addressed to them. The Office, which had been moved to Copenhagen and was thus closer to the underutilized donor countries, proposed to establish ongoing contacts with potential suppliers and to organize seminars for the business community which, it was hoped, would be financed by the countries concerned.
3. The Office needed the Council's views on several matters. With regard to statistics, the Council had requested, by its decision 89/29, that they should include aspects other than equipment and contractual services. Hitherto, the statistics had also related essentially to the countries where procurement was carried out. Although some executing agencies could submit data concerning countries of origin, others had said that they were not in a position to do so. The Inter-Agency Procurement Working Group, which had held its 1990 annual meeting in Tunis the previous May, had said that it would be simpler, in future, to produce tables which took account of the procurement countries exclusively. That raised a problem of substance, since the Council alone was competent to effect any modification of procedures. It had also been proposed, at the Tunis meeting, that procurement officers should be assigned by their agencies to their main local offices. It would have to be decided how to cover the expenses relating to such assignments.

4. Although the system was aimed at encouraging procurement officers to seek out untried suppliers, some safeguards should perhaps be provided for them against financial risk stemming from delays in delivery, product defects or shortcomings in services. Again, there was the question of who would bear the cost of such safeguards.

5. The Council had authorized a price preferential of 15 per cent for developing-country suppliers, but procurement officers for agencies of the United Nations system had found the system impracticable, because the 15 per cent was allotted to the IPF of recipient countries, which thus had little interest in procuring, from another developing country, goods or services which they judged, rightly or wrongly, to be more reliable if they came from an industrialized country. There was no doubt that some form of risk insurance would be more convincing.

6. Mr. VARADACHARY (India) said he noted with satisfaction that procurement from developing countries was intensifying as a result of the policy actively pursued to that end not only by the Governing Council but also by the Economic and Social Council and the General Assembly itself. But a lot more needed to be done in that area, as had been stressed by the Council in its decision 89/29 and by the General Assembly itself, which had emphasized, in its resolution 44/211, the importance for all parts of the United Nations system to set specific goals for increasing procurement from the developing countries.

7. The Inter-Agency Procurement Services Office had done commendable work, in compiling data and in circulating information on business opportunities; but it should encourage agencies to provide it with more advance information of that kind; there was also a need to focus on relief items and the high-cost items such as vehicles, office equipment and so forth. The Office was right to envisage setting up a centralized data base; but perhaps, in addition, the major agencies should set up regional outposts of some sort, in line with an idea voiced at the Tunis meeting.

8. It was regrettable that the 15 per cent price preference for procurement from developing countries was not, in practice, yielding results as good as had been expected. The Administrator should try to apply the preferential treatment formula in favour of suppliers from developing countries. The Indian delegation welcomed the Inter-Agency Procurement Working Group's decision to hold each annual meeting henceforth in a developing country. The host country in 1991 would be India.

9. Mr. MALMIERCA (Cuba) said that, on the whole, he was satisfied with the action taken by the Administrator towards a gradual solution of the difficulties encountered in raising the volume of procurement from developing and underutilized donor countries. The relocation in Copenhagen of the Procurement Services Unit, and its change of name to "Office" was made in the interests of efficiency as was the preparation or updating of catalogues and the organization of seminars to simplify the dissemination of vital information.

10. Ms. JAKOBSEN (Norway) speaking on behalf of the Nordic countries (Denmark, Finland, Sweden and Norway), said that the report of the Administrator reflected significant progress as a result of the initiatives taken in order to achieve a more equitable geographical distribution of the

United Nations procurement system for goods and services to UNDP's operational activities. With regard, however, to statistical reporting on procurement from the developing countries, the situation was not yet satisfactory, and the reasons given were not entirely convincing. Moreover, the Administrator's report made no mention of the psychological aspect which ought to be pursued with a view to making project personnel, technicians and administrators in the organizations less reluctant to share information about business opportunities and a little more imaginative in finding solutions which would help not only the developing countries but also some underutilized donor countries. The Nordic countries were among the latter, since they provided an important share of the resources to United Nations technical assistance and were feeling growing political concern, particularly since the procurement flow even diminished at times. Those countries thought that, although IAPSO was right to seek increased procurement from developing countries, it should also be doing more to involve underutilized donor countries; there was no conflict between the two objectives.

11. The principle of international competitive bidding remained essential and should be strictly adhered to. Clearly, UNDP could exercise only limited influence in the executing agencies' procurement practices, but it could involve itself more actively, for example through improvements in obtaining and circulating information; the regional offices could keep an updated data base on upcoming projects and those in the process of being approved - information which should be readily made available for all interested States. And UNDP's Action Committee should disclose all newly approved projects. Distribution of the "Procurement Update" bulletin was a step in the right direction, as was the creation of specific catalogues on underutilized donor countries. But in any case UNDP should be doing more, within its own organization and in regard to the funds and bodies directly linked to it, in matters of procurement, particularly with regard to services exempted from international bidding. The Administrator should, therefore, review IAPSO's mandate, particularly with a view to strengthening its operational functions.

