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UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE GOVERNING COUNCIL

FOURTEENTH SESSION

(6-27 June 1972)

**ECONOMIC AND SOCIAL COUNCIL
OFFICIAL RECORDS: FIFTY-THIRD SESSION**

SUPPLEMENT No. 2A

UNITED NATIONS



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New York, 1972

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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INTRODUCTION

1. The Governing Council held its fourteenth session at the headquarters of the World Health Organization (WHO) in Geneva from 6 to 27 June 1972.
2. The Council's Budgetary and Finance Committee met from 5 to 16 June, also at the headquarters of WHO, to consider financial and budgetary matters referred to it by the Council.
3. The present report was adopted by the Governing Council at its 340th meeting, on 27 June 1972, for submission to the Economic and Social Council at its fifty-third session, in accordance with paragraph 4 of General Assembly resolution 2029 (XX).

CHAPTER I

ORGANIZATION OF THE SESSION

Attendance

4. Members of the Governing Council represented at the session, States represented by observers, organizations in the United Nations system and other intergovernmental bodies represented at the session are listed in annex I to this report.

Agenda

5. The agenda adopted for the fourteenth session was as follows:

1. Opening of the session
2. Adoption of the agenda (DP/L.221/Rev.1 and Add.1-2)
3. Country and intercountry programming and projects:
 - (a) Review of criteria to be followed in calculating indicative planning figures (DP/L.240 and Corr.1)
 - (b) Consideration and approval of indicative planning figures (DP/L.237 and Corr.1 and Add.1)
 - (c) Further assessment of the experience in country programming (DP/L.224 and Add.1)
 - (d) Further consideration of the special measures in favour of the least developed among developing countries (DP/L.238 and Add.1)
 - (e) Consideration in private meetings, and approval of individual country programmes

ARGENTINA	DP/GC/ARG/R.1 and Add.1 and 2; and DP/GC/ARG/R.1/RECOMMENDATION;			
CAMEROON	" CMR "	" CMR "	" "	;
CENT.AFR. REPUBLIC	" CAF " and Corr.1	" CAF "	" "	;
CEYLON	" CEY "	" CEY "	" "	;
CHILE	" CHI "	" CHI "	" "	;
COSTA RICA	" COS " and Corr.1	" COS "	" and Corr.1;	
GABON	" GAB "	" GAB "	" "	;
HONDURAS	" HON "	" HON "	" "	;
INDIA	" IND " and Add.1	" IND "	" "	;
INDONESIA	" INS " and Corr.1	" INS "	" "	;

JAMAICA	DP/GC/JAM/R.1	and DP/GC/JAM/R.1/RECOMMENDATION;
KHMER REP.	" KMR "	" KMR " ;
MADAGASCAR	" MAG "	" MAG " ;
PERU	" PER "	" PER " and
		Corr.1;
POLAND	" POL "	" POL " ;
UGANDA	" UGA "	" UGA " ;

Derestriction of above documents: DP/13.

- (f) Consideration in private meetings, and approval of projects recommended by the Administrator (DP/PROJECTS/R.1 and Add.1-3 and Add.3/Corr.1)
4. Report on actions taken by the Administrator between the thirteenth and fourteenth sessions of the Governing Council concerning projects (DP/L.232: Volume I and Corr.1; Volume II and Corr.1; Volumes III-V; Volume VI and Corr.1; and DP/L.232/Add.1: Volumes I-V)
5. Comprehensive review of:
 - (a) The organization of the United Nations Development Programme (DP/L.245)
 - (b) Its methods and general procedures (DP/L.245)
6. Personnel for development assistance (DP/L.246)
7. Report of the Administrator on the activities of the United Nations Development Programme in 1971 with relevant supplementary documentation and reports of the Joint Inspection Unit (DP/L.230 and Corr.1 (English only); Add.1 and Corr.1 (English and Russian only); Add.2-3)
8. The role of UNDP in promoting investment follow-up (DP/L.241)
9. Role of UNDP in promoting industrial development:
 - (a) Progress report in accordance with Economic and Social Council resolution 1617 (LI) (DP/L.233)
 - (b) Report of the Ad Hoc Committee set up by the General Assembly under resolution 2823 (XXVI) (DP/L.239 and Add.1; A/8646)
10. Future arrangements, including methods of financing, of communication services to support projects and programmes (DP/L.244)
11. Financial matters: (DP/L.223)
 - (a) Financial position of UNDP for 1971 and final report on the Revolving Fund (DP/L.226 and Add.1)
 - (b) Size and composition of the Operational Reserve (DP/L.231)
 - (c) Agency overhead costs (DP/L.225 and Add.1)

- (d) Revised estimates of resources and Programme costs for 1972 and initial estimates of resources and Programme costs for 1973-1977 (DP/L.234)
 - (e) Waiver of assessed programme costs payable in local currency (DP/L.236 and Corr.1 and DP/L.243)
12. Administrative and budgetary matters:
- (a) Budget estimates for the programme support and administrative services of UNDP for the year 1973 (DP/L.228 and Corr.1; A/8648)
 - (b) Review of progress of the administration of the 1972 budget: report of the Administrator on savings envisaged (DP/L.229)
 - (c) Progress report by the Administrator on arrangements to provide advice and support to Resident Representatives in sectoral fields within the United Nations development system (DP/L.235)
13. United Nations technical co-operation activities (DP/RP/13)
14. United Nations Volunteers
15. United Nations Capital Development Fund (DP/L.222)
16. Information papers on the regular programmes of technical assistance in 1971 of the specialized agencies and the International Atomic Energy Agency (DP/L.227)
17. Other matters:
- (a) Establishment of a United Nations Revolving Fund for Natural Resources Exploration (DP/L.247 and Corr.1)
 - (b) Report by the Administrator on the thirteenth session of the Inter-Agency Consultative Board (DP/L.242)
18. Date and provisional agenda for the fifteenth session of the Governing Council
19. Draft report of the Governing Council to the fifty-third session of the Economic and Social Council (DP/L.248 and Add.1-6)

Summary records of meetings

6. The summary records of the meetings of the fourteenth session of the Governing Council were issued as documents DP/SR.313-340.

Private meetings

7. Five private meetings of the Council were held to consider the 16 country programmes before it under item 3 (e) of the agenda.

CHAPTER II

COUNTRY AND INTERCOUNTRY PROGRAMMING AND PROJECTS

A. Country programmes

8. Under item 3 (e) of its agenda, the Governing Council had before it for consideration and approval 16 country programmes, each of which was accompanied by a note by the Administrator containing his recommendations. The note by the Administrator covering each country programme also described the nature of the programming exercise, the relation of the country programme to the development plan or development objectives of the Government, the content of the country programme by sector, the utilization of UNDP funds over the programming period, and the special development problems and needs of the country.

9. The 16 countries and the relevant document references are as follows:

<u>Country</u>	<u>Country programme document</u>	<u>Note by the Administrator</u>
ARGENTINA	DP/GC/ARG/R.1 and Add.1 and 2; and	DP/GC/ARG/R.1/RECOMMENDATION
CAMEROON	" CMR "	" CMR " "
CENT.AFR. REPUBLIC	" CAF " and Corr.1	" CAF " "
CEYLON	" CEY "	" CEY " "
CHILE	" CHI "	" CHI " "
COSTA RICA	" COS " and Corr.1	" COS " " and Corr.1
GABON	" GAB "	" GAB " "
HONDURAS	" HON "	" HON " "
INDIA	" IND " and Add.1	" IND " "
INDONESIA	" INS " and Corr.1	" INS " "
JAMAICA	" JAM "	" JAM " "
KHMER REP.	" KMR "	" KMR " "
MADAGASCAR	" MAG "	" MAG " "
PERU	" PER "	" PER " " and Corr.1
POLAND	" POL "	" POL " "
UGANDA	" UGA "	" UGA " "

Summary of discussion

10. The President of the Council observed that in the course of the private meetings held by the Council to consider individual country programmes, a number of general features in the country programmes had emerged and specific aspects had been discussed and clarified. The country programmes for Chile and the Central African Republic had been worked out on the basis of figures which were somewhat higher than the indicative planning figures (IPFs) approved for those countries for the period 1972-1976. However, there had been technical and material errors in the calculation of the IPFs for 1972-1976 with respect to those two countries which were not to be corrected. Members of the Council had noted that new IPFs for Chile and the Central African Republic might be approved when the Council took up agenda item 3 (b). It was the understanding of the Council that if these higher IPFs for those countries were not raised to the figures mentioned in the country programmes, the excess would be regarded as reserve programmes.

11. One member recalled that during the consideration of the country programme for Poland, the question had been raised on the special position of the office of the Representative of UNDP in Europe. He wished to stress that the UNDP Representative in Europe had played the role of a Resident Representative and had taken an active part in preparing the country programme for Poland. He thanked the members of that office for their efforts. The Polish Government had considered carefully the fields in which best use could be made of assistance rendered by UNDP and the representatives of the specialized agencies had taken part in the preparation of the country programme. Every effort would be made by the Government to see that UNDP funds were used rationally and in such a way as to yield the best possible results.

12. Several members stated that their approval of the Country programmes submitted to the Council did not imply recognition of the present authority of the Khmer Republic. Several other members reserved the position of their delegations on the country programme for the Khmer Republic due to the conditions currently prevailing in that country.

Decision of the Governing Council

13. At its 319th meeting, the Governing Council:

(a) Approved the proposed UNDP country programmes for Argentina, Cameroon, Central African Republic, Ceylon, Chile, Costa Rica, Gabon, Honduras, India, Indonesia, Jamaica, Khmer Republic, Madagascar, Peru, Poland and Uganda, within the limits of their approved indicative planning figures and for the duration of their respective programme period; and

(b) Authorized the Administrator to proceed with appraisal and approval action on requests for assistance falling within the outlines of the country programmes, and calling for planned expenditures which may be contained within their approved indicative planning figures and the resources currently available at any given time.

B. Project recommendations of the Administrator

14. Under item 3 (f) of its agenda, the Governing Council considered three projects, listed in annex II to this report, which were recommended to it for approval by the Administrator in accordance with the decision taken by the Council at its thirteenth session 1/ (DP/PROJECTS/R.1 and Add.1-3 and Add.3/Corr.1).

Summary of discussion

15. One member remarked that UNDP was well advised to subcontract the project for the modernization of the Brazilian patent system (BRA/71/559) to the World Intellectual Property Organization (WIPO) and noted in this connexion that his

1/ See Official Records of the Economic and Social Council, Fifty-third Session, Supplement No. 2 (E/5092), para. 107.

Government had recently concluded an agreement with WIPO for the establishment of an international patent documentation centre in Vienna. He expressed the hope that UNDP and the Brazilian Government would examine the possibility of co-operation with this centre when providing assistance to the project concerning patents in Brazil.

Decision of the Governing Council

16. At its 319th meeting, the Governing Council:

(a) Approved the three projects listed in annex II to this report; and

(b) Authorized the Administrator to make the appropriate arrangements with the Governments and Executing Agencies for the execution of those projects.

C. Report on actions taken by the Administrator concerning projects

17. Under item 4 of its agenda, the Governing Council considered a report by the Administrator on actions taken by him or by the Resident Representatives between the thirteenth and fourteenth sessions of the Council concerning projects. The report covered projects approved, cancellation of approved projects, and non-operational projects (DP/L.232 (Vol. I) and Corr.1 and Add.1). Separate volumes included brief descriptions of large-scale projects approved by the Administrator in: Africa (DP/L.232 (Vol. II) and Corr.1 and Add.1); Asia and the Far East (DP/L.232 (Vol. III) and Add.1); Europe, Mediterranean and the Middle East (DP/L.232 (Vol. IV) and Add.1); Latin America (DP/L.232 (Vol. V) and Add.1); and global (DP/L.232 (Vol. VI) and Corr.1).

18. In introducing the report, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination stated that the Administration had endeavoured to provide the Council with as detailed and up-to-date information as possible on projects approved by the Administrator or by the Resident Representatives since the thirteenth session. He noted that in view of the considerable number of projects concerned, an effort had been made to present a complete picture of approved projects without excessive documentation.

Summary of discussion

19. Members expressed broad satisfaction at the comprehensive information provided. However, one member remarked that in the future information on such projects might be provided in greater detail.

20. Another member, in stressing the importance her Government attached to projects of a global nature which were geared to enhancing food production in the developing world, welcomed the support to be provided by UNDP for the establishment of an International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) (GLO/71/013).

21. It was suggested that a slight modification in the presentation of information regarding projects approved by the Administrator might be made in future reports. It would be useful if separate lists were prepared for those projects approved within existing country programmes and for those approved in countries which had not yet prepared their country programmes. It was also proposed that the reports might provide an indication of the IPF allocated to the respective countries.

22. Another member expressed surprise that UNDP preparatory assistance amounted to more than \$2 million for the period January-May 1972 and wished to know from what source that assistance was financed. The view was also expressed that the Governing Council should continue to be kept informed of projects which had been approved and cancelled, particularly if such cancellation entailed costs to UNDP.

23. Categorical opposition was again expressed by several members to the provision of UNDP assistance to countries which participated in aggression against other peoples, and cited in this connexion the projects approved for Israel and the Republic of Korea. In this regard, the hope was expressed by those members that the Administrator would in future refrain from approving programmes of assistance to those countries. In addition, they noted with dissatisfaction the increasing tendency towards the expansion of ties between the World Bank and UNDP, which they felt was not in keeping with the genuine interests of the developing countries. One member reiterated his Government's support for assistance to the two above-mentioned countries and for the role of the World Bank in the execution of UNDP-assisted activities.

Observations of the Administration

24. In response to the query of two members who wondered why no regional projects had been approved for Africa, the Assistant Administrator and Director of the Regional Bureau for Africa informed the Council that there were no funds available to approve new projects for the African region. He explained that although the African region had been allocated an IPF of \$10.5 million for regional activities in 1972, the estimated cost for that year of on-going activities approved before or during 1971 amounted to \$13.7 million, provided some of the on-going activities which needed extension were stopped by the end of June. Should these be extended, however, the assumed costing of on-going activities would be \$16 million for 1972, against the IPF of \$10.5 million. Furthermore, if urgent new projects, many of which were investment-oriented, were approved, the estimated cost of the regional programme for Africa in 1972 would be \$16.7 million. Consequently, the Administration had requested the Council to authorize the programming of regional activities over a five-year period. While this would permit "front-loading", it would also mean having in five years the equivalent of a four-year programme. He noted that the Budgetary and Finance Committee was making a recommendation to the Council on the Administrator's proposal (see paragraph 258 below).

25. Replying to the questions raised regarding preparatory assistance, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination pointed out that the sums involved were not substantially greater than in past years, and that such assistance was funded from the approved IPFs and involved no additional costs.

Decision of the Governing Council

26. At its 319th meeting, the Governing Council took note of documents DP/L.232 (Volumes I-VI) and addenda, and of the explanations given by the Administration and the views expressed by members of the Council.

D. Indicative planning figures

Consideration and approval of indicative planning figures

27. Under item 3(b) of its agenda, the Governing Council considered proposals by the Administrator for new indicative planning figures for the period 1973-1977 (DP/L.237 and Corr.1 and Add.1).