12. Mr. MacARTHUR (United States of America) recalled the principles which his delegation upheld, namely, that procurement should be open to all countries so long as quality was maintained, and was in conformity with international competitive bidding and the procurement regulations of the United Nations development system. At the same time, the United States supported efforts to encourage the increased use of suppliers from countries that were under-represented, but would strongly oppose quotas in the award of procurement contracts for technical co-operation projects.

13. Mr. OLANIYI (Nigeria) said that he would welcome an increase in the procurement of equipment from developing and underutilized major donor countries; nevertheless current practice still left much to be desired. In project delivery, the role of equipment was highly important; but the problems related to procurement and specification were growing alarmingly. Out of 38 operationally ongoing UNDP-financed projects in Nigeria, 13 had equipment-related problems. Delays in delivery, and mistakes or omissions relating to standard or complex equipment, had a highly adverse effect on project execution. It was up to executing agencies to remedy shortcomings of that sort. His delegation earnestly hoped that the Administrator would take steps to redress the situation.

14. Mr. SKLIAROV (Union of Soviet Socialist Republics) said he supported the idea of increasing the volume of procurement in developing and underutilized donor countries. IAPSO was right to stress the changes needed in the preparation of statistics. The foremost requirement was to circulate the data in good time and to provide an adequate breakdown of costs and countries of origin. The problems could be satisfactorily solved only if there was proper co-ordination among all the various elements of the UNDP system of technical co-operation - in other words, by observing first and foremost UNDP's principle of universality.

15. Mr. OSUNA (Spain) said he wholeheartedly welcomed the initiatives outlined in the Administrator's report, which clearly showed how the underutilization of certain countries in regard to procurement could be remedied. Spain itself was underutilized: it possessed intermediate-level technology in various manufacturing and service sectors which could easily be applied to developing countries, and Spanish manufactures were competitive in price and quality. He hoped that Spain would be involved more frequently in the procurement of project goods and services.

16. Mr. MACDONALD (Australia) said he supported the idea, put forward by the Norwegian delegation, of establishing a project data base. His delegation also agreed with that of the United States on the need to respect the principle of competitive bidding.

17. Miss DOHERTY (United Kingdom) said she welcomed the steps taken by IAPSO to improve its procedures, particularly in data collection. Good statistics formed the backbone of any efficient procurement system, enabling recipient countries to know at any time what they could expect to procure in service and spares from a particular supplier. Data should show the country of procurement and country of origin, the value of purchases per supplier and the cost per line item; the larger companies would usually give an appreciable discount when they were made aware of the volume of business given to them in the past. Data could also be a negotiating tool. There should also be statistics covering other costs, such as freight and shipping, which had to be taken into consideration.

18. It would be useful if, in the printed forms used for procurement, the Office encouraged suppliers to indicate countries of origin, and drew up a list of vetting procedures as it developed its data base. The Office could indicate, in its lists of suppliers, which ones had given satisfaction.

19. She agreed with the representative of Norway that publicity should be given to projects to be undertaken in order to stimulate business opportunities; the establishment of normal competition should thereafter take over. Her delegation would support an expansion in procurement sources, on condition that the principle of international competitive bidding was respected, pursuant to General Assembly resolution 44/211, in order to ensure the procurement system's cost-effectiveness for UNDP and, especially, for the recipient Governments.

20. Mr. AQUARONE (Netherlands) said he agreed with the position stated by the representative of Norway on behalf of the Nordic countries. The problem seemed to be psychological, the question being whether project formulation and procurement officers really desired to broaden the procurement base; to be frank, he doubted it. Until that attitude changed, he did not really see how procurement in the underutilized donor countries could increase. Perhaps the

21. Mr. QUALI (Observer for Algeria) said he understood the attitude of the fund providers but would nevertheless like to see an increase in the volume of developing country procurement. That would induce those countries to provide quality goods and services, and would enable any possible reduction in IPFs to be offset. While quality and price of equipment must certainly not be lost sight of, some preferential treatment ought to be accorded, initially at least, to developing countries.

22. Mr. SVENDSEN (Director, Inter-Agency Procurement Services Office), replying to the questions and comments by the members of the Council, said that, firstly, in order to know the purpose of the catalogues produced by the IAPSO, suppliers and resident representatives in the field must be asked about the reactions of companies included in the catalogues. He had found it encouraging to note that many suppliers listed in the catalogues had received not only inquiries but orders as well. Secondly, another encouraging trend was that procurement officers had become more aware of the need to expand procurement in developing countries, and in one year the volume of such procurement had increased appreciably. Thirdly, the Office for Project Support (OPS) had seconded a procurement official to Copenhagen so that UNDP could make better use, as far as its own requirements were concerned, of the underutilized major donor countries. The Office would also try to obtain advance information on business opportunities; that was essential if their products were to be known in industrial and business circles. But the principles of international bidding remained the rule. Fourthly, the Office had noted the occasional difficulties which arose in regard to equipment supplies. The latter must be compatible with local needs, they must be accompanied by carefully prepared instructions, after-sales service must be provided and maintenance was vital. By standardization the Office understood the standardizing of specifications, not that of makes. Its concern was to deliver to developing countries equipment which would really benefit them. And there were many suppliers in the developing countries whose prices were highly competitive.