28. In introducing the proposal, the Director in charge of the Financial Management Division explained the main considerations which had led the Administrator to propose a system of "rolling" IPFs, that is, each year the Council would approve a new set of IPFs which would cover the subsequent five-year period. He stressed that the main advantage of the system would be that each recipient country could prepare a country programme which would coincide in time with its own development plan and which would be based on an approved IPF figure covering the full duration of the country programme period. In addition, the proposed system would provide the Administration with a tool for the rational and effective management of the Programme's finances.

Summary of discussion

29. A number of members expressed doubts as to the merits of the rolling IPF concept. They stressed that by moving the IPFs forward each year, with the implicit possibility of upward and downward adjustment, a certain amount of uncertainty in regard to the UNDP resources available to each individual recipient country would result. This would run contrary to the need for the stability required to make the country programming exercise worthwhile. Some members felt that the introduction of the concept of rolling IPFs would be a deviation from the IPF system originally envisaged by the Council and that it was too early to consider changing a system that had not yet been fully tried out.

30. A number of members stressed that until such time as the Council had agreed upon a new set of criteria for the calculation of IPFs, the adoption of the concept of rolling IPFs would result in a further perpetuation of present inequalities in the distribution of UNDP resources. One member pointed out that a yearly submission of IPFs to the Council would be a cumbersome and time-consuming process.

31. Some members who did not support the Administration's proposals recognized the drawback of retaining a fixed IPF for the period 1972-1976 for countries submitting country programmes starting later than 1972 and extending beyond 1976. However, they felt that that problem could be solved by a system of projecting the estimated resources available beyond the approved IPF period and using such a projection for planning purposes in preparing the country programmes.

32. One member stressed that the Council's decision on IPFs for the 1972-1976 development cycle should be without prejudice to any future decision of the Council to adjust the IPFs for future years either upwards or downwards.

33. A number of members supported the Administrator's proposal and stressed that only through the rolling IPF concept could all countries be given the opportunity to prepare a country programme which would coincide in time with the Government's own development plan and which would be developed within an approved

IPF covering the full duration of the programme. Some members pointed out that the system proposed by the Administrator would allow for the required flexibility to adjust the IPFs to actual resource flows and also allow for a smoother introduction of the proposed new set of criteria for the calculations of IPFs. Referring to a question by a member, the Administration was able to confirm that a system which would be based each year on resources actually received during the preceding year, a rolling IPF system, would give the Administrator the possibility of progressively reducing the deficit.

34. Many members indicated that in view of the divergent opinions expressed during the discussion, it would not be possible to reach an early agreement on the future system of presentation and approval of IPFs. Some members stressed that even though they had no particular objections to the concept of rolling IPFs they would not be in a position to accept this system until the new criteria for the calculation of IPFs had been established. Other members considered the whole question very complex and suggested that further studies of the alternative solutions should be carried out by the Administration before the Council took a final decision on the matter.

35. One observer, speaking at the invitation of the President of the Council, expressed the view that the Council, in establishing the IPF for Peru, had not fully taken into account the depth and intensity of the social changes currently taking place in that country. One member noted the President's statement that the Administrator's authority to submit proposals for the revision of IPFs would in no way be affected by the decision taken by the Council at its fourteenth session.

36. Regarding the question of new or adjusted IPFs for the 1972-1976 period, several members expressed the view that the provisional IPFs proposed for Pakistan and Bangladesh, even though provisional in character, were clearly inadequate and that appropriate figures for those countries should be established immediately. They felt that the proposed IPFs did not properly reflect the real needs of the two countries and were inequitable in comparison with IPFs for countries with a similar size of population and per capita GNP. One member questioned the basis on which the two provisional IPFs had been calculated and reserved the position of his Government on it. A number of members strongly supported the additional UNDP resources proposed for the least developed countries, in particular the increase in the IPF for Sudan, which they hoped would be used for the reconstruction and rehabilitation of the southern part of the country.

37. A number of members expressed reservations about the approval of IPFs for the Republic of Viet-Nam, the Khmer Republic and the Republic of Korea. One member also expressed reservations in regard to the IPF for Israel. One member, in voicing his delegation's reservations on the establishment of IPFs for the countries in South-East Asia engaged in war activities, observed that those countries could not properly benefit from UNDP assistance in currently prevailing conditions. The IPFs for those countries could be reduced, at least temporarily, and the balance channelled to the least developed countries.

38. Some members expressed their concern regarding the financial implications of applying the proposed IPFs to the period 1972-1976 instead of the original period 1973-1977. The deficit already foreseen in DP/L.234 could be expected to increase because higher expenditures would occur without the balancing factor of additional contributions.

Decision of the Governing Council

39. At its 333rd meeting, the Governing Council decided:

(a) To defer further consideration of the establishment of a system of IPFs on the basis of a development cycle to the sixteenth session of the Council and requested the Administrator to submit a revised study of this problem in the light of the debate at its fourteenth session;

(b) Pending the result of that consideration, whenever a country programme period extends beyond the 1972-1976 development cycle, that for planning purposes the imputed annual resources for the period extending beyond 1976 shall be the same as the average annual resources within the IPF for the 1972-1976 development cycle, and the country programme may be drawn up on this basis provided that in no case shall expenditure in the 1972-1976 development cycle exceed, as a result of this decision, the IPF for that cycle. This decision shall be without prejudice to any decision the Council may take at the appropriate time on a system of IPFs for the countries concerned which would take effect during 1977-1981 development cycle;

(c) To adopt for the 1972-1976 programme cycle the IPFs as set out in table 1 of document DP/L.237, subject to the following changes:

(1) <u>Country</u>	(2) <u>Proposed IPF in DP/L.237</u>	(3) <u>Approved IPF</u>	(4) <u>Increase (Decrease) of Col. 3 over Col. 2</u>
Bangladesh	0.0	18.5	18.5
Bhutan	5.0	2.5	(2.5)
Equatorial Guinea	5.0	3.5	(1.5)
Haiti	7.5	6.0	(1.5)
Pakistan	35.0	18.5	(16.5)
Qatar	2.5	1.5	(1.0)
Sudan	15.0	20.0	5.0
Undistributed Asia and Far East	3.0	2.5	(0.5)
			- 0 -

(d) To consider the IPF approvals for Bangladesh and Pakistan to be provisional in character pending further assessment of the development needs of these countries. Appropriate IPFs for Bangladesh and Pakistan should be submitted for approval by the Governing Council as soon as possible.

Review of criteria to be followed in calculating indicative planning figures

40. The Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination, in introducing the note by the Administrator on item 3 (a) of the Council's agenda (DP/L.240 and Corr.1), recalled the President's observation that the fourteenth session could be deemed a success if it were able to come to grips with the review of criteria to be followed in calculating IPFs. The Consensus of 1970 2/ had foreseen an early doubling of resources for Programme

2/ Consensus on the United Nations Development Co-operation Cycle approved by the Governing Council at its tenth session and subsequently adopted by the Economic and Social Council in its resolution 1530 (XLIX) of 22 July 1970 and by the General Assembly in its resolution 2688 (XXV) of 11 December 1970.

activities. If this were to eventuate, the resource distribution problem would be easier to solve than was currently the case, especially as concerned the least developed of the developing countries.

41. The Assistant Administrator stated that although assistance to the least developed of the developing countries was to be considered specifically under item 3 (d), the level of IPFs for those countries was of major concern under item 3 (a). Despite the present insufficiency of resources, the recent proceedings of the third session of the United Nations Conference on Trade and Development (UNCTAD) had served as a reminder of how vital it was to proceed as early as possible with enhanced assistance to that group of countries.

42. The Assistant Administrator suggested that future IPFs should be based on a new general scheme designed to achieve an equitable distribution of resources available to the Programme. Recognizing that economic and social conditions in the developing world were complex and diverse, the Administrator considered nevertheless that, in establishing future individual country IPFs, it would be better to do so on the basis of a simple formula, using very few variables. In addition, future IPFs should reflect the need to ensure a certain degree of continuity in programme activities, including their universality. The nominal level of future IPFs - that is, without allowing for inflationary conditions - should, as a minimum, be maintained for all countries within an assumed over-all frame of increasing contributions. The Administrator was proposing that approach at that time. At a future session of the Council, the Administrator could submit actual figures based on the current deliberations of the Council.

43. The Assistant Administrator indicated that whereas there might be a broadly based desire to introduce a new general scheme in the immediate future, such a procedure would have no meaning unless there was to be an early increase in resources to the Programme above levels then foreseen. He further stated that the introduction of a new general scheme for IPFs was essentially distinct from the question of whether or not "rolling" IPFs should be adopted.

Summary of discussion

44. It was generally considered that the review of criteria for establishing IPFs was the most important issue before the Governing Council. A member stated that decisions on that matter would have far-reaching consequences for future Programme activities as a whole and for individual donor and recipient countries.

45. Several members stated that the recent deliberations at the third session of UNCTAD underlined the need, as had been recognized in the Consensus and in earlier Council sessions, for careful reconsideration of the bases on which IPFs had been calculated, with a view to the establishment of a new set of IPFs. A new general scheme based on a more equitable distribution of resources than in the past, and broadly along the lines sketched in DP/L.240, was required to provide the foundation on which to build future Programme activities. A member stated that under a new general scheme, UNDP resources should be used to facilitate the economic growth of recipient countries and to help significantly in improving the conditions of life of the people in those countries. Many members recalled the need to correct the remaining inequities due to historical circumstances.

46. It was stated by some members that a number of accidental and haphazard influences were present in the current distribution of IPFs. The existing IPFs were not perfect. It was therefore insufficient to consider the "minimum change"

approach to the determination of future IPFs. The new general IPF scheme should be based only on rational elements. It was recognized by some members that while this would improve the position of some countries, it would hurt that of others.

47. Several members stated that a basic objective of the recalculation of IPFs was to provide increased assistance to the least developed countries since the inequities in the present system were not more marked for the least developed countries. The current pattern of IPFs for 1972-1976, was regarded by a member as not good enough for a programme of technical assistance since, while it allocated only 19 per cent of total resources to the least developed countries, it directed as much as 8 per cent to countries with a per capita income level above \$800.

48. Several members stressed that the review of IPFs, which was being considered on the basis of DP/L.240, was concerned only with the long term. A member hoped that the redistribution of IPFs could take effect in 1972-1976, especially for the least developed countries. Some members favoured the introduction of the new general scheme in 1972-1976 as soon as resources grew above the currently foreseen level. Several members favoured the adoption of a new general scheme but, since they wished to avoid any country suffering a reduction in its current IPF, they urged its adoption for 1977-1981.

49. It was generally regarded as reasonable that the basic variables to be adopted, and given primary importance in a new general scheme for IPFs, should be population and per capita income. Several members considered that the per capita income variable should be taken as the more important element and population more as a supplementary criterion.

50. Several members urged that, in a future general scheme, the relationship between the population of a country and its IPF should be strengthened in favour of countries with large populations, as compared with the existing situation. A more sympathetic attitude for the more populous countries was needed. Some members expressed concern with the suggestion in DP/L.240 for the use of a special ceiling to limit future IPFs of countries with large populations. There were such countries in the Asian region in which tens of millions of its people faced pressing economic circumstances. The percentage share in total UNDP resources of those countries, it was stated, should not be further diminished. In the particular case of Indonesia, the need to avoid that possibility was made more urgent because of the phasing out of other assistance financed by the United Nations.

51. A member cautioned that the proportionate application of the population criterion would mean that the small and medium sized countries would have little share in UNDP resources and that a result of that nature should be avoided. He considered that the application of the population criterion in DP/L.240 appeared more reasonable than that in various suggestions made in the Council. A member stated that the population criterion should be used with extreme caution.

52. While the use of per capita income was generally favoured as the more important of the basic criteria for determining IPFs, a member observed that it was not always decisive as a measure of equity. Some low income countries, he stated, nevertheless had good administrative structures and were therefore able to be providers of technical assistance to other developing countries. In considering the use of the per capita income variable as a determinant of country IPFs, some members referred to the technical problems in defining the concept appropriately. One member pointed out that the per capita figures used by the Secretariat were expressed in US dollars and at market prices and that those two factors, because of their fluctuating character, distorted the

measurement of the economic growth of the developing countries. The member suggested therefore that per capita income should be calculated on the basis of constant prices rather than market prices and that the base year should be 1950 or, to coincide with the establishment of UNDP, 1960. Further, the data used should be those sent by the Governments to the Statistical Office of the United Nations.

53. Some members considered that per capita income should be used to differentiate clearly various groups of developing countries, especially the group of least developed and somewhat similar countries. Specific proposals on income categories were made and several members expressed support for them. A member considered that the system of per capita income categories would be acceptable if it was kept flexible.

54. One member suggested the use of the following specific per capita income categories in a new general scheme for IPFs:

- (i) The 25 hard-core least developed countries;
- (ii) All other countries with per capita income less than \$200;
- (iii) Countries with per capita income from \$200 up to \$500;
- (iv) Countries with per capita income of \$500 and above.

A member stated his partiality to this proposal, but with the addition of a special category for countries which had gained their political independence since 1956 and a further category for countries with per capita incomes above \$800. The categories envisaged by another member were as follows:

- (i) The least developed of the developing countries and other countries with per capita GNP of less than \$125;
- (ii) Countries with per capita GNP between \$125 and up to \$250;
- (iii) Those between \$250 and up to \$500;
- (iv) Those between \$500 and \$800;
- (v) Those with \$800 and above.

55. Some members supported the idea of combining other low income countries with the least developed into one category since, for example, many of the other low income countries had pressing economic and social problems, including that of hunger, which demanded consideration no less than that to be given to the least developed countries. Some other members suggested that since the least developed countries were already an identified group of countries - identified by the Committee for Development Planning and recognized by the General Assembly - they should form a separate category. A member, while recognizing that the purpose of establishing specific per capita income categories was to achieve a more equitable distribution of UNDP resources, urged, nevertheless, that in the process care should be taken to avoid injustices to borderline countries. Whereas the least developed countries must receive increased assistance, the development problems of some other countries - such as those "born the day before yesterday" - should be appropriately considered.

56. Some members stated that the allocation of countries into one of a number of specific per capita income categories, as indicated above, would not be a favourable element in the Programme and that the income groups suggested were arbitrary. The approach was a static one in the context of the dynamism of economic development and would lead to the continual reclassification of countries into the specified per capita income categories. The difficulties that had been encountered in defining

a single category of countries, the least developed, were recalled by a member and it was considered that any attempt to establish several other categories of countries would be extremely difficult and time consuming.

57. Several members considered that in calculating IPFs account should be taken of other criteria in addition to population and per capita income it being understood that those two basic criteria received the highest priority. Some members considered that the criteria used by the Committee for Development Planning for identifying the least developed countries should be given the highest weight in calculating IPFs.

58. A member considered that, in the final determination of IPFs, account should be taken of several other elements which had been mentioned already by his delegation at the twelfth session of the Governing Council. Thus, additional UNDP assistance should go to those countries which had made a considerable effort towards development with the assistance of all levels of the population and to those which had attained social transformation through land reform, income redistribution and a strengthening of social services. The extent of their participation in multinational projects and the extent of their use of UNDP resources should also be taken into account. Other members attached importance to a country's absorptive capacity for technical assistance; whether it was land-locked; the level of its economic and social infrastructure; and the level of its industrial activity. A member suggested that the criterion of the recency of political independence should be used for determining future IPFs. Another suggestion was the amount of development assistance received from all other bilateral and multilateral sources. It was urged by one member that that factor should be the only other criterion used in addition to population and per capita income. Other members favoured the use of any criterion which reflected the difficulties of a country in its external sector, provided it could be quantified easily.

59. Some members opposed the introduction of variables other than population and per capita income into a new general scheme for IPFs: some of those other variables, could not be quantified such as, for example, whether a country had moved in the direction of social justice. A subjective assessment of such elements was to be feared. It was considered that the Governing Council, by adopting some of the qualitative variables mentioned, would in effect put itself in the position of having to evaluate the domestic policies of sovereign States. One member stated that the selection of a few "secondary criteria" for determining a general scheme of IPFs was difficult since they would be different for each country. One member considered that many of the elements referred to above should be regarded as "fields of activity" for the use of IPFs rather than as criteria for their determination. Arguing against the use of "other criteria", a member stated that it could lead to continuing pressure to extend the list of such criteria. One member considered it redundant to take account of the level of total external assistance after having previously taken account of per capita income. In considering the use of criteria in addition to population and per capita income, a member recognized their value but preferred the simplest approach since the distribution of IPFs obtained from the use of a complex formula involving numerous other criteria was likely to be little different from that based on the use of only a few variables.

60. Several members urged that, in a new general scheme of IPFs there should be as few discretionary elements as possible since discretion in that context introduced insecurity. Circumstances such as major natural disasters should be handled through the Programme Reserve which, if necessary, should be increased for that purpose. Some members stated that the Administrator should be given some discretion in calculating country IPFs. A member, while approving of the suggestion that there should be an element of discretion, nevertheless hoped that it would not be used as a

means of discriminating against certain countries. It was suggested by a member that if the Administrator were to be given some discretionary authority then the Council should take its decision on resulting IPFs on the basis of carefully explained reasons.

61. The Governing Council considered the concept of continuity in country activities, which was the basis for the proposal by the Administrator for the use of "floors" and "ceilings" on the extent of change between a country's IPF in 1972-1976 and 1977-1981.

62. In supporting the use of a set of floors and ceilings, a member recalled that the current country IPFs were not arbitrary figures and had been approved by the Council. Some members urged that while continuity in country IPFs must be considered, the need for equity in the determination of IPFs was more important. A member stated that the use of constraints in determining IPFs should not serve to hurt the interests of the least developed countries.

63. Some members stated that they favoured the concept of a ceiling on the degree of increase in individual country IPFs as part of a simple general scheme but were opposed to the idea of a floor. Some members considered that the proposal of a floor for future IPF country allocations did not permit redistribution to poorer countries to go as far as was desirable and that therefore they did not favour it. Public and political opinion in some donor countries demanded a significant redistribution of resources and the Council should therefore go further in this direction than indicated in DP/L.240.

64. Some members, on the other hand, urged that no recipient country should suffer a decline in its IPF between the current period and 1977-1981, and some of those members favoured dispensing with the ceiling. The use of the floor reflected the spirit in which development assistance should be given.

65. Some members stated that the future general scheme for IPFs should not be subject to a set of constraints on the extent of change in IPFs between 1972-1976 and 1977-1981. It was considered that the note by the Administrator gave too much importance to the idea of continuity in the level of individual country IPFs between 1972-1976 and 1977-1981. Sharp breaks in the continuity of country IPFs should not be feared. A member stated that the constraints suggested in DP/L.240 denied the purpose of the distribution pattern suggested by the use simply of population and per capita income.

66. The Council considered the concept of the universality of the Programme as it related to the determination of future IPFs.

67. Some members urged that universality should be adhered to and that UNDP, a United Nations activity, should render economic assistance to countries in all geographic regions and irrespective of their different political and economic systems. The import of the Consensus was of assistance to all developing countries and it was a principle to be adhered to. There was, therefore, appreciation of the general orientation of DP/L.240 concerning the application of universality. Those members considered that retaining the present universal character of UNDP would not impede redirection of resources to areas of greatest need. A member suggested that voluntary contributions were likely to increase if the Programme remained as universal as it was at that time since the recipients benefiting from that principle would probably reciprocate. It was important to maintain universality since UNDP assistance was not tied to the interests of any particular donor country and was thus valued by recipient countries above its monetary significance.

68. Some members said that proposals made to abridge the universality of the Programme by reducing assistance to countries with per capita incomes above a certain level were arbitrary, discriminatory and had no scientific basis, because inter alia, the purchasing power of currencies was constantly depreciating and some high income countries nevertheless still lacked appropriate infrastructures or had other development problems. A member disagreed with the suggestion that all European recipient countries should be defined within the category of the most developed countries. It was urged that, whereas the recent definition of the least developed category of countries was a positive idea, the current suggestion to define a most developed category was a negative approach and was not in the spirit of getting as many countries as possible to develop as fast as possible. Simple statistical data could, anyhow, not be used for that purpose and a decision could only be reached on the matter by the country itself.

69. A member referred to the work of the United Nations Committee on Contributions and stated that it could help in arriving at an agreed definition of the most developed of the developing countries.

70. Some members stated that they disagreed with the interpretation given to the concept of universality in DP/L.240. They stated that the Council should not shun "freezing" or cutting off the IPFs for some countries. It was considered that the treatment of the most developed of the developing countries suggested in DP/L.240 was too liberal. A member stated that the suggestions made by members at the twelfth session of the Council as regards that "most developed" group should be considered at the current session. A member stated that as far as that group of countries was concerned, the task of UNDP was to "work itself out of a job".

71. Some members stated that, while they accepted the idea that the UNDP should be a universal undertaking, their understanding of the term was that all countries participated as net recipients or as net contributors and they hoped that as countries became more developed their status would shift from the former towards the latter. While countries with per capita income levels above \$800 should not get increased IPFs; those members were doubtful about any reduction in the present level. The Administrator should discuss the matter with the countries concerned.

72. Some members considered that, on the assumption of a 50 per cent increase in total resources between 1972-1976 and 1977-1981, the only way to achieve a substantial increase in resources for the low income countries in 1977-1981 was to cut off IPFs to the most developed of the developing countries. As a guide to IPF allocation in 1977-1981, it was suggested that all resources be diverted from countries with a per capita income above \$750 to the poorer countries.

73. A member indicated that his approach to the most developed countries was that those with per capita incomes above \$750 should get no increase in their IPFs and that those above the \$1,000 level should not receive any IPFs. Another suggestion was that, while countries above the \$1,000 per capita income level should be invited to give up their IPFs, they might still receive assistance if they paid for it. A member recalled that it had become a net contributor in the field of technical assistance almost 20 years before when its per capita income was in the range of some \$400, at current prices.

74. A member stated that the discussions between the country and UNDP should be designed to see if the country's increased net contribution to development

assistance could be achieved through phasing out of UNDP assistance, through the adoption by the country of a larger share of project costs, or through their additional contributions by the recipient country. Some members suggested that in any dialogue between a country in the most developed category of the developing countries and the Administrator, the form of increased net contributions sought should be determined on an individual country basis. Different solutions could be arrived at depending on whether the country had structural problems, balance of payments problems, inadequate technical assistance, etc.

75. The Council considered the application of criteria suggested as a basis for establishing IPFs for 1977-1981, including the approach proposed by the Administrator in DP/L.240. Several members indicated that the proposed approach in DP/L.240 concerning 1977-1981 was fairly close to their own. It was stated by several members that whereas criteria for IPFs should be determined by the Council, the application of those criteria should be left to the Administrator. An alternative view was that the Council should determine both the selection of criteria and the manner of their application. A member suggested that it was too early in the first development cycle (1972-1976) to decide in detail what should be done in the second cycle of 1977-1981. It would be better, at that time, to develop some data on the evolving experience of 1972-1976.

76. Some members stated that whereas the use of 50 per cent for the growth in total resources available for individual country IPFs was a fair assumption to employ in applying criteria so as to establish IPFs for 1977-1981, an equitable distribution of IPF under that assumption would have to involve a decline from present IPF levels for some countries. Several members stressed that the only remedy for the situation was that total resources must in fact grow more than assumed. The over-all shortage in resources for assistance was the real problem before UNDP. An important factor in the success of the new IPF scheme would be the ability to achieve significantly increased contributions.

77. In reviewing the data presented in table 1 of DP/L.240, a member drew attention to document DP/L.240/Corr.1 and thanked the Administrator for its preparation. The procedure that had been followed as regards Pakistan in the table had ignored the sensibilities of a sovereign State. Another member recalled that Bangladesh had joined WHO on 19 May 1972 and that it intended to ask for assistance from UNDP.

78. In considering primary results desired from the application of a new general scheme in 1977-1981, several members stated that it was necessary to consider a shift in UNDP resources to the least developed countries equal to or somewhat greater than the shift indicated in DP/L.240, i.e., up to 25 per cent from 19.6 per cent. The third session of UNCTAD had adopted unanimously a resolution on special measures for this group of countries and the current review of criteria gave the opportunity to transform ideas expressed at UNCTAD into practice. A member considered that DP/L.240 appeared to attach too much importance, in its distribution of IPFs, to the group of least developed among the developing countries. Increased assistance to the least developed countries was necessary and, a member recalled, it was in fact required by the International Development Strategy. However, the solution of this problem demanded the help of the developed countries since developing countries other than the least developed still needed increased assistance also.

79. In other considerations of the application of criteria, several members stated that the 50 per cent spread used in the Administrator's proposed approach, in the weights attached to countries below \$125 per capita income and those above \$250, was too modest. A member queried the use in DP/L.240 of the \$125 figure as the dividing line between the "low" and "middle" per capita income categories. Other members considered that the Administrator, in his calculations had not done enough for countries below the \$200 per capita income level since, under his proposals, their share of total IPFs increased from 51 per cent to only 55 per cent.

80. A member suggested that in the redistribution of future IPFs, the following results should be achieved according to certain per capita income categories: the least developed of the developing countries as a group should receive at least 25 per cent of total resources; at least 35 per cent should be directed to other countries with per capita incomes of less than \$200; not more than 30 per cent of total resources should go to countries in the \$200 to \$500 per capita income range; and not more than 10 per cent should go to countries with \$500 per capita income or more. Further, it was suggested that IPFs should be frozen for countries with per capita incomes of \$800 or above. Redistribution towards these goals should be started as soon as possible and completed by the time total resources were doubled. The same member proposed that within each income category, distribution should be on the basis of per capita income, population, and a discretionary element. Countries with the same population and per capita income should, essentially, get the same IPF. In assessing the results of this proposal, a member stated that there would be negative effects on countries in Latin America and the Middle East. Further, some countries would receive no increase at all in their IPFs.

81. The Council heard views on the time-table for discussion and decision on the criteria for a new IPF scheme and on the actual country IPFs for 1977-1981. Several members stated that at its current session, the Council should look for agreement on the criteria to be used in a new general scheme. The Administrator should be asked, accordingly, to make some new calculations and the Council could then come to a full decision on future IPFs at its fifteenth, or a subsequent session. A member requested the Administrator to present to the fifteenth or sixteenth session a report on available resources and possibilities of their growth and on the impact of these elements on future IPFs. Some members considered that 1977-1981 was too far ahead for the Council to make final decisions concerning IPFs, and that the Council should limit itself at the current session to an exchange of views, with the dialogue to be continued later. A member suggested that the final decision on IPFs for 1977-1981 should be made during 1976. Another member stated that the proposals contained in DP/L.240 should be approved at the current session. A member stated that the Administrator should discuss with recipient countries having a per capita income of about \$750 how they might become significant net contributors to UNDP, and that he should report on those discussions to the sixteenth session of the Council.

82. The Council considered the transition from the current to a future pattern of IPFs for all recipient countries. Members generally indicated that the transition to a new general scheme should be a smooth one. Since the "public faith had been pledged" in regard to the 1972-1976 IPFs, those individual country IPFs already agreed to by the Council for 1972-1976, and which in effect committed available resources, should not be changed and should be fully honoured. The new scheme should therefore start to be operative in 1977 and be fully in use by 1981. There was the possibility of moving to a new general scheme earlier but

only if there was a significant increase in resources available to the Programme which was above presently foreseen levels.

83. The Council considered it imperative that special and active attention be given to increasing the resources allocated to the least developed countries during the current development cycle of 1972-1976 significantly above the level of their already determined IPFs for that period - that is, before a new general scheme became operative in 1977. The special attention to an immediate increase in resources to the least developed countries in 1972-1976 needed to be considered together with matters under discussion in item 3(d) (see paragraphs 115-137).

84. As part of a programme of early action directed towards the least developed countries, it was generally suggested that if during 1972-1976 there was an increase in Programme resources above the 9.6 per cent rate adopted for planning purposes, then - as a first priority during that period - those incremental resources should be directed specifically to the least developed countries. One member suggested that the beneficiaries should also include other countries with a per capita income below \$125 since they, also, had severe development problems and the least developed were already benefiting from the special programmes of other assistance organs.

85. A member suggested that any country which increased its contributions above 9.6 per cent should be able to make earmarkings for the least developed countries. An effort should be made to obtain increased contributions for this urgent need. The real challenge in getting immediate increased resources to the least developed was to obtain new resources from the developed countries. The interests of other developing countries should not be jeopardized in the process of directing increased assistance to the least developed. Recognizing the uncertainty of increased contributions above that which was presently foreseen, other immediate means of assistance also had to be considered. As a further source for financing immediate increased assistance to the least developed countries, several members stated that use should be made of some of the resources in the Programme Reserve. The Consensus of 1970 had provided authority for that procedure. Some members opposed the idea of creating a special fund for the least developed among the developing countries. If such a fund were to be constituted from the Operational Reserve or from resources which would otherwise go to UNDP, it would affect the liquidity of UNDP. It was considered that increased assistance to the least developed countries in 1972-1976 should come instead from increased contributions to the Programme above the currently foreseen annual increase of 9.6 per cent per annum.

86. As another source of immediate finance for the least developed countries, some members suggested that part of the funds currently allocated to intercountry projects should be directed specifically to that group of countries. A further suggestion was that part of the over-all Special Industrial Services (SIS) allocation from the Programme Reserve should be directed specifically to the least developed countries. Further, a member referred to the possibility of using the United Nations Capital Development Fund for the needs of the least developed countries. Another suggestion was that immediate funds for the least developed countries should be sought from savings in Programme activities. It was also considered that a more certain source of finance, in the amount of

\$50 million, would be the Operational Reserve. That source, it was stated, should be used in the first instance and could be replenished as funds became available from sources previously suggested. A member stated that resources for the least developed countries might be obtained from a reduction in the overhead costs of the Programme and from cutting assistance to the recipient countries involved in aggression.

87. Some members supported a suggestion that the total of additional resources for the least developed countries should be \$40 million for the four remaining years of the current 1972-1976 development cycle. Other members supported the suggestion of an amount of \$25 to \$30 million for that purpose. There was also support for the amount of \$50 million mentioned in the proposal submitted to the thirteenth session of the Council.

88. A member was concerned at the very uncertain nature of the proposals which had been made for securing immediate increased resources for the least developed countries. He stated that it would be better first to fix a specific target amount of resources required for that purpose and then to ask the Administrator to find the necessary money. He questioned the idea of trying to assemble the needed resources by uncertain attempts at trimming from a variety of existing allocations as had been suggested.