23. With regard to the underutilized major donor countries, two points should be noted. Companies did not always respond to inquiries because of a low value of orders (\$5,000 on average). The term "sub-contracts" meant contracts for professional services, in contrast to contracts signed with a particular expert recruited on an individual basis.

24. Mr. AJELLO (Assistant Administrator and Director, Bureau for Special Activities) said he agreed with the view expressed by a number of delegations, particularly that of Norway, about statistics. Reliable statistics were essential, but UNDP alone could not solve the problem faced in that regard. Organizations, which had frequently been invited to supply data needed in order to identify the country of origin had often made it quite clear that they were not in a position to do so. Council members should ask organizations to amend their procedures in order to alter that situation. The matter had been considered at length during the Inter-Agency Procurement Working Group's Meeting at Tunis. The Administrator had already sent a letter to all secretariat heads.

25. With regard to the price preferential of 15 per cent mentioned by the representative of India, he felt that, there too, certain rules ought to be amended. The preferential was currently borne by the IPF of the procuring country, for which there was thus no advantage - the less so since there was

no assurance that a product procured in a developing country would be of as high a quality as one from a developed country. To put that right, UNDP had proposed two types of measure: firstly, the creation of a system to guarantee product quality, spare parts supplies, after-sales services, and so on; secondly, the establishment of a central fund to finance the 15 per cent preferential.

26. In order to increase goods and services procurement in the underutilized major donor countries, UNDP needed those countries' help. Perhaps their Governments and the secretariat should jointly seek fresh solutions. And in order to make Spain's capacity better known, perhaps seminars on business opportunities could be organized in that country, as had been done in others.

27. The CHAIRMAN said that, if there was no objection, he would take it that the Council agreed that the Drafting Group should be requested to prepare a draft decision on agenda item 4 (d).

28. It was so decided.

#### PROGRAMME IMPLEMENTATION (continued)

##### (b) IMPLEMENTATION OF DECISIONS ADOPTED BY THE GOVERNING COUNCIL AT ITS PREVIOUS SESSIONS (continued)

##### (iv) MICRO-CAPITAL GRANTS (DP/1990/21).

29. Mr. GUCOVSKY (Deputy Assistant Administrator and Director, Technical Advisory Division, Bureau for Programme Policy and Evaluation) said that the Administrator, in his report (DP/1990/21), focused on how UNDP could systematize and expand support to developing countries to alleviate poverty and promote human resources development - which was the aim of the Micro-Capital Support Programme. It was an initiative which responded direct to the felt needs at the field level.

30. The proposed Micro-Capital Support Programme would enable UNDP to establish and maintain direct links with all population levels and strengthen local initiatives. Programmes such as Partners in Development, the UNV Domestic Development Services Programme, the United Nations Development Fund for Women (UNIFEM), the United Nations Sudano-Sahelian Office and others had already begun to apply themselves to that end, and some traditional UNDP technical co-operation projects had included small capital components. The results had been very good. Resident representatives, when asked about the setting up of a microfund, had all replied that there was a demand for a programme to finance micro-projects. The table annexed to document DP/1990/21 required no comment.

31. The General Assembly and the Council had mandated UNDP to emphasize the human dimension of development, and in particular, the poorest and most vulnerable sections of societies. UNDP support for poverty eradication was primarily in the form of technical assistance to national institutions engaged in formulating, promoting and delivering services to improve conditions for the poor. The examples of many non-governmental organizations, self-help organizations, the United Nations Capital Development Fund (UNCDF) and other United Nations-supported national initiatives had demonstrated that often the most effective means of improving conditions for the poor was to provide them with the means to help themselves.

32. The funding arrangements envisaged for the Micro-Capital Support Programme was based on two main principles: on the one hand, flexibility and the delegating of responsibility to the beneficiaries; and, on the other, the need for an absolute minimum of additional administrative burden on the UNDP field office and headquarters. Within UNDP, the MCSP would operate in a fully decentralized manner through committee review at both field and headquarters levels. At field level, the committee would consist of the UNDP resident representative, professionals from the private sector, and representatives of the informal sector, non-governmental organizations and government officials. It would approve the funding for and monitor the progress of individual micro-projects. The role of headquarters would be minimal, consisting primarily of establishing criteria and overall monitoring of implementation.

33. The Administrator proposed to tap \$10 million per annum from SPR funds as seed capital to launch the programme. That would provide the stimulus for further action and funding through mainstream UNDP programmes and projects. He considered it essential that the Governing Council should approve the proposals at its current session; it would thus give impetus to its decision to address poverty, mobilize participation at all levels and develop human resources.

34. Mr. LIMA (Brazil) said his delegation was convinced of the important role the Micro-Capital Support Programme could play in the developing countries which faced serious problems of extreme poverty. In Brazil, that mechanism, linked to the UNDP country programme, could assist the authorities in promoting the transfer of technology and in addressing extreme poverty. As his delegation saw it, the principle of universality implied that each recipient country was eligible to apply for grants from the envisaged Microfund, without any conditionality, and free to utilize its resources in accordance with its own national priorities. If that was the case, his delegation was ready to support the Administrator's proposals fully.

35. Brazil was successfully applying, under its programme of technical co-operation with the Federal Republic of Germany, a capital grants programme for low-income populations in the country's poorest areas. That example augured well, and his delegation was confident that the involvement of UNDP's Division for Non-governmental Organizations and that of the Domestic Development Services (DDS) of the United Nations Volunteers were a guarantee of the Microfund's success.

36. Ms. JAKOBSEN (Norway), speaking on behalf of the Nordic countries (Denmark, Finland, Sweden and Norway), said that increasing opportunities for the poor was essential in the development process. Support for grass-roots activities and micro-enterprises was of great importance and her delegation therefore welcomed UNDP's involvement in that field. In his report, the Administrator referred to several ongoing activities in which various UNDP mechanisms, funds and programmes were used in providing small-scale capital assistance; they included country IPFs, the Special Measure Fund for Least Developed Countries, the United Nations Volunteers' Domestic Development Services, UNCDF, the United Nations Development Fund for Women (UNIFEM), the Partners in Development Programme and the Africa 2000 Network. It was thus clear that UNDP already had the necessary machinery to enable it to play an increasing role in providing small-scale capital assistance. The Nordic countries believed that such support should continue to be financed through existing mechanisms, and therefore would not be in favour of establishing yet another fund.



37. Mr. SOUTTER (Canada) said that some years ago Canada had established a micro-capital grant fund in many developing countries. It therefore recognized the value of a programme of that type, which was a way to reach the grass-roots and to provide development practitioners with direct experience of constraints at local level.

38. However, his delegation's main problem vis-à-vis the Administrator's proposal was with the funding arrangement. Canada would have preferred a fixed amount per country per year. A system in which an open-ended tranche was released upon full commitment of the first tranche did not impose, at the project selection stage, a selection discipline commensurate with maintenance of quality. What was more important, Canada could not agree to the creation of yet another extrabudgetary fund, such as the one proposed in the Administrator's report. If UNDP truly believed, as Canada did, that poverty alleviation and popular participation at all levels were important objectives, they should be funded from regular budgets and not through additional special funds. Canada proposed, therefore, that the programme should be incorporated into IPFs. To get it started, perhaps some seed money from SPRs could be earmarked. In any event, in the current tight financial situation the creation of another extrabudgetary fund might only have the effect of drawing on funds otherwise allocated to core contributions. In short, Canada could support the concept and the general methodology proposed for the Microfund; it did not support the funding arrangement proposed.

39. Mr. CHAUDOUET (France) said that, since UNDP sought to stress the essential human resources dimension in development, in which the men and women of the developing countries were seen as both the means and the end of true development, peoples had to be given the necessary tools to enable them to participate fully in their own future. Very often when a Government lacked the resources to carry out its tasks, population lacked them even more. Some institutions had already begun to mitigate the shortcomings of existing systems. That spontaneous trend was interesting, but did not go far enough; moreover, having arisen outside official structures, it involved a variety of approaches and could at times foster contradictory systems.

40. Without being a major dispenser of capital, UNDP should be able to match its technical assistance to developing countries with certain instruments complementary to its basic task. That was how France viewed the system of micro-capital grants. His delegation, therefore, could support the establishment of the project put forward by the Administrator, but believed it necessary to establish certain rules and safeguards relating to the structures to be adopted. Thus, it did not see any need to set up another administrative body. The programme established should be as light as possible. There was already the United Nations Capital Development Fund, and it would be in conformity with its task to manage the microfund and monitor its use. The local grass-root networks should follow up individual projects. In the field, the United Nations Volunteers could take an active part in project promotion and follow-up. The grants requested were on an individual scale, and one or two volunteers could quite well respond to that demand.

41. If the success of the programme sparked off a sharp increase in demand, local financial institutions would then have to be persuaded of the usefulness of projects funded in that way and entrusted with putting such a programme into operation. UNDP would then have fulfilled its task in every respect by launching pilot projects and thereafter conferring responsibility on local

institutions. In his delegation's view, the administrator's proposal should be pondered further. The programme should not involve the setting up of yet another administrative body within UNDP.

42. Mr. GRAHAM (United States of America) said that in principle he supported the creation of a Microfund, but thought it should be designed to meet the needs of a target group or community. Therefore, while agreeing that there was a need for micro-capital grants to poor groups, his delegation believed that if a special facility was created it should be funded by UNCDF and be subject to strict guidelines and criteria so as to ensure that each project was tailored to meet local needs, was operable in local conditions, and had a community-based management structure. Finally, the implementation of each project should be monitored by a competent body such as a reputable non-governmental organization, rather than by UNDP.