89. Some members requested the Administrator to consider the statements made at the current session on the need for an immediate increase in assistance to the least developed countries and to submit recommendations to the fifteenth session. Other members urged a decision at the current session.

Observations of the Administration

90. The Deputy Administrator, in replying to some points raised during the discussion, said that the Administration agreed that there was need for a new set of criteria for IPFs. The existing set, which had many inequities and anomalies, had been based on historical experience and had been chosen because of the urgent need for immediate action.

91. It was obvious that an answer must be found to two distinct but related questions at the current session: the future determination of criteria for IPFs and immediate measures in favour of the least developed countries. On the whole, the criteria proposed by the Administrator seemed to have been well received. It was, however, quite clear that the majority of the Council also wanted action to provide greater immediate assistance to the 25 hard-core least developed countries to be taken at the current session. The Administrator fully agreed that the matter was urgent but wished to draw attention to certain financial considerations which affected his capacity to meet that important challenge. Firstly, the most satisfactory solution to the problem would be additional resources over and above the 9.6 per cent increase on which the

IPF projections had been based for the current five-year period. Secondly, with regard to the desirability of securing resources from the already established IPFs for intercountry programmes, the Administrator considered that it would be contrary to the best interests of the Programme to envisage any reduction whatsoever in the IPFs in that important activity. The Administrator had responded to pressure for increased allocation of funds for intercountry programme by stating that, at the appropriate time and on the basis of the high priority projects of that type in the process of being developed, he would be prepared to inform the Council of the situation and ask whether it wished to increase the percentage available for intercountry projects. Some of those projects might be among the best ways of assisting the least developed countries and, in the view of the Administrator, it would be unwise to tap that source.

92. One member had proposed that \$50 million should be taken out of the Operational Reserve and made available to assist the least developed countries. That Reserve was already at the minimum figure possible in terms of financial responsibility to cover the firm commitments of the Programme. In addition, the assets which formed the Operational Reserve were of such a nature that only a total of about \$70 million was readily available at any given time out of the total of \$150 million.

93. Many members had suggested that the Programme Reserve would be a suitable, although insufficient, source of funds to meet some of the needs of the least developed countries. At the thirteenth session of the Council, one member had proposed that a specific sum should be earmarked from the Programme Reserve for that purpose. At the current session, the same member had proposed that approximately one third of the funds for Special Industrial Services should be set aside for those countries. An amount of \$9 million per year was available for all the varied purposes of the Programme Reserve as described in the Consensus. A specific decision had been taken by the Council to permit expenditures at a level of \$4 million per year for SIS. That figure required re-examination since expenditures under that programme were now running at a rate of \$3 to \$4 million per year. The Administrator considered that an annual expenditure of \$3 million would be a minimum figure at the present time. The Consensus had also provided that emergency requirements related to natural and other disasters should be met from the Programme Reserve and the Administrator considered, on the basis of experience so far, that \$2 million would be an appropriate amount in that regard. A third category was represented by investment feasibility studies which required financing outside the IPFs. There, too, an amount of \$2 million appeared to be a floor for that type of expenditure. The Programme Reserve also functioned as a general purpose contingency fund to cover inescapable but miscellaneous expenditures. Examples of costs of that type in 1972 were certain programming missions not chargeable to IPFs, costs in relation to fellowships for Africans from Southern Rhodesia, and local costs of United Nations Volunteers which could not be covered by the country concerned. At least \$500,000 per year was required for those miscellaneous costs. The elements chargeable to the Programme Reserve therefore totalled \$7.5 million, leaving \$1.5 million which could be devoted exclusively to the needs of the 25 least developed countries. A decision by the Council to seek annual expenditures of that magnitude from the

Programme Reserve would imply restrictions on the other purposes. In the view of the Administrator, such restrictions should be considered by the Council before it reached a decision. A particular difficulty would be represented by SIS, since there was considerable pressure for authorizing an expenditure level higher than \$3 million per year. The Council would need to consider the priorities involved and reach a decision based on them. It should also be borne in mind that UNDP was at present faced with a potential deficit of some \$60 million, representing a shortfall below the projections on which the IPFs had been based.

94. Several members had suggested that donor countries should be allowed to specify that, whenever their increased contribution exceeded the 9.6 per cent on which the projections had been based, the amount in excess should go to the least developed countries. The Administrator shared the reservations expressed during the discussions with respect to earmarking, but since calculations made it clear that that would be the only really new source of funds for the 25 hard-core least developed countries, the Administrator would agree to that suggestion. It meant, however, that if the general average of 9.6 per cent annual increase was not reached, it would be necessary to make proportionate reductions across the board on all IPFs, with the exception of those of the 25 least developed countries.

Working Group on Review of Criteria to be Followed
in Calculating Indicative Planning Figures

95. At its 324th meeting, the Governing Council established a Working Group under the chairmanship of Mr. Sigismond Marcuard (Switzerland) to submit suggestions, on the basis of DP/L.240 and comprehensive proposals as well as more specific suggestions and the views generally expressed during the discussions in the Council, on: (a) the basic criteria for the establishment of IPFs applicable from 1 January 1977 to be approved by the Council during the fourteenth session; (b) supplementary criteria to be applied on a discretionary basis by the Administrator in his implementation of the basic criteria; and (c) the procedures to be followed with respect to the final approval by the Council of IPFs to be applied as from 1 January 1977.

96. At the 338th meeting of the Council, the Chairman of the Working Group submitted the following recommendation proposed by the Working Group and informed the Council that one member of the Group was not able to associate himself with it. The text of the recommendation was as follows:

I

"The Governing Council has considered and noted with appreciation the Administrator's note 'Review of criteria to be followed in calculating indicative planning figures' (document DP/L.240). Using this document as a basis, the Council adopted the following consensus:

"1. The Governing Council considers that future IPFs applicable from 1 January 1977 should be determined according to a new general scheme designed to secure equity in the allocation of resources, taking into special consideration the needs of the least developed among the developing countries and those of other low income countries, and taking into consideration the need to correct remaining inequities due to historical circumstances.

"2. The new general scheme of IPFs should be as simple as possible.

"3. In order to attain these objectives, the fundamental criteria to be employed should be the per capita income and the population of each country. There should be a negative relationship between a country's level of per capita income and its IPF and a positive relationship between a country's population and its IPF.

"4. The use of these basic variables in the determination of IPFs should be supplemented, as appropriate, by other criteria, as described below in paragraph 8.

"5. A primary result of the future distribution of UNDP resources available for distributed country IPFs in the period 1977-1981 should be that at least 25 per cent of the total of such resources is directed towards securing the economic and social development of the least developed among developing countries and that there should be a further increase of the share of other low income countries including in particular the more populous of them which should be given more favourable treatment than at present.

"6. As a consequence of the application of the new general scheme, the overall share of the distributed resources for the recipient countries with a relatively high per capita income will be reduced. The absolute amount of individual IPFs of these countries should be kept for the period 1977-1981 on the present level or increased in accordance with the general criteria if a growth in resources will permit it. In consultations with the Administrator, some of the Governments of these countries should consider increasing their contributions to UNDP with a view to becoming net contributors to the Programme; to increase their share of the cost of the assistance projects provided to them by UNDP; and, whenever possible, share the benefits derived from the projects with other recipient countries.

II

"7. In calculating country IPFs, the Administrator shall have the discretion (see paragraph 4 above) to adjust upwards IPFs, taking into account, as appropriate, the supplementary criteria listed below, expressing the special situation and the needs of the countries concerned. He shall have available for this purpose up to 7.5 per cent of total resources available for country IPFs and shall be empowered to adjust an individual country's IPF up to 20 per cent above the value calculated from the use of basic criteria.

"8. The supplementary criteria are:

(i) The special needs of newly independent countries, land-locked countries and countries suffering from acute ecological and geographical disabilities;

(ii) The magnitude of the country's development effort; the extent to which the Government is making structural changes to promote the development process; and the distribution of income and other elements of the establishment of social justice;

(iii) A country's cumulative debt burden and overall balance of payments deficit; the chronic deterioration of the terms of trade;

(iv) The effort being made to co-ordinate UNDP resources with the country's national development plans and/or priorities; and

(v) The difficulties of a country in participating in regional and/or subregional development activities.

III

"9. The Governing Council requests the Administrator to prepare a new set of IPFs for 1977-1981 to be submitted to the Council at its fifteenth session. In calculating these figures, the Administrator should base his work on the decisions of the Council on this matter at its fourteenth session."

97. The President informed the Council that, in view of the lack of unanimity in the Working Group, he had been invited by the Group to use his good offices in discussions with members of the Council. As a result of those discussions, he proposed for the Council's consideration the following amendments to the text proposed by the Working Group:

"1. Insert in the text proposed by the Working Group a new paragraph 7 reading as follows:

'7. The Group of developing countries situated between those mentioned in paragraph 5 and paragraph 6 above should, to the extent available resources permit, have their country IPFs increased in accordance with the general criteria at a rate as nearly as possible corresponding to the increase in available resources.'

"2. Renumber the following paragraphs.

"3. In new paragraph 8, after the words 'discretion (see paragraph 4 above)', insert the following words: 'at the invitation of the country in question'."

98. There was an exchange of views in the Council on all of the elements in the recommendation of the Working Group and on the President's amendments to it.

Decision of the Governing Council

99. At its 338th meeting, on the basis of a draft proposed by the President of the Governing Council, the Council decided to:

(a) Take note of the recommendation of the Working Group and the amendments to it proposed by the President of the Council containing proposals for new criteria to be followed in calculating indicative planning figures, and of DP/L.240 containing the Administrator's note on the same subject;

b) Include this item on the agenda of the fifteenth session for the further consideration of the proposals contained in the recommendation of the Working Group and in the amendments to it proposed by the President of the Council and in the note by the Administrator (DP/L.240); and

(c) Request the Administrator to present to the fifteenth session calculations of indicative planning figures based on the fundamental criteria contained in the recommendation of the Working Group and the amendments to it proposed by the President of the Council and on different assumptions with respect to total resources available for country indicative planning figures so as to illustrate the results of the application of the proposed criteria to the indicative planning figures for the development cycle 1977-1981.

E. Further assessment of experience in country programming

100. Under item 3(c) of its agenda, the Administrator, as requested by the Governing Council at its thirteenth session, submitted to the Council his further assessment of the experience in country programming and a review of the main issues and proposals made at the thirteenth session together with his comments on those proposals (DP/L.224). A tentative schedule for the presentation of country programmes to the Governing Council at its fifteenth, sixteenth and seventeenth sessions was also before the Council (DP/L.224/Add.1).

Decision of the Governing Council

101. At its 326th meeting, following discussions, the Governing Council approved the text reproduced below in paragraphs 102 to 114 in connexion with its further assessment of experience in country programming.

102. Time factor. The Council takes note of the slight improvements which have taken place with respect to the time available for the preparation of the country programmes. It further notes that for country programmes to be submitted to the January 1973 Governing Council and later the situation will be normal as:

(a) Time will be available to carry out all steps envisaged in the "Guidelines for the preparation of Country Programmes".

(b) Full feedback of the experience of the first two country programming exercises to the Resident Representatives and agencies will have taken place. This will, inter alia, lead to an improvement of the timing of the many steps envisaged in the Guidelines and, in particular, the allocation of more time for the most crucial periods of the process (e.g., time allowed for UNDP Headquarters and agencies' comments on the background paper).

103. (a) Linkage with Government development priorities. Taking into consideration the many different forms such linkages can take, the Council notes that the country programmes approved by the Governing Council at its fourteenth session do only to some extent reflect the Governments' priorities. The Council re-emphasizes that further efforts are needed to make these linkages more explicit.

(b) Co-ordination with the World Food Programme (WFP), The United Nations Children's Fund (UNICEF) and other organizations. The Council would appreciate information at its fifteenth session on the results of the Administrator's efforts in this field.

104. Evaluation of on-going programmes. It is essential that a thorough evaluation of on-going projects take place as an integral part of the country programming

exercise and that the conclusion of such an evaluation is brought to bear on the country programme also when this implies a major shift in emphasis of UNDP assistance. The 16 country programmes approved at the fourteenth session show a wide variation with respect to the number and financial cost of the on-going projects. Such a variation is, of course, quite natural. What is worth noting is the fact that most of these 16 country programmes give a clear indication that a thorough evaluation of on-going projects has taken place. This is an important improvement upon the country programmes submitted at the thirteenth session and the Council requests the Administrator to continue to work for fuller improvements in this field. The Council endorses the idea of the Administrator of providing external inputs into the evaluation process when needed.

105. Periodic reviews of country programmes. The Council agrees with the proposed flexibility. However, the question of periodicity will to some extent be dependent on the decision the Council will take on the question of rolling IPFs (see paragraph 27-39 above). The timing of individual reviews will depend on a number of factors and considerations, the most important of which are:

(a) The programme should be well under way before it is subjected to review (normally 1-1/2 - 2 years);

(b) Timing of the Government's review of its development plan or development objectives.

The procedures should follow closely those in effect for the preparation of the country programme itself with the important exception that the country programme as revised need only be resubmitted to the Council if major changes have been introduced. In all other cases a report will do.

106. Co-ordination of external inputs. The Council endorses, at the same time as it recalls paragraphs 9 and 10 of the Consensus, the Administrator's proposals contained in paragraphs 16 and 17 of document DP/L.224.

107. Second United Nations Development Decade strategy. The Council takes note of the Administrator's actions.

108. Reserve programming. The Council agrees with the Administrator's position that there should be no upper or lower limits on the size of the reserve programme. What is important, however, is that there is a clearly established functional link between the reserve programme and country programme proper.

109. Front-loading. The Council endorses the views and recommendations of the Budgetary and Finance Committee in regard to front-loading: i.e., there is insufficient information available to assess accurately the impact of front-loading. This question should be kept under active review and should be discussed at subsequent sessions of the Council.

110. Unprogrammed reserve. The Council supports the concept of an unprogrammed reserve. However, it should be clearly understood that the establishment of such a reserve must not be made incompatible with full utilization of the IPF without sacrificing the quality of the programmes.

111. Documentation. The Council has noticed some improvement in the timely distribution of Governing Council documentation. The situation is, however, far

from satisfactory and the Administrator is requested to take all necessary steps to considerably improve the situation for the fifteenth session of the Governing Council.

112. Staggering of country programmes in 1973. The Council takes note of the tentative schedule of submission of country programmes for 1973 and 1974 submitted in document DP/L.224/Add.1, but requests from the Administrator a report to the fifteenth session on the possibilities of having country programmes for all remaining developing countries submitted to the Council in 1973.

113. Presentation of country programmes. The Council appreciates the uniformity already attained in the notes by the Administrator and that a number of the views expressed at the thirteenth session have been implemented (DP/L.224, paragraphs 29 (a), (c), (d), (e)). The Council shares the view of the Administrator that it is neither possible nor desirable to enforce stringent requirements for uniformity in the presentation of the country programmes themselves.

114. Concluding observations by the Administrator. The Council noted with satisfaction the Administrator's concluding observations (DP/L.224, paragraphs 34 and 35).