43. Mr. IVERSEN (Federal Republic of Germany), said he had not found any reason in the Administrator's report that really justified the creation of another fund. In his view, it was up to UNDP to formulate and implement political and administrative frameworks for poverty alleviation. The creation of another fund would merely add to the many mechanisms already in place and increase UNDP's administrative burden further, without using UNDP's comparative advantage as a multilateral technical body for co-operation. He felt that the United Nations Volunteers programme, through its DDS, could develop its links with national and international non-governmental organizations in order to provide grass-roots groups with small material inputs, but considered that the creation of another fund was not called for.

44. Mr. KITAGAWA (Japan) said he supported UNDP's provision of assistance to grass-roots activities by means such as United Nations Volunteers programme and non-governmental organizations, with a view to alleviating poverty and mobilizing under-utilized human resources. His delegation, therefore, could support the creation of a mechanism of the type proposed, on condition that it was carried out within UNDP's existing resources. For managing the Microfund, he felt that the network of field offices, with headquarters support, should be fully and effectively utilized.

45. Mr. MACDONALD (Australia) said that, although the idea of a Microfund seemed excellent, there was still the dilemma of funding it. He agreed with the Canadian representative that if a funding mechanism could be set up from existing IPFs, perhaps topped up by funds available from SPRs, the idea might be worth pursuing.

46. Such a Microfund had some resemblance to a mechanism Australia had been operating in the field for some time, entitled the Discretionary Aid Fund. He noted the Administrator's proposal that the Microfund should provide grants, not loans; he wondered whether the mechanism could not be envisaged in the form of a revolving fund financed on the basis of voluntary contributions. He was also concerned about field management. The Administrator had said that traditional village councils would provide the means of implementation at local level; but that was not convincing, since certain groups, such as women, entitled to benefit from assistance of that sort were not necessarily represented in traditional structures such as village councils. Therefore, the Australian delegation could support the proposal only to some extent, and on condition that innovative solutions for management and funding were found.

46. Mrs. BARREIRO GONZALEZ (Guatemala) said she supported the creation of a new special fund to finance microprojects. It seemed one of the most suitable solutions, for reaching the poorest and most vulnerable sections of developing societies. The benefits to be derived by providing support micro-capital as well as the effectiveness of such support in promoting and implementing development activities focused on particular groups of people should be stressed; action of that sort would enable development at the grass-roots level to be fostered by supporting the poorest groups which had lacked access to conventional funding. Such microfunds could be transformed into revolving funds, with a major multiplier effect for development as a whole.

47. Mr. MALMIERCA (Cuba) said that the Administrator's proposal to create a new mechanism to develop micro-grant facilities could make it possible to mobilize low-income population groups for development. UNDP seemed to be the body best placed to channel assistance of that type, given its experience in the field of technical co-operation. The Microfund's administrative expenses should be small, and UNDP could perhaps achieve greater cost-effectiveness than other organs of the system, because of factors such as decentralization. The project-funding criteria described by the Administrator should be applied with all due flexibility. His delegation hoped that the facility would be world-wide, and felt that the \$25 million target should come out of additional resources provided by donors, and not from IPFs.

48. Miss DOHERTY (United Kingdom) said that, while supporting the concept of a mechanism to promote self-help among groups currently lacking access to such facilities, she felt that development activities should be designed to be sustainable at local and national levels, and should have government consent and commitment. The high administrative cost of some initiatives described by the Administrator in his report disquieted her delegation, which also felt that the five projects mentioned did not truly represent an approach geared to the micro-dimension. She believed, therefore, that an initial allocation of \$25 million was too high, but continued to support a more cost-effective mechanism.

49. The Microfund, if created, should be used primarily for the benefit of the least developed countries, while not ruling out any suitable project. Such an approach would also reflect more closely the issues on the Governing Council's current agenda, namely, the programme approach, national execution and national capacity building. In her view, the facilities in question could very well be provided within the framework of existing country programmes, with appropriate adjustment to currently applicable project regulations and guidelines. That would enable resident representatives and those participating in project design to call on the appropriate skills within agencies, the United Nations Volunteers programme, non-governmental organizations and other bodies, so as to promote national involvement in developing complementary micro-grant facilities.

50. Her delegation, while mindful of the reservations expressed in paragraphs 36 and 37 of the report, thought that UNDP should study further, with interested Governments, the possible wider application of FAIB-style activities. It did not subscribe to the concept that a separate Microfund would necessarily generate additional resources, particularly if its creation led to an additional administrative burden and reduced profitability.

51. Ms. BWANGA-BUGONZI (Observer for Uganda) thought that the Governing Council should accept the microfund concept, bearing in mind the suggestions made by the United States of America, France, Australia, Guatemala and Cuba. But she did not think that microfund management required a separate mechanism, and felt that the task could preferably be assigned to national non-governmental organizations, which had the advantage of operating more efficiently at grass-roots level. Nor did her delegation feel that other agencies such as UNCDF or the United Nations Volunteers programme should participate directly in the Microfund, since administrative problems would be liable to arise.

52. Mr. ROHNER (Switzerland) said that he was not in favour of establishing a new independent facility; he felt that there were other ways of pursuing that objective. For instance, UNCDF could do more in that area, through composite projects and credit lines or by contributing to NGO programmes. His delegation would be in favour of allocating some resources to the United Nations Volunteers programme in order to support grass-root activities in the form of a pilot microfund, and it could agree to the earmarking of small amounts for micro-projects within national IPFs or individual projects. It also noted that the funding strategy proposed by the Administrator for assistance under IPFs included poverty alleviation; his delegation felt that micro-projects could perhaps be included under that heading, but the matter required further consideration.

53. Mr. EL-FERJANI (Libyan Arab Jamahiriya) said it was clear that the creation of a special fund could be useful to many countries. But UNDP had already set up many funds financed by voluntary contributions, which were often in deficit; he saw no point, therefore, in creating another mechanism to deal with a matter which could be more efficiently handled by other means. In any case, his delegation felt that the issue required thorough consideration before any decision was taken. It asked the Secretariat whether the facilities already existing within UNDP might not be utilized to respond to the needs for which the proposed Microfund was envisaged.

54. Mr. GUCOVSKY (Deputy Assistance Administrator and Director, Technical Advisory Division, Bureau for Programme Policy and Evaluation) said the Administrator was proposing not the creation of a new fund but intensified support, through micro-capital support programmes, for grass-root or community activities, and that the latter would carry out and manage the programmes with minimal or no outside supervision. The intention was to provide a supplement so that the grass-roots could benefit from the skills and technology which stemmed from technical co-operation, involving all existing mechanisms.

55. He said, in response to the delegations of Brazil, Cuba and Guatemala, that the proposed programme would be available to all, without discrimination. As he saw it, the views expressed by the members of the Council were compatible with those of the Administrator, and he hoped that the explanations provided during the discussion would enable the Drafting Group to prepare a draft decision which would reflect those views.

56. Mr. EL-FERJANI (Libyan Arab Jamahiriya) said that his question had not been answered.

57. Mr. GUCOVSKY (Deputy Assistance Administrator and Director, Technical Advisory Division, Bureau for Programme Policy and Evaluation) said that the needs for which existing facilities had been designed were not the same as

those for which the Microfund was intended; consequently, the Council would have to broaden the existing rules in order to enable a support programme of the sort outlined in the opening statement to be carried out. Existing mechanisms, whether UNCDF, traditional development partners or ordinary IPF activities, needed support in order to boost grass-roots action.

58. Mr. ROHNER (Switzerland) said that the Council must give the Administrator very clear guidelines so that he would know exactly what the Council expected of him.

59. The CHAIRMAN said that, if there was no objection, he would take it that the Council agreed that the Drafting Group should prepare a draft decision on agenda item 4 (b)(iv).

60. It was so decided.

#### UNITED NATIONS TECHNICAL CO-OPERATION ACTIVITIES (DP/1990/56 and Add.1-3)

61. Mr. BENAÏSSA (Department of Technical Co-operation for Development), introducing the Secretary-General's report on United Nations Technical Co-operation Activities (DP/1990/56 and Add.1-3), said that 1989 had unquestionably been the best year ever for the Department of Technical Co-operation for Development, both in qualitative and quantitative terms. The Department had devoted considerable energy in analysing the changes taking place in technical co-operation, trying to understand the implications of the various proposals for new support cost arrangements and to anticipate the adjustments that might be required.

62. Starting with the quantitative aspects, whereas the UNDP-funded portion of the programme had fallen from 75 to 70 per cent of the Department's total expenditures between 1986 and 1990, there had been a steady growth in UNFPA funding which had enabled the Department to expand its activities significantly in the field of statistics and population, through a round of censuses. Activities in development planning and development administration and finance had also grown. On the other hand, the growth rate of the programme in Africa was not satisfactory. The tendency to engage short-term consultants had continued apace: appointments for an average period of four months or less had in 1989 represented 90.2 per cent of all appointments, the recruitment of experts for one year representing only 9.8 per cent. The Department had also increased its use of national experts, volunteers and associate experts involving a wide range of expertise.

63. In 1989 the Department had registered one of the highest increases in procurement from developing countries. It had continued to impose strict control over its administrative expenses. Staffing levels had remained practically unchanged. Greater use had been made of consultants in order to provide high-quality technical back-up while maintaining due flexibility; micro-computers had been introduced throughout the four divisions in order to improve the Department's efficiency.

64. He wished to sound a note of warning about the low level of budgets currently available for future years: approval of new projects, in fact, had virtually halted. There should be no holding back in anticipation of the fifth programming cycle or new support cost arrangements, since that could delay project preparation and financing.