F. Special measures in favour of the least developed among developing countries

115. Under item 3(d) of its agenda, the Governing Council had before it for consideration a note by the Administrator (DP/L.238) seeking the Council's support for an increased effort to assist in the development of the least developed among the developing countries; supplementary information, provided by the Administrator at the Council's request during the session, on the various options which might be available to finance such assistance; and extracts from a resolution on the question adopted on 19 May 1972 by the third session of UNCTAD (DP/L.238/Add.1).

116. In introducing the item in the Council, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination observed that a much more coherent and concentrated effort was needed to meet the needs of the least developed countries. In particular, the large external component in the over-all resources which those countries could mobilize for their development, in some cases amounting to 70 per cent of their total development resources, placed a special responsibility on the international community; this had also been emphasized at the third session of UNCTAD. UNDP, for its part, was determined to respond to this challenge. Although additional resources were needed allowing for the channelling of more technical assistance to the least developed countries, that alone would not suffice; it was also imperative to improve and adapt the methods and content of assistance to the least developed countries.

117. On a number of problems common to all the least developed countries, remedial measures could be applied across the board. This called for special efforts to strengthen their absorptive capacity through more flexible and innovative forms of assistance, including, inter alia, more operational experts and United Nations volunteers, massive ad hoc training programmes, assistance to development projects over longer periods, and possibly in some cases complementary financial support to the national institutions and schemes assisted.

118. UNDP should also, with the agreement of Governments concerned, play a more active and catalytic role in the co-ordination of all external programmes and projects of technical and financial assistance. This was already being done in the normal process of country programming for countries desiring such assistance, but the specific circumstances of some of the least developed countries might warrant an initiative by UNDP to establish ad hoc consultative groups not unlike the International Bank for Reconstruction and Development (IBRD) consortia when such mechanisms did not already exist.

119. This and the possibility for UNDP to finance directly small investment projects would help close the gap which frequently existed between technical assistance and pre-investment on the one hand, and investment on the other. Hopefully, with larger resources, the United Nations Capital Development Fund could be a particularly useful instrument for this purpose.

120. Assistance to regional and subregional development schemes also appeared to be a particularly useful avenue for a special effort, especially for the smallest of the least developed countries and the land-locked countries. Such schemes might also include more advanced developing countries.

121. The Assistant Administrator also stressed that, in order to maximize the effectiveness of UNDP assistance to the least developed countries, the specific development problems in each country must be fully recognized. UNDP must be prepared to contribute to the solution of long-standing and difficult problems and had selected six of the least developed countries for initial concentrated efforts.

122. He anticipated that the new criteria proposed for the establishment of IPFs beginning in 1977 would double the resources allocated to the least developed countries, assuming that the estimated 9.6 per cent annual increase of total resources was realized. For the current 1972-1976 period, proposals before the Council aimed at a total of about \$50 million, which if realized would permit UNDP to increase its assistance to the least developed countries during the next four years and at the same time prepare itself to implement larger, longer-term programmes starting in 1977.

Summary of discussion

123. Members of the Council expressed their general agreement and satisfaction with the special measures proposed by the Administrator for the least developed among the developing countries. They also commended the steps already taken by the Administrator in respect of six countries among the least developed countries and urged that similar action be extended as soon as possible to the other countries in the category.

124. However, many members thought that a greater share of existing resources could be made available for the least developed countries for the period 1972-1976. Several members indicated that they were disappointed with what some termed an over-cautious approach in the Administration's estimates of the financial resources which would be available for those countries during that initial period since those provided for a maximum of only about \$10 million in savings from existing sources for the least developed countries, with \$40 million contingent on additional contributions. One member suggested that \$20 million or more might be set aside for those countries.

125. Specific suggestions were also made by several members as to the ways of finding more resources, especially from the Programme Reserve, which one member suggested should be increased rather than remain static, and from reduction in agency overhead costs. The possibility of effecting savings in intercountry programmes and in the administrative and programme support budget was also suggested by some members, but other members expressed their disagreement with the latter suggestion. One member believed that it would be preferable if the statements contained in the documentation before the Council with respect to savings from existing resources were more general rather than in the form of specific amounts. Generally, members thought that the figures mentioned in the supplementary information by the Administration might well be changed. It was also pointed out that readjustments in some IPFs and the establishment of IPFs for new members had resulted in a transfer of more than \$10 million to the least developed countries and that, therefore, additional resources for these countries really amounted to about \$20 million rather than the \$10 million mentioned in the documentation before the Council.

126. However, several members stressed that the only real possibility of substantially increasing the resources for the least developed countries would be through an increase in the total contributions to UNDP over and above the 9.6 per cent growth target. Members did not in general agree with the Administrator's proposal for the declaration of 1973 as a special "Challenge Year" to achieve this objective, but concurred that the next Pledging Conference should provide for the additional resources for the least developed countries. Some members suggested that more than one Pledging Conference would be needed and one member indicated that such increased pledges should start in 1972.

127. Some members proposed that there should be a ceiling above which additional resources should revert to the global resources of the Programme, and one member suggested that the Council should at least recognize that in principle the additional resources needed for the least developed countries should be produced out of the normal resources of the Programme. Several members pointed out that additional resources would also be needed to cover the large deficit of the Programme which was foreseen even if resources increased at an annual rate of 9.6 per cent.

128. With respect to increased pledges, which ought to produce additional resources for the least developed countries in the remaining part of the 1972-1976 programming cycle, many members warned against the earmarking of pledges by individual contributors. They pointed out, inter alia, that this was a matter of principle and was contrary to the multilateral character of the Programme. However, some members insisted that, as a last resort, if the proposed target was not reached, they might feel compelled to earmark for the least developed countries that portion of their pledges exceeding a 9.6 per cent annual increase. Other members reiterated that the allocation of additional resources to the least developed countries in 1973-1976 should not be at the expense of the other developing countries.

129. Referring frequently to the UNCTAD resolution, members noted that the unusually large portion of external assistance in the total resources of the least developed countries placed a special responsibility on the international community and also on UNDP. Some members indicated the readiness of their Governments to co-ordinate, in consultation with the recipient Governments concerned, their bilateral assistance programmes with UNDP.

130. Members also supported measures aimed at combining technical and financial assistance. Some members considered that a more flexible definition of technical assistance was needed to include, inter alia, such schemes as pilot plants and endorsed use of the United Nations Capital Development Fund in that respect. It was suggested that this was really a matter for contributors to the Fund rather than for the Council to decide. One member suggested that all projects of the Fund be approved by the Governing Council and that a totality or at least two-thirds of the Fund's resources should be used for the least developed countries. Other members argued, however, that the Fund should be for all developing countries. One member emphasized the role of the International Development Association and IBRD as important sources of development finance for the least developed countries.

131. Several members also stressed the positive role which UNDP should continue to play in promoting the absorptive capacity of the least developed countries including the possibility for UNDP to meet some of the costs usually charged to the recipient countries. It was recognized that this and other special measures implied that the Resident Representatives' offices in the least developed countries should be further strengthened. One member pointed out that improvement in the quality of Resident Representatives' offices should not be limited to the least developed countries. One member suggested that it might be useful to recruit more nationals of the least developed countries who could make a positive contribution through their knowledge of local conditions.

132. Several members also agreed that intercountry projects, especially on a subregional basis, were of particular relevance to the least developed countries. Such projects could include least developed countries and other neighbouring countries as a concrete expression of solidarity among developing countries.

133. Individual members also stressed the importance of programmes which could reach the people who were most in need of assistance, and of respecting the social structures and the "ethos" of each country. Another member observed that UNDP experience in the field of assistance to the least developed countries would prove useful for bilateral assistance programmes directed to those countries.

134. One member proposed that a new Assistant Administrator be recruited to be centrally responsible for the implementation of the special measures in favour of the least developed countries.

135. Several members requested that the Administrator submit to the Council at its fifteenth session a concrete plan of action for the utilization of increased resources for the least developed countries in the period 1973-1976. Other members expressed the opinion that the action programme should be based on the needs of those countries rather than merely on additional resources available.

136. Members of the Council were assured that the Administration would take into account the many suggestions made during the discussions in the Council with a view to channelling more funds to the least developed countries. It was noted that, while the Council and the Administration were naturally concerned with resources to be mobilized and steps to be taken in the 1972-1976 period for the least developed countries, increased efforts from 1977 onwards would be possible as soon as the Council reached agreement on new criteria for the establishment of IPFs.

Decision of the Governing Council

137. At its 335th meeting, the Governing Council approved the following decision:

The Governing Council:

1. Taking into account General Assembly resolution 2768 (XXVI) of 18 November 1971, which designated 25 countries as the hard-core least developed countries requiring special attention, and the resolution adopted by the third session of the United Nations Conference on Trade and Development on 19 May 1972 concerning financial and technical assistance to the least developed countries;

2. Considers that immediate steps should be taken to provide extra assistance to the least developed countries, until significant and longer-range increases in IPFs for these countries planned for the period 1977-1981 are achieved;

3. Takes note with appreciation of the note by the Administrator (DP/L.238 and Add.1);

4. Records with satisfaction that it has been possible to approve recommendations for changes in IPFs covering the period 1972-1976 which will provide an additional amount of \$10.8 million for several of the least developed countries;

5. Decides that the Administrator should take immediate and appropriate action to provide an amount of \$15 million for the least developed countries from estimated programme resources for the period 1973-1976, through such measures as specifically setting aside \$12 million from the Programme Reserve including such Special Industrial Services and Investment Feasibility Studies to go to the least developed countries as are consistent with their special needs for these programmes, and making arrangements with the Participating and Executing Agencies for the provision of \$3 million from the savings achieved in the resources earmarked for overhead cost payments;

6. Expresses the hope that pledges made at the UNDP Pledging Conference in the autumn of 1972 will result in clear prospects for contributions during the remainder of the 1972-1976 programme cycle allowing for an extra effort in favour of the least developed countries so that the Administrator will be able to make recommendations for an increase in their share over the IPFs by at least \$30 million in addition to the funds foreseen in paragraphs 4 and 5 above;

7. Requests the Administrator, in the light of the results achieved during the Pledging Conference, to submit proposals for the most effective plan for, and appropriate utilization of the total additional amount available for the least developed countries for consideration by the Governing Council at its fifteenth session.

CHAPTER III

UNITED NATIONS VOLUNTEERS

138. Under item 14 of the agenda, the Deputy Administrator informed the Governing Council that, in accordance with the decision of the Council at its thirteenth session, 3/ all arrangements for the relocation of the Central Office of the Co-ordinator of United Nations Volunteers in Geneva were completed as of 15 May 1972 and, at the same time, a Liaison Office under a senior officer was established at UNDP Headquarters. With respect to the question of effecting savings, as called for by the Council, he said that the recruitment for additional posts approved by the Council had been delayed and the savings achieved were reflected in the report of the Administrator on anticipated savings in the budget estimates for the administrative and support services of the UNDP (DP/L.229, paragraph 33). Finally, no increase in staff was envisaged in the budget estimates for the year 1973.

Summary of discussion

139. Members of the Council generally expressed satisfaction with the administrative steps taken to implement the decision of the Council at its thirteenth session. It was noted that the relocation of the Co-ordinator's Office in Geneva would enable the United Nations Volunteers programme to respond more effectively in meeting requests for volunteers to work in UNDP and other United Nations assisted projects.

140. Several members stressed the important role that Resident Representatives would have to assume in the future growth and development of the United Nations Volunteers programme. The programme relied substantially on the support that Resident Representatives could give to it, both in the context of country programmes and in encouraging the progressive integration of the volunteer component as an additional multilateral development input in the UNDP assisted projects. The Administrator was therefore urged to make every effort to ensure that Resident Representatives would give their full co-operation to the Co-ordinator. In this regard, one member wished to know what specific steps the Administrator had taken to promote the programme.

141. Some members observed that in view of the high cost of experts, ways should be explored to utilize increasingly United Nations Volunteers in UNDP assisted projects. In this context one member noted that the \$3,000 per year pro forma cost per volunteer represented a negligible sum when compared with the cost of an expert. It was suggested by another member that certain developing countries had accumulated large pockets of qualified and skilled persons and efforts should be made to mobilize them.

3/ See Official Records of the Economic and Social Council, Fifty-third Session, Supplement No. 2 (E/5092), para. 128.

142. Some members expressed the hope that more contributions would be made to the Special Voluntary Fund established to support the activities of the programme. One member announced that her Government's budget for 1973 had provided for 10 volunteers to be made available to the United Nations Volunteers. Another member felt that the United Nations Volunteers programme should establish a comprehensive training programme, preferably on a regional basis in proximity to the countries of assignment of the respective volunteers.

143. Some members, commenting on the measures taken by the Administrator to effect savings, felt that such savings should not be encouraged at the expense of the programme's proper development.

144. The Council also heard a statement from the representative of the Food and Agriculture Organization of the United Nations (FAO) who said that in the light of FAO's efforts to make the fullest use of volunteers within projects executed by it, the question of United Nations Volunteers was of very great interest to FAO. In accordance with Economic and Social Council resolution 1618 (LI) and General Assembly resolution 2810 (XXVI), FAO had channelled all volunteer requests through the United Nations Volunteers and taken no action to encourage further bilateral assignments. This had led to a fall in the number of volunteers from the 250 which FAO utilized earlier to the present 53 volunteers. He hoped, however, that through United Nations Volunteers it would be possible within a reasonable time to reach and surpass the original number of 250 volunteers. Specifically, he proposed that in the case of less developed countries the waiver of local costs for volunteers as a charge against IPFs should be made immediately applicable to any country in need of such a waiver. Further, his organization believed that United Nations Volunteers could usefully provide financing to enable young, qualified people in certain developing countries to work within the framework of United Nations system projects as volunteers in their own countries. Finally, speaking also on behalf of the representative of the United Nations Educational, Scientific and Cultural Organization (UNESCO), he suggested that United Nations Volunteers should make a start in the promotion of domestic volunteer service in keeping with a request made at the Inter-Organizational Consultations on United Nations Volunteers held in Rome on 19-21 April 1972.

145. Referring to the statement by the representative of FAO, one member expressed misgivings that the first impact of United Nations Volunteers operations was a reduction in the over-all number of volunteers in FAO-executed projects. On earlier occasions he had expressed the view that while United Nations Volunteers should be encouraged as a transitional measure, bilateral volunteer assignments should also continue as long as deemed necessary.

146. In view of the fact that the Council was not considering the activities of United Nations Volunteers at the fourteenth session and that this matter was to be considered in substance at the sixteenth session, no comments were made by the Administration on the observations made during the discussion.

Decision of the Governing Council

147. At its 319th meeting, the Council took note with satisfaction of the measures taken by the Administrator to give effect to its decision at the thirteenth session.

CHAPTER IV

INFORMATION PAPERS ON THE REGULAR PROGRAMMES OF TECHNICAL ASSISTANCE IN 1971 OF THE SPECIALIZED AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY

148. Under item 16 of its agenda, the Governing Council had before it summary statements submitted by the International Labour Organisation (ILO), United Nations Educational, Scientific and Cultural Organization (UNESCO), World Health Organization (WHO), International Civil Aviation Organization (ICAO), World Meteorological Organization (WMO), International Atomic Energy Agency (IAEA), United Nations Industrial Development Organization (UNIDO), United Nations Conference on Trade and Development (UNCTAD), United Nations Children's Fund (UNICEF) and the International Bank for Reconstruction and Development (IBRD) (DP/L.227). No summary statement was submitted by FAO, its technical assistance activities being fully absorbed into its regular programme of work and budget.