65. With regard to substantive areas (DP/1990/56/Add.1), a large proportion of the Department's activities in human resource development had been devoted to developing institutional capacity in the developing countries, particularly in the LDCs, so as to enable those countries to undertake policy analysis and programme implementation. To that end also, the Department had collaborated with UNCTAD in the preparations for the Second United Nations Conference on the Least Developed Countries.

66. The Department had also sought to promote international investment in all sectors by improving awareness of the developing countries' potential, particularly in Africa. It had continued to co-operate with the World Bank in studying the impact of government policies on the mining industry's performance in Africa.

67. The Department had in general followed a more multidisciplinary or integrated approach. It had tried, for example, to link the improvement of management information flows with national development planning, so as to help developing countries to raise, through the use of computer technology, the standards of national accounting and budgeting as well as of demographic, social and economic data collection. It had also been involved in developing software for measuring the hydrological data which could serve as a basis for sectoral planning of water resources.

68. For the past two years, the Department had been trying to incorporate ecological considerations at various stages of the project cycle and in various sectors, initially in the energy sector, a major factor in environmental degradation. To that end, it had established a focal point on environmental issues. He hoped that UNDP would call on the services of the Department, which had gained considerable relevant expertise over the years, in setting up a pilot Global Environmental Facility.

69. The Department, in order to increase its effectiveness, had made some progress in improving procedures for implementing specific project components, including the establishing of collaborative arrangements with universities. It had been authorized, in 1989, to provide management services, and hoped to do more in that field, since the flexibility which that modality offered made it possible to intervene in areas where its assistance would be truly needed.

70. In order to intensify its support for projects carried out by Governments, as urged by the Governing Council in its decision 89/50, the Department had initiated training in all stages of the "process" aspects of technical co-operation; "process" included all aspects of programme and project implementation, as well as incorporating managerial, institutional and financial aspects. In that way, the Department sought to assist Governments through workshops, manuals and training packages, to establish or improve existing mechanisms in order that they themselves could deal with matters such as recruitment, assignment of specialists and placement of fellowships. By way of example, a workshop had been organized at Geneva, the previous September, to assist senior staff from developing countries in national recruitment services. Hitherto most of the activities had been financed in the context of UNFPA-funded projects, but the Department hoped to become more involved in activities financed by UNDP, particularly in view of the focus on the strengthening of national capacity with a view to project execution by Governments.

71. In order to improve its efficiency and make it more responsive to changes, the Department was looking into a wide range of possibilities, including the outpostting of staff to UNDP field offices as part of the decentralization process in order to assist in programme and project implementation. On programming issues, it would consult UNDP on potential mechanisms to integrate global or interrelated objectives into operational activities; another possibility would be to establish multidisciplinary teams that could provide technical support at field level, help to formulate programmes and participate in sectoral reviews. Workshops and training packages relating to all the "process" aspects of technical co-operation could be tailored to the needs of the Governments concerned, if additional financing became available.

72. The Department was also thinking about ways and means of helping Governments to set up evaluation units as part of projects, and even of combining them with research units, so as to enable them to identify their own problems and work out their own solutions, as well as to measure the impact of their activities.

73. With regard to its co-operation with UNDP, pursuant to Governing Council decision 89/50, the Department had participated in only one NATCAP the previous year, and should be collaborating more widely in round tables, NATCAPs and non-project types of assistance. The Department hoped that the Management Development Programme (MDP) would continue to call on it for support in surveys in the formulation and implementation of projects. It had long experience, as well as advisers, in the field, embracing practically the full spectrum of specialities in public sector management, which could be put to better use. Studies carried out by the United Nations Programme in Public Administration and Finance could serve as a useful basis for MDP's needs assessment work. Closer collaboration between the Department and UNDP could limit duplication of effort.

74. The Department had been working for many years in close collaboration with the Revolving Fund for Natural Resources, which gave the Department a subsidy to reimburse the cost of the technical services provided to it. Those ties had become looser as the Fund had built up its own technical and operational capacity; he therefore welcomed the return to the former arrangement, in which United Nations bodies were involved in the execution of Fund-financed projects. The Department was in a position to ensure that the expertise required by the Fund would be available at any time.

75. Mr. DEMONGEOT (United States of America) said he noted with satisfaction that the Department of Technical Co-operation for Development had strengthened its evaluation activities and adopted a more integrated and multisectoral approach in technical advisory services, that it had introduced a new dimension in training, based on the interaction of the various aspects of the process of technical assistance, and that it had collaborated in organizing a NATCAP in Africa. But he would have liked the Department to be more involved in UNDP's programming operations, in carrying out programmes to enhance management capacity and in giving technical support to projects executed by national bodies. He recalled that the Governing Council, in operative paragraph 9 of its decision 89/50, had urged UNDP and the Department to develop a more effective division of labour, in which the comparative strengths and capacities of both UNDP, including the Office for Project

Services, and the Department, were fully utilized to maximum advantage. He noted that there was still much to do in that regard and that, unlike other major executing agents, the Department, which had to rely on support-cost earnings to fund much of its substantive staff costs, might need a substantial direct UNDP contribution to enable it to maintain its substantive capacity as the scope of execution by national bodies increased and its share in project execution diminished. As a result, a case should be made for UNDP having a closer relationship with the Department than with the specialized agencies.