Summary of discussion

149. One member drew the attention of the Council to the variety of financial resources and programme procedures of the technical assistance activities of the agencies under their regular programmes and the importance and complexity of the co-ordination required at the country level under the leadership of the Resident Representative. The complementary character of those programmes was stressed and the possibility of allocating to them project activities which could not be accommodated within the IPFs was emphasized. As regards the presentation of the information on regular programme activities, the suggestion was made that the materials should be given in table form for all organizations so as to facilitate comparison and analysis.

Decision of the Governing Council

150. At its 319th meeting, the Governing Council took note with satisfaction of document DP/L.227.

CHAPTER V

REVIEW OF THE ORGANIZATION OF UNDP AND ITS METHODS AND GENERAL PROCEDURES

151. Under item 5 of its agenda, the Governing Council had before it a progress report by the Administrator (DP/L.245) which outlined the steps taken with respect to the organization and procedures of UNDP to put into effect the decisions contained in the Consensus on the restructuring of the Programme.

152. In introducing this item, the Administrator stressed that the report endeavoured to provide an over-all picture of the progress made in the restructuring of UNDP. He pointed out the increasing role which Resident Representatives were playing in the programming process, as reflected in the country programmes submitted to the Council, and indicated that their supervisory responsibilities over on-going activities were similarly being strengthened. UNDP would also keep a close check on project implementation. In this connexion, he informed the Council that the Assistant Administrators of the Regional Bureaux would keep themselves abreast of country programmes and major projects through frequent field visits. Particular attention was being given to work performance at the country level and steps were being taken for consultation between the agencies and UNDP prior to the appointment of key project personnel for major projects. The main dialogue with the agencies on projects would be carried out by the Assistant Administrators concerned, who would ensure that projects not functioning satisfactorily were straightened out or retailored as required. The Administrator stated that new approaches were being sought to respond more effectively to the evolving and increasingly sophisticated needs of the developing countries and emphasized in this respect the importance which he attached to the selection of a Deputy Administrator for programme matters.

153. The Administrator then reported that, following consultations at the meeting of his Advisory Panel on Programme Policy, held in early June, the composition and method of work of the Panel would be somewhat modified. The Panel would be composed of a number of persons from outside the United Nations system whom he would call upon and consult either individually or in small groups when and as specific questions needed to be examined in this manner. With the reinforcement of already close liaison with the senior United Nations officials who had served on the Panel, there was no longer a real need to include them in the Panel.

Summary of discussion

154. Members of the Governing Council welcomed the detailed progress report made by the Administrator and the steps which he had taken in line with the Governing Council's Consensus, though they realized that too short a time had elapsed for a comprehensive review of the organization and methods of work of UNDP.

155. Mention was made of the greater role played by Resident Representatives in the country programming process under the new procedure and of their usefulness in

helping to ensure proper co-ordination of various multilateral and bilateral inputs at the country level. General support was also expressed for the measures taken to improve the qualifications of UNDP staff, to improve control of programme and project implementation, and for the Administrator's proposal for a second Deputy Administrator.

156. A suggestion was made that the size and purpose of the Programme Reserve be reviewed in the near future and that the possibility of covering emergency assistance from funds outside UNDP, in line with the decision to establish a United Nations disaster relief co-ordinator should be considered.

157. One member suggested that the Advisory Panel should be composed of persons selected on a wide geographical basis and with different economic and social backgrounds.

158. Another member, referring to consultations by the Administrator with the executive heads of agencies in the Inter-Agency Consultative Board (IACB) recalled that his delegation had stressed at the time of the Consensus that policy matters were solely within the competence of the Governing Council.

159. An observer, speaking at the invitation of the President, referred to the cost of the reorganization, the need to seek advice of young persons on the Advisory Panel, and the importance of maintaining direct contacts between the Directors of the Regional Bureaux and the Administrator.

Observations of the Administration

160. Commenting on points raised during the discussion, the Administrator explained that the question of the termination of on-going projects would arise only after a project review had shown that a project was conceptually wrong and after consultation with all concerned.

161. He assured the Council that he fully recognized the role of the Governing Council as the policy-making organ of UNDP. He explained that, for planning purposes, he consulted the IACB on policy matters before submitting them to the Council for consideration and decision, as well as on questions of common concern relating to programme implementation. While he was open-minded on the question of the composition of the Advisory Panel, he kept in mind such factors as those which had been mentioned so as to gain maximum benefit from the Panel's advice. He also expressed his appreciation for the other suggestions made during the course of the discussion.

Decision of the Governing Council

162. At its 326th meeting, the Governing Council took note of the report of the Administrator (DP/L.245) and of the views expressed by the members of the Council during the discussion.

CHAPTER VI

REPORT ON THE ACTIVITIES OF UNDP IN 1971

163. Under item 7 of its agenda, the Governing Council considered the report of the Administrator on the activities of UNDP in 1971 (DP/L.230 and Corr.1 (English only), Add.1 and Corr.1 (English and Russian only), and Adds.2 and 3).

164. In introducing this report, the Deputy Administrator stressed that 1971 had been a year of major changes with the implementation of the Governing Council decision on the restructuring at UNDP headquarters, delegation of authority to the Resident Representatives and the introduction of the new country programming concept. The Deputy Administrator stressed the fact that these organizational and programming changes were carried out without loss of momentum in the programming work.

Summary of discussion

165. Members of the Council expressed their satisfaction with the report submitted by the Administrator, in particular part one of document DP/L.230.

166. Many members dwelt on the policy and procedures for the award of subcontracts for project execution and for the procurement of equipment. One member expressed some regret that, according to the latest information available to the Council, the trend appeared to be that the Executing Agencies were using less rather than more the services of subcontractors. It was strongly emphasized that the award of subcontracts and the placement of orders of equipment must be carried out under a system of free world-wide competition. Some members stressed that one way of achieving this objective would be to inform Governments of the rules, procedures and practices followed by the Executing Agencies. In this context, it was stressed that all Executing Agencies should as far as possible adopt uniform procedures for the award of subcontracts and procurement of equipment. It was noted with satisfaction by some members that in the future UNDP would provide Governments with information on a monthly basis on prospective contracts for services and equipment. Some members pointed out that a more equitable distribution of subcontracts and orders for equipment should be sought by awarding more contracts to firms from the developing countries. One member stressed that a more equitable distribution of contracts for services and equipment could only be acceptable to the recipient countries if the quality of such inputs was not negatively effected.

167. On the question of the implementation of the UNDP programme, members expressed some concern about the relatively limited influence the UNDP Administration and the Governing Council had over the implementation of projects executed by agencies in the United Nations system. One member proposed that it might be feasible for the Governing Council to recommend that the governing bodies of the Executing Agencies should consider carefully the problems involved in the implementation of UNDP financed projects and report to the Governing Council their findings and recommendations. One member proposed that the Administrator should submit a status report on the situation in regard to project implementation to the Governing Council at its sixteenth session.

168. In regard to the question of providing Resident Representatives and Governments with high level advice in the field of economic planning, a number of members expressed support for the proposal made by the Joint Inspection Unit that some of the United Nations planning advisers at present assigned to developing countries be attached to the offices of the Resident Representatives on the same basis as that governing UNDP/FAO and UNDP/UNIDO appointments. One member indicated that the proposal made by the Joint Inspection Unit that the Department of Economic and Social Affairs of the United Nations Secretariat be associated with the preparation of profiles deserved to be adopted, as it would only strengthen the co-operation between UNDP and the United Nations Secretariat which would be to the advantage of recipient countries.

169. Two members expressed their Government's appreciation for the excellent way in which the UNDP Administration had, jointly with the Government of Indonesia, programmed the resources made available under the Fund of the United Nations for the Development of West Irian (FUNDWI).

Observations of the Administration

170. The Deputy Administrator informed the Council that the Inter-Agency Consultative Board had proved to be an excellent forum for discussions between UNDP and the Executing Agencies on questions of common concern. In the IACB, considerable time and effort had been and continued to be devoted to the question of project implementation. With regard to the concern expressed by some members regarding the Council's lack of influence over the implementation of projects, the Deputy Administrator pointed out that the Council's decision in regard to agency overhead costs would have a direct effect on the whole question of implementation. He also stressed that the problem of project implementation should to the extent possible be discussed on the basis of specific questions. Finally, he stressed that the Administration had not yet been able to deal with the question of project implementation within the framework of the new country programming procedures as thoroughly as the Administrator would have wished. However, with the appointment of a second Deputy Administrator, the Administration would undoubtedly be in a better position to deal with this question.

171. In regard to the question of improved co-ordination of the expertise in the field of economic planning, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination said that UNDP had received valuable assistance from the United Nations Secretariat's Department of Economic and Social Affairs, especially in dealing with the problems regarding the hard-core least developed countries.

172. With regard to the question of subcontracting and the purchase of equipment, the Director of the Financial Management Division stressed that UNDP was trying to develop a system for informing Governments well in advance about forthcoming subcontracting and equipment purchases in order to allow consulting firms and suppliers in all countries to participate in the submission of tenders. He pointed out, however, that there were problems for firms with no prior experience in developing countries but that UNDP was looking into that particular problem. He also stressed that UNDP would try to do what it could to redress the balance of contracts awarded between the industrialized and developing countries. However, the quality of the services and equipment and their timely delivery must remain the

first priority. In regard to the question of a diminishing portion of the programme being carried out under subcontracting, the Director pointed out that the situation fluctuated somewhat from year to year but the long-term trend indicated a continued slow increase in subcontracting. Finally, he indicated that more uniform guidelines in this field were being prepared.

Decision of the Governing Council

173. At its 329th meeting, the Governing Council took note with satisfaction of the report of the Administrator on the activities of UNDP in 1971, with relevant supplementary documentation and reports of the Joint Inspection Unit, and of the views expressed by members of the Council during the discussion of this item.

ROLE OF UNDP IN PROMOTING INVESTMENT FOLLOW-UP

174. Under item 8 of its agenda, the Governing Council had before it a report by the Administrator (DP/L.241) covering the policies and operational measures required for the efficient discharge of his responsibilities in connexion with investment follow-up, in accordance with paragraphs 52 and 53 of the Consensus.

175. The Director for Investment Follow-up introduced the report and drew the Council's attention to the need for early identification of projects with a follow-up investment potential, co-operation with both domestic and external sources of investment finance, as well as organizational questions.

Summary of discussion

176. Many members expressed great interest in the Administrator's policies and measures outlined in DP/L.241. They welcomed his clarification that investment follow-up applied to that part of the programme which was investment oriented and that it was the recipient countries' autonomous decision through country programming to determine which part of their requests would fall in that category and which part would be devoted to other forms of assistance such as institution building, training, etc. Many members, underlining paragraph 53 of the Consensus, which stipulated that Governments would themselves be responsible for finding the sources of investment finance for projects prepared with UNDP assistance, also supported the Administrator's view that UNDP had a responsibility to execute investment oriented projects in such a manner that investment decisions would become possible, thereby avoiding the waste of valuable resources.

177. There was much interest in the Administrator's proposals to strengthen relations with potential investors and to ascertain at an early stage the wishes of the recipient country with regard to the sources of finance, whether they would be local or foreign, multilateral or bilateral, private or public. Early association of the potential investor wherever possible was judged to be very useful to increase the chance that investment would indeed follow.

178. Many members inquired into the possibilities of associating private sources of finance with UNDP executed projects. Most members representing the developing countries expressed their interest in securing UNDP assistance to mobilize private sources of finance for projects. Some members doubted, however, whether UNDP should promote private investment; they considered that there were enough other channels through which private sources of finance could become aware of investment possibilities and some of them maintained that developing countries were better served by mobilizing their own public finance. Other members, representing market economy in developed countries, were particularly interested in improving the methods of information that would allow the private sector to become aware of the investment opportunities discovered during the execution of UNDP assisted projects.

179. Some members declared that they could not support the implications of Paragraphs 29 and 30 of the report which announced closer co-operation with the World Bank and with regional banks of which they were not members. They maintained their previously stated position in this regard. Other members favoured intensified

co-operation with those potential sources of investment which, they noted, could provide valuable expertise and enhance the quality of investment oriented projects both in their design and in their execution stage. They pointed out that the World Bank in particular had been very successful in using its own finances and mobilizing other sources of finance in investment projects executed by the World Bank or other executing agencies. One member recalled that the Study of the Capacity of the United Nations Development System (DP/5) had referred to investment follow-up as an important justification for UNDP's activities. Almost two-fifths of UNDP's projects were investment oriented and it should be remembered that many critics had judged UNDP on the capacity of its finished projects to attract capital. Another member pointed out, however, that it would be wrong to use the volume of investment attracted as a measuring stick for UNDP's whole operation. Although DP/L.241 did not make specific proposals, he objected to the implicit authorization to the Administrator to take certain action. He could not accept the automatic scrutinizing of projects by investment experts nor could he agree to any attempt by the specific Division in the Bureau for Programme Policy and Co-ordination to turn the preference of developing countries away from projects. He also emphasized the need for the Administrator to focus his attention at least equally on the invisible aspects of development, such as the strengthening of a country's technological infrastructure, as this was crucial for self-sustained growth.

180. One member considered that UNDP could do particularly useful work, especially for the least developed countries, by providing assistance in the preparation of projects in such a way that they would be ready for appraisal by financial institutions. The experience of the Asian Development Bank had indicated the need for this assistance; he was supported in this view by a representative from an African country in which similar problems had occurred. With reference to paragraph 32 of DP/L.241, the question was raised by one member whether an arrangement similar to that entered into with the Industry Co-operative Programme in FAO could be initiated with UNIDO; the Administration was invited to study that suggestion.

181. The same member stressed the importance of attracting expertise of high quality. Other members supported that concern, pointing out that private consulting engineers were often best suited to provide that expertise. At the same time the Administrator's plan for training UNDP personnel, including field personnel, could well include training in the field of investment finance. The role of the roster of investment experts was also mentioned.

182. Many members welcomed the Administrator's proposals and urged that action be undertaken by UNDP, Governments and the agencies towards the implementation of the policies and measures contained in DP/L.241.

Decision of the Governing Council

183. At its 329th meeting, the Governing Council:

(a) Took note with appreciation of the Administrator's report on the role of UNDP in promoting investment follow-up (DP/L.241) and of the views expressed by members of the Council during the discussion, and

(b) Looked forward to the Administrator's future reports on the implementation of his plans by the United Nations system.

ROLE OF UNDP IN PROMOTING INDUSTRIAL DEVELOPMENT

184. Under item 9 of its agenda, the Governing Council had before it a progress report by the Administrator (DP/L.233) submitted in accordance with Economic and Social Council resolution 1617 (LI) of 27 July 1971, the report of the Ad Hoc Committee on Co-operation between UNDP and UNIDO, set up by the General Assembly under resolution 2823 (XXVI) of 16 December 1971 (A/8646), guidelines recommended by the Ad Hoc Committee (DP/L.239) for Special Industrial Services (SIS), and resolution 35 (VI) adopted by the Industrial Development Board (DP/L/239/Add.1).