76. There were a number of arguments in favour of such an approach. Firstly, unlike the specialized agencies, which carried out major activities not necessarily having a direct link with technical co-operation, the Department focused essentially on the latter, as did UNDP. Secondly, whereas the General Assembly, by its resolution 32/197, had confirmed the Department's mandate to implement interdisciplinary and multisectoral projects, UNDP, when it established the Office for Project Services (OPS), had considered that the two categories of projects would be included among those most suitable for direct execution. That overlapping mandate had led to competition between the Department and OPS in project execution, despite the strong complementarity of the two spheres of activity. Thirdly, it should not be forgotten the Department and UNDP shared premises in New York, thus obviating any problem of geographical separation. That being so, it would be sensible to merge the project execution functions exercised by the Department and UNDP. In that way considerable savings, as well as a better division of labour, could be achieved. The Department would no longer be an executing agency providing UNDP with technical advisory services for development questions and interdisciplinary and multisectoral programme activities; the support it provided would be functional and no longer administrative. The Office for Project Services, or the UNDP field offices, would deal with administrative back-up and management tasks. The Department would provide functional support to any UNDP-financed project within the sphere of its competence, and would no longer have cause for concern about the erosion of funding from Programme resources. With regard to staffing, OPS, which would take over all the advisory and training services currently provided by the Department, could make use of the latter's administrative staff and thus reduce its reliance on sub-contracting, a costly item in more modest projects. In return, the Department would make its technical experts available to UNDP for the technical follow-up of all Programme-financed projects, and also for triennial reviews and appraisals. Likewise, the assigning of senior field advisers to UNDP field offices could be envisaged. In that light, UNDP should agree to fund a given proportion of expenses relating to the Department's substantive staff. The two bodies would periodically review the substantive support provided by the Department and the level of reimbursement for its services. The new arrangements concerning executing agents' support costs ought not to be of as much concern to the Department.

77. Mr. LIU Lianke (China) said that in 1989 the Department of Technical Co-operation for Development had been able, despite system-wide post reduction measures, to improve its effectiveness while tailoring its services to the developing countries' changing needs. The Department had continued to provide those countries with advisory and support services in many fields, and had attained a much higher level of project execution than in the preceding years. At a time when the developing countries were opting increasingly for



project execution by national entities, the Department had responded positively to that trend by organizing seminars and training courses on project management, follow-up and appraisal for recipient countries. He thanked the Department for the work it had carried out within the sphere of its competence, welcomed the results achieved and urged it to continue its efforts.

78. Mr. JASINSKI (Poland) said that 1989 had been a record year for the Department of Technical Co-operation for Development and certain other United Nations agencies involved in the project cycle. He had noted the efforts that had been required in order to modify and further improve the traditional modes of operation, increase inter-agency co-operation and simplify procedures with a view to obtaining better results with few resources. It was understandable that a large part of the resources organized from around the world should be devoted to Africa, and there was a welcome emphasis on the social aspects of the difficult process of economic adjustment and on the rational use of natural resources as a whole.

79. United Nations technical co-operation activities were playing an ever more important role in countries' efforts to promote their development and take account of human, social, ecological and institutional considerations; the complexity of the tasks to be addressed was bound to increase the demand for such co-operation.

80. In that regard, there should be greater interregional co-operation, inter alia through the United Nations regional economic and social commissions; perhaps future reports should pay more attention to that question. In particular, he felt that the technical potential of the region covered by the Economic Commission for Europe could be of interest to developing countries in other regions. He welcomed the establishment by DTCD of a data bank of project results and believed that it could be very useful to all countries, donor and recipient alike; he would be interested to know how one could have access to it. It would be useful, in that regard, to keep up to date a world inventory on national sources which could be referred to by interested countries and institutions for state-of-the-art knowledge and expertise. The profound changes taking place in the countries of Central and Eastern Europe were creating a demand for specific technical co-operation activities, but also offered further opportunities to increase that region's participation in such activities in areas in which it possessed comparative advantage.

81. Poland, for example, could enlarge its contribution in areas such as natural resources and energy, statistics, population, social development, environment or human settlements. The Polish authorities had recently submitted to the Department a list of institutes and companies which could be used in projects executed by the Department; they hoped that the result would be a larger proportion of contracts and the use of consultants from Poland.

82. His delegation welcomed the growing co-operation between United Nations bodies and UNDP mechanisms, including the Management Capacity Support Programme. Such co-operation would doubtless further develop as a result of the role of technical co-operation bodies in strengthening national capacities, inter alia through training and the increased use of the services of regional and interregional advisers.