185. In introducing the subject, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination informed the Council of the steps taken by the Ad Hoc Committee on Co-operation between UNDP and UNIDO to further strengthen the co-operation between those two organizations with a view to ensuring that the developing countries derived the greatest possible benefit from the assistance provided in the field of industrial development. More specifically, he expressed the wish that the general guidelines governing the basic aspects of the operations of the programme of the SIS, which had been agreed upon by the Administrator of UNDP and by the Executive Director of UNIDO and which had been approved by the Industrial Development Board at its sixth session, 4/ would also be endorsed by the Governing Council for submission to the forthcoming session of the Economic and Social Council. He hoped that, in the light of the demonstrated needs for SIS-type projects, the Council would find a way to increase the level of expenditure for the SIS programme, to be financed from the Programme Reserve, to \$3.5 million, of which \$1 million would be devoted to projects requested by the 25 least developed countries.

Summary of discussion

186. The Council strongly reaffirmed its conviction that UNDP should play an ever-increasing role in assisting the efforts of the developing countries towards accelerated industrial development. The recognition by UNDP of UNIDO's central role in co-ordinating the activities of the United Nations system in the field of industrial development received the broad support of members, who noted with satisfaction the steady increase in the number of industrial projects assigned to UNIDO for execution. However, in the opinion of a number of members, the share of resources allocated to UNIDO in the industrial programme of UNDP remained insufficient. Attention was also drawn to the fact that a number of projects falling under the broad category of industry were being implemented by the United Nations and several of the specialized agencies, as well as by UNIDO. It was thought advisable that such projects should remain within the competence of those respective organizations, while UNIDO would

4/ For the report of the Industrial Development Board on the work of its sixth session, held from 23 May to 2 June 1972, see Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 16, (A/8716).

strengthen its functions as the principal focal point for the co-ordination of all industrial development activities.

187. The Council enthusiastically endorsed the efforts of UNDP and UNIDO to harmonize their activities through the establishment of periodic consultative machinery. It was underlined by several members that a system of periodic consultations at the working level was essential to the effective preparation and implementation of industrial programmes and would do much to minimize the differences which existed between the two organizations.

188. With regard to the implementation of UNIDO executed projects, the Council fully endorsed the view of the Administrator of UNDP that the rate of implementation must be increased if the system was to meet the high priority needs of the developing countries in the industrial sector. Members noted with satisfaction that discussions had already taken place between the Administrator of UNDP and the Executive Director of UNIDO on ways of improving and speeding up the implementation of projects.

189. Some members stressed the usefulness of multicountry projects as useful vehicles for the transfer of technology in the industrial sector. The importance attached to the application of the principle of equitable geographical distribution in the recruitment of experts was also underscored. Likewise, significance was given to the role of the Industrial Field Advisers in assisting the Resident Representatives with regard to industrial projects, although it was observed that those advisers should confine their activities to the priorities identified by the planning authorities in the recipient countries.

190. The Council devoted considerable attention to various aspects of the SIS programme. It was generally recognized that the programme had been a useful and flexible instrument for meeting some of the high priority needs of the developing countries in the industrial field. Several members asserted that the original concept of the SIS programme should be maintained, including its separate identity and special procedures. Others urged strongly that the assistance provided under SIS should be utilized exclusively for meeting urgent and unforeseen needs which were normally not compatible with long-term planning. In this regard, two members cautioned against the programme becoming a loop-hole through which the general principles of integrated country programming and indicative planning figures could be bypassed. Similarly, the hope was expressed that SIS financing would not encourage initiatives which were not in full conformity with the priorities identified in country programmes.

191. There was general endorsement of the proposed guidelines covering the operations of the SIS programme. However, varying views were expressed with regard to the level of funds to be set aside from the Programme Reserve for SIS projects. While some members favoured a marked increase in the level of expenditures for SIS, others took the position that, in view of the severe budgetary limitations on the size of the Programme Reserve, the latter could not continue to absorb annually increasing allocations to SIS, particularly when the Reserve was being tapped for assistance to the least developed countries and for other purposes. It was observed by one member that limiting the Programme Reserve for SIS should in no way restrict the ability of the SIS programme to expand and that UNDP and UNIDO would be wise to explore alternative means of financing. He put forward the suggestion that SIS activities relating

to project preparation might be included in the programme support budget, whereas unforeseen expenditures could be covered by a contingency reserve built into individual projects or into country programmes.

192. There was a large measure of agreement that special attention should be given to the needs of the least developed countries within the framework of the SIS programme. In this regard, one member expressed great disappointment at the mild reference in the guidelines to the needs of the least industrialized countries. He considered that it would have been preferable if specific mention had been made of the percentage share to be allocated to the least developed countries in the level of maximum annual expenditures for SIS.

193. Other points raised concerning SIS activities included the suggestion that UNDP provide the required financing only on the basis of demonstrated needs and after careful consideration of the eligibility of requests for SIS financed projects. In this regard, special concern was registered over the fact that only one-third of the SIS projects approved were operational, and UNDP and UNIDO were strongly urged to undertake an in depth review and evaluation of the SIS programme and to submit their conclusions to the Governing Council for information.

194. Particular reference was made by one member to the fact that the SIS programme should not be allowed to become a hardware store for the rapid transfer of equipment. He wished to know the ratio of equipment to short and long-term experts and fellowships within the total SIS expenditure, as well as information concerning the funding of large-scale projects under the SIS.

195. Further observations included a proposal that the level of maximum annual expenditures of the SIS programme should be set annually rather than from time to time by the Governing Council, as proposed in the guidelines. Satisfaction was also expressed with paragraph 1 (d) of the guidelines in which a system of joint consultation on SIS projects had been worked out between UNDP and UNIDO even in cases where UNIDO was not the executing agency. One member was of the opinion that UNIDO should approve only those projects assigned to it for execution. There was general agreement that the guidelines should be communicated to the Resident Representatives along with detailed operational instructions for putting them into effect.

196. The representative of UNIDO said that UNIDO was essentially an operational organization and its activities were therefore more closely linked to those of UNDP than were those of other organizations of the United Nations system, the extent to which it could provide assistance to developing countries being largely dependent on the financial resources made available by UNDP. Developing countries were striving hard to bridge the technological and industrial gap and UNIDO was being called upon to render rapid and effective assistance in a variety of aspects of industrialization. Country programming had corrected many of the initial difficulties by enabling countries to establish their own priorities. Implementation of industrial projects was extremely difficult because experts were not readily available and consulting firms were heavily engaged. Documents presented in financial terms did not always reflect precisely the degree of implementation of the programme, since the expenditures shown were often recorded long after the services of consultants and the provision of equipment had been completed. Improvements would have to be made in the

presentation of activities, and the Executive Director of UNIDO was in active consultation with the Administrator of UNDP in order to obtain a more detailed representation of the activities in industry for the next year.

197. UNIDO was making considerable efforts to devise appropriate systems and methods for dealing effectively with the problems of the least developed countries. The Industrial Development Board had laid great stress on the need to deal effectively with the problems of the least industrialized countries. Inter-country programming was of considerable importance for UNIDO's assistance in the industrial sector. In-plant training programmes and certain types of seminars were of particular interest in that connexion and provided one of the few vehicles for the appropriate transfer of technology in the industrial sector. The funds available had been considerably reduced under the new programme system and UNIDO was looking ahead to 1973 with considerable anxiety in view of the likelihood that funds would be insufficient to carry out all the desired activities in that connexion. UNIDO hoped that sufficient resources would be provided for SIS, which could not be programmed in advance. Every SIS programme was examined fully by the planning board in the country concerned, by the Resident Representative and by the Administrator. Many industrial issues called for immediate action and could not be brought into a categorical framework.

Observations of the Administration

198. In welcoming the progress made on defining guiding principles for SIS projects, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination expressed the view that criteria to be applied for such projects should be rigorously adhered to.

Decision of the Governing Council

199. At its 335th meeting, the Governing Council:

(a) Took note of the Administrator's progress report on the promotion of industrial development (DP/L.233) and of the views expressed by members of the Council during the discussion;

(b) Took note with appreciation of the report of the Ad hoc Committee on Co-operation between UNDP and UNIDO (A/8646) and endorsed its recommendations concerning measures to improve co-operation between UNDP and UNIDO and more efficient implementation of industrial development projects;

(c) Approved the general principles governing the programme of Special Industrial Services as embodied in operative paragraph 1 of resolution 35 (VI) of the Industrial Development Board and recommended their approval to the Economic and Social Council, taking into account the nature of SIS projects which require urgent and often unpredictable action;

(d) Decided to make available on a yearly basis from the Programme Reserve for the financing of SIS projects \$2.5 million and in addition to this an amount in the order of magnitude of \$1 million for SIS projects as required by the least developed countries. Such amount if required should be charged against the part of the Programme Reserve which is set aside for the least developed countries.

CHAPTER IX

COMMUNICATION SERVICES TO SUPPORT PROJECTS AND PROGRAMMES

200. Under item 10 of its agenda, the Governing Council had before it a note by the Administrator (DP/L.244). The note recalled the interest expressed and the guidance given by the Governing Council at its thirteenth session concerning the systematic use of specialized communication techniques to support development projects and programmes. It also described the background, objectives, suggested activities, and Government and UNDP inputs for a proposed interregional project that would expand the existing pooled services for development support communication work in Asia and progressively help provide services tailored to the special needs of groups of countries in other regions.

201. Introducing the item, the Director of the Development Support Information Service noted that the Council at its thirteenth session had concurred that additional and better organized services were required in that field. Increasing numbers of Governments in all regions were seeking help in strengthening their own structures for communication planning and action of many kinds, whether or not connected with UNDP assisted projects. One critical need was to conceive and carry out human communication programmes in a coherent and harmonized manner, and not just project by project and sector by sector. Planning ministries were in a unique position to accomplish that at the national level; UNDP's parallel responsibilities at the international level were clear from the Consensus, which called for leadership by UNDP in the common endeavour of the United Nations system. The principle of decentralization in the Consensus also had special application, since communication work must obviously be shaped entirely in the light of attitudes, traditions and requirements at the national, sectoral and community levels.

202. In seeking to strengthen Government communication action serving all Ministries and sectors, the proposed interregional project would deploy task forces from the subregional level for work of the type and at the pace requested by interested countries, as had been done in Asia for the past five years. Financing for the basic "core" staffs and facilities for this purpose would be worked out year by year and adjusted flexibly in response to need, with charges made to country IPFs when services of longer duration and higher cost were required. The experience and infrastructure at UNDP Headquarters and the Development Support Communication Service in Asia, as well as the knowledge and co-operation of agencies in the United Nations system, would be drawn upon for the development and implementation of the project. The project would also contribute to related communication efforts by existing Government services and other programmes, but would not involve UNDP in long-term financing for permanent multinational institutions. An evaluation of project progress in late 1974 would determine the form and scope of any further work required.

Summary of discussion

203. Members who spoke on this item recognized the importance of development support communication as a means of generating new knowledge, attitudes, motivation

and actions among the people who were actually to benefit from and must contribute to development endeavours. Several representatives from developing countries referred to existing efforts, as well as current needs, to strengthen their Governments' work in development support communication, including measures under UNDP country programmes.

204. Most members expressed general support for the idea of an interregional project, which could help interested Governments use communication techniques systematically in the planning and implementation of their development programmes. Plans to provide pooled communication staff and facilities for groups of countries in regions other than Asia, where the existing services would be continued, were welcomed in principle. While the Asian experience could provide useful guidance elsewhere, it was noted that special attention should be given to the individual requirements - and particularly the cultural patterns - prevailing in countries of other regions. Some members of the Council did not support the creation of an interregional project. They stated that that kind of activity could be carried out through the existing communication systems.

205. One member believed that, while the proposed interregional project did not lend itself to detailed prior formulation, it was a pioneering type of project that would prove valuable. Another member saw the proposed "core" staffs serving as "high-quality flying teams" to provide incentive and develop solutions for meeting the communication needs of many projects within the whole purview of UNDP activities, along similar lines to the United Nations multidisciplinary teams for development planning. A third member welcomed the proposed project as representing the first time that an intersectoral activity would be financed through interregional funds for work at the national level. He hoped that greater integration of country programmes and intercountry projects would be possible by the execution of regional and subregional projects directly by UNDP, through its Regional Bureaux, and that the report on intercountry programming to be submitted to the fifteenth session of the Council would examine that possibility.

206. A number of members expressed regret that the financial implications of the proposed project were not indicated in DP/L.244 and asked for further clarification of its estimated costs and methods of funding, taking into account the amounts that were provided in individual projects and country programmes. Some members expressed the hope that as a first step, Governments, Resident Representatives, agencies and project managers should be invited to thoroughly assess communication needs and provide for them in their project planning and budgeting.

207. Many members referred to the roles of other United Nations organizations in related areas of communication. It was noted that experience from many agency executed projects and regular work programmes, including those referred to in paragraphs 9 and 17 of DP/L.244, should be considered when defining the interregional project since that could contribute to its implementation. Two members especially welcomed the participation of the United Nations Fund for Population Activities (UNFPA) and UNICEF in the Asian services, and hoped that collaboration would extend to other regions. The idea of obtaining supplementary inputs through the United Nations Volunteers, as well as through bilateral, university and non-governmental sources, was also commented upon favourably.

208. A representative of UNESCO described the actions and plans of his organization to promote problem oriented research and formulation of communication policies, and

to strengthen national mass media infrastructure. He commended the UNDP Administration's concern to assist in planning and providing communication support for development, and hoped that efforts would be made to avoid unnecessary overlapping with UNESCO in this work.

Observations of the Administration

209. Responding to the comments made during the discussion, the Director of the Development Support Information Service indicated that the interregional project would provide subregionally based services tailored completely to the needs of individual countries and groups of countries. The proposed project was somewhat broad-gauged and unusual, as were the needs it was designed to meet. Many sectors and disciplines were involved in proper human communication, which often called for rationalization and adjustment of messages from separate projects aimed at the same communities of people. By concentrating first on communication appraisal and planning, the pooled services under the interregional project could help Governments and agencies to avoid conflicting messages and duplication of communication facilities at the national level. This would be in the interest of greater efficiency and impact in country programmes. In that connexion, he referred to existing collaboration with agencies, including FAO's headquarters unit for development support communication and communication support of UNESCO executed activities in such fields as education.

210. As for financing, the Administrator was adopting a pragmatic and gradual approach to the provision of new pooled services required for countries in regions other than Asia. Available interregional resources would be used to finance the basic staff and facilities as needed for work in groups of countries, taking into account the principle that for individual projects requiring substantial services, the relevant costs should as far as possible be charged against the project budgets.

Decision of the Governing Council

211. At its 330th meeting, the Governing Council:

(a) Took note of the Administrator's proposed plan of action for assistance in development support communication, and the proposed financing of basic pooled services and facilities for groups of countries within the framework of an interregional project; and

(b) Authorized the Administrator, bearing in mind the views expressed during the discussion by members of the Council and the representative of UNESCO, to submit the proposed interregional project to the Governing Council for further consideration at its fifteenth session.

CHAPTER X

FINANCIAL MATTERS

212. Under item 11 of its agenda, the Governing Council considered the following matters on the basis of reports of its Budgetary and Finance Committee, to which item 11 was referred for preliminary consideration:

(a) Audit reports for the year ended 31 December 1970 relating to expenditure by Participating and Executing Agencies of funds allocated from the United Nations Development Programme (DP/L.223);

(b) Comprehensive statement on the financial position of the UNDP for 1971 and final report on the Revolving Fund (DP/L.226 and Add.1);

(c) Size and composition of the Operational Reserve (DP/L.231);

(d) Agency overhead costs (DP/L.225 and Add.1);

(e) Revised estimates of resources and Programme costs for 1972 and estimates of resources and Programme costs for 1973-1977 (DP/L.234);

(f) Waiver of assessed programme costs payable in local currency (formerly local costs") and retroactive waiver of assessed programme costs payable in local currency (formerly "local costs") (DP/L.236 and Corr.1; DP/L.243).

A. Audit reports for the year ended 31 December 1970 relating to expenditure by Participating and Executing Agencies of funds allocated from the UNDP

213. In introducing item 11 of the agenda in the Budgetary and Finance Committee, the Director of the Financial Management Division stated that in prior years the report was submitted to the General Assembly. However, the General Assembly decided at its twenty-sixth session that the report should be considered by the UNDP Governing Council. Therefore, commencing with the current report (DP/L.223), audit reports would be submitted annually to the Governing Council.

Summary of discussion in the Committee

214. Members of the Committee had a short discussion on that portion of the report covering the practice of basing payments under certain contracts on the man-months expended rather than on the completion of certain tasks. One member questioned whether this practice of payment of contracts on a man-month basis would be discussed at the next session of the IACB.

215. In responding to the discussion, the Director of the Financial Management Division indicated that there had been difficulties in some projects in relating contracts to a man-months basis. The question would be discussed at the next session of the Working Group on Administrative and Finance Matters, a subsidiary of the IACB.

Decision of the Governing Council

216. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Governing Council took note of the report (DP/L.223) and of the comments made in the Committee.

B. Comprehensive statement on the financial position of the UNDP for 1971 and final report on the Revolving Fund

217. The Administrator's reports (DP/L.226 and Add.1) reflected, respectively, the transition period in 1971 following the elimination of full funding of approved projects and the last of a series of reports on the Revolving Fund which ceased at the end of 1971.

Summary of discussion in the Committee

218. During the discussion of the reports in the Budgetary and Finance Committee, information was requested from the Director of the Financial Management Division on the extent and purpose of the housing loans made by UNDP. Information was also requested by a member on the past use of the Revolving Fund to be indicated in figures for the benefit of the least developed countries. More detailed information was also requested on the level of interest rates.

219. Two members suggested that the limited liquidity of the reserve made it desirable that arrears in local cost assessment and cash counterpart contributions should be collected as soon as possible.

220. Several members of the Committee stressed the need for a general plea to Governments by the Governing Council for payment of all arrears, including voluntary contributions.

Observations of the Administration

221. In replying to questions raised by members of the Committee, the Director of the Financial Management Division indicated that, in the case of housing loans, this action followed authorization by the Council to the Administrator to make loans to Governments for the construction of housing for experts under certain conditions. This had been in effect for a number of years, mainly in Africa, and loans approved or under negotiation currently amounted to less than \$5 million. In order to improve one aspect of the conditions of service for experts, the Administrator intended to increase the granting of loans under the authority given him by the Governing Council.

222. He also indicated to the Committee that the Administration was in constant touch with Governments on the question of arrears in contributions, which created particular difficulties for the Administration in view of the new financing procedures. The Director of the Financial Management Division informed the Committee that information requested on the past use of the Revolving Fund for assistance to the least developed countries would be provided and that in future sessions more details concerning the level of interest rates would be included in the reports.

Decision of the Governing Council

223. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Governing Council took note of documents DP/L.226 and DP/L.226/Add.1 and of the comments made, and extended through the Administrator a general plea to all Governments for payment of arrears.

C. Size and composition of the Operational Reserve

224. In introducing document DP/L.231 in the Budgetary and Finance Committee, the Director of the Financial Management Division indicated that the Programme was not in a very liquid position, particularly in the early months of each year when contributions were generally slow in coming in.

Summary of discussion in the Committee

225. Considerable discussion evolved around the proposal by one member of the Committee that a system of two-year rolling pledging be explored so as to remove the need for the Operational Reserve, which could then be reduced and transformed into a working capital fund. Several members supported this proposal and recommended that it be given serious consideration by the Council. Some members stated that it would not be possible for their Governments to undertake forward commitments or pledges in view of their legislative systems. Other members, while supporting the suggestion of forward pledges, indicated that this proposal should not be used as an argument for a decrease in the level of the Operational Reserve. Some members expressed the view that it would be difficult to maintain the Operational Reserve at a level of \$150 million unless adequate contributions were forthcoming to meet the costs of the Programme and provide for the needs of the least developed among the developing countries. Some other members expressed the view that the Operational Reserve was not intended for financing development programmes. The large majority of the members of the Committee were, however, of the view that at that time the Operational Reserve should be maintained at a level of \$150 million.

226. During the discussion, it was requested that a clear picture of forward firm contractual obligations be given, which would be a useful complement to the forecasts being made on resources and Programme costs. One member requested the Administrator to examine possibilities for raising the proportion of investments as against other types of assets in the Operational Reserve. One member expressed his concern at the high percentage of investment in US dollars taking into account the international monetary situation. Details on the composition of the investment portion of the Operational Reserve were also requested. In reply, the Director of the Financial Management Division said that efforts would be made to provide that type of information in the future, though it was difficult to get current and complete information on forward commitments from the executing agencies.

Decision of the Governing Council

227. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Governing Council accepted that the Operational Reserve be maintained for the time being at the level of \$150 million as recommended by the Administrator, and that its size and composition be kept under review by the Council.

D. Agency overhead costs

228. The Director of the Financial Management Division informed the Budgetary and Finance Committee that document DP/L.225 and Add.1 formed a progress report to the Council on action taken by the participating and executing agencies with regard to the study of overhead costs.

229. He also stated that the Administrator had reacted positively to the report of the Consultative Committee on Administrative Questions (CCAQ) (DP/L.125), and was encouraged by the agencies' actions in responding to the Council's request for greater urgency in the matter. He indicated that it was the Administrator's intention to ensure maximum possible participation by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), although lack of time had prevented its consideration of the recently completed CCAQ report.

230. The Committee was also provided with background information on the CCAQ report by a representative of the participating and executing agencies. He informed the Committee that the larger agencies would be initiating work on systems design and testing with a view to enabling the larger organizations to put the system into operation in January 1973.

Summary of discussion in the Committee

231. Members of the Committee expressed appreciation for the statements of the Director of the Financial Management Division and the representative of the participating and executing agencies and for the report on the subject prepared by CCAQ.

232. During the course of the discussion, members expressed regret that the Joint Inspection Unit (JIU) was not able to undertake an independent study and at the same time desired that the Governing Council should have the benefit of the JIU's comments on the proposed system of cost measurement. The JIU should be invited to give its initial comments to CCAQ and to the Administrator for onward transmission to the Governing Council.

233. Several members registered concern that the system might tend to increase rather than decrease the overhead costs to UNDP. One member stated that the Council should establish a lower flat rate or ceiling for reimbursement for the larger agencies and special rates for the smaller agencies. Under such a plan the agencies would be expected to bear any excess costs, and if they were not prepared to do that UNDP should make alternative arrangements for execution of the projects. Another member stressed that UNDP should only reimburse easily identifiable Programme support costs directly related to the implementation of UNDP financed projects and that UNDP should not be requested to pay for activities which the agencies could have been carrying out under their statutes.

234. Members emphasized that the study should concentrate on eliminating duplication and wastage and thereby release more funds for assistance to the developing countries. One member noted the implication in the report that the system could result in additional charges to country IPFs. It was also felt that the study should include the overhead expenses on the intercountry programmes.

235. Some members supported a proposal that efforts should be made to provide a detailed comparison of costs with bilateral programmes. Two members stated they were not satisfied with the objectives set out for the Task Force, which would only provide an inventory of costs and not indications of meaningful cost reductions which might be achieved. One member indicated that there were many activities such as purchasing, travel and recruitment that lent themselves to common service arrangements among the agencies and a consequential lowering of costs falling to UNDP. Another member stressed that overhead expenditure among agencies should be reduced to the maximum extent possible and controlled and paid directly by the UNDP Administration.

236. At a subsequent meeting of the Committee, several members raised the question of payment of overheads in cases where a large proportion of the IPF in a country programme was earmarked for procurement of equipment. It was suggested that a lower rate of reimbursement might be appropriate in such cases and thus bring payments into line with rates of commission pertaining to similar operations in the commercial area. Two members wondered whether for certain countries with sophisticated management techniques and well established domestic procurement agencies UNDP might find it advantageous gradually to move in the direction of providing funds in block allocations so as to allow procurement to be undertaken nationally. One member, supported by others, reiterated at this meeting that substantial economies could be effected in agency overheads by concentrating, perhaps within UNDP itself, such functions as recruitment, procurement and contracting associated with UNDP projects. A discussion ensued on these various proposals, the outcome of which was an undertaking by the Administrator to examine all suggestions and make further reports to the Council on the above-mentioned proposals as appropriate.

237. It was the view of many members that the Council could not at this stage commit itself to basing reimbursement of overhead costs on the level of such costs as the new system showed as being incurred and that before the Council could make any decision, the JIU and ACABQ should be invited to comment on the study and on reports provided by the agencies on the system. Members requested that the subject of overheads be included for discussion at the next session of the Council. One member said that such discussions should be directed towards a technical review of the CCAQ study.

Observations of the Administration

238. The representative of the agencies and the Director of the Financial Management Division, in responding to matters raised by members of the Budgetary and Finance Committee, indicated the following:

(a) Though the smaller agencies did not participate directly in the Task Force work, and this was primarily due to staff limitations, they had followed the work closely and participated actively in the CCAQ deliberations on the Task Force report.

(b) In response to proposals on the organization of pilot studies of the system, it was stated that CCAQ had not decided as yet whether this should be undertaken by one agency or divided among a number of agencies.

(c) All members of CCAQ were not yet certain whether Phase II as proposed by the Task Force was necessary and whether or at what time it should be implemented in view of the added costs. It was thought in any case that Phase I results would provide sufficient information for a considered decision by the Council.

(d) The Committee was advised that the costs in setting up the system would be met by the agencies and would, in the initial stage, not involve extra funding by UNDP.

(e) In response to a question on the relation of overheads to intercountry projects, members were informed that this was a subject that the Administrator would be looking into as it had special relevance in the case of regional and interregional institution building projects.

(f) Members were advised that it was the intention of the Administration to continue to provide progress reports on the overhead study to each subsequent session of the Council.

Decision of the Governing Council

239. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of document DP/L.225 and Add.1.

(b) Sought the advice and comments of the JIU and ACABQ in making its decision on the study of overhead costs.

(c) Requested the Administrator to submit to the fifteenth session of the Governing Council a further progress report on the study.

E. Revised estimates of resources and Programme costs for 1972 and estimates of resources and Programme costs for 1973-1977

240. In introducing document DP/L.234 in the Budgetary and Finance Committee, the Director of the Financial Management Division indicated that tables 3, 4 and 5 were provided in response to a request by the Council at its thirteenth session for more detailed data for each of the five years 1973-1977. He indicated that the revised estimates identified a number of changes from document DP/L.157, which had provided the eleventh session of the Council with similar estimates covering the period 1971-1976.

241. The most significant change in relation to document DP/L.157 was that the participating and executing agencies were moving ahead on project expenditures at a much higher rate than previously forecast. While that was a welcome development it did produce problems, as indicated in table 3 of document DP/L.234. In order to meet the higher level of delivery by the agencies starting in 1971, it was necessary to draw down the unused resources of prior years released by the elimination of full funding at a much faster rate than previously estimated.

242. The effect of that development, as indicated in table 3 and paragraph 11 of the report, was that beginning in 1974, when the balance of the unused resources of prior years would be fully utilized, estimated Programme costs would begin to outstrip projected resources. During the period 1974-1976 this would produce a deficit of \$64.3 million. On the basis of the estimates provided, part of that deficit could be recovered in 1977; however, a balance of \$34.1 million would still remain.

243. In addition, the Committee's attention was directed to paragraph 9 of document DP/L.234 and the reduction in the UNDP administrative and Programme support costs estimated for the period 1973-1977.

244. Finally, the Director of the Financial Management Division drew the attention of the Committee to the difficulties being experienced by the Regional Bureaux in their programmes of intercountry projects. Unlike country IPFs which provided flexibility in planning over a five-year period, the intercountry IPFs related to a single year only. This presented problems in planning by the Bureaux, particularly in the first year 1972, in view of the front-loading effect of intercountry projects carried forward from prior years. Accordingly, a recommendation by the Committee for a five-year IPF for intercountry projects, to provide the same programming flexibility as that given to country IPFs, would be welcomed by the Administration.

Summary of discussion in the Committee

245. Members of the Committee expressed appreciation for the new form of presentation of the data contained in document DP/L.234. During the discussion that ensued, members directed special attention to the matter of the projected deficit in the total Programme for the period 1974-1976 which was estimated at \$64.3 million. Members pointed out that there were four possible means of financing the projected deficit:

- (a) by increasing contributions during the period 1973-1976;
- (b) by reducing administrative and programme support costs and overhead costs;
- (c) by utilizing funds held in the Operational Reserve;
- (d) by reducing the size of the programme.

The course mentioned in (d) was regarded by members as definitely the least desirable.

246. One member stated that a review of percentage increases in pledges since 1966 indicated that the agreed basis for projecting resources on a 9.6 per cent annual increase was still valid. He indicated that he would not support a reduction in the Operational Reserve and that any projected deficits should be covered by exercising maximum efficiency in the administration of the Programme. Another member stressed that if the contributions to the Programme could be increased to a rate up to 15 per cent there would not be a potential threat to the implementation of country and intercountry programmes prepared on the basis of approved IPFs for

the 1972-1976 development cycle. He expressed his deep concern in regard to the consequences of a reduction of the programme. Another member pointed out that the rate of increase of 9.6 per cent per annum of voluntary contributions was a nominal rate of growth expressed in US dollars since in real terms there was no such increase as a result of the realignment of parities and because of the increase in the inflationary process. A member pointed out that the Operational Reserve had been created to guarantee the implementation of the work undertaken by UNDP and not to finance possible deficits.

247. Most members registered concern over the percentage increase in the administrative and programme support costs budget and requested the Administrator to undertake all possible measures to reduce those costs. It was pointed out that because of the possible necessity to pay higher agency overhead costs before the end of the quinquennium the deficit might be even higher than envisaged in DP/L.234. Some members expressed concern at the slow growth in resources. One member raised the question of a potential additional temporary deficit in 1973 and 1974 because of front-loading in so many of the country programmes already submitted.

248. Members were agreed on the importance of attaining a high level of liquidity in the Operational Reserve. Some members expressed concern over the indication in document DP/L.234 that it might prove necessary for the Administrator to make incursions on the Operational Reserve to cover the anticipated deficit. One member emphasized that in accordance with paragraph 28 of the Consensus, the Operational Reserve was subject to annual replenishment.

249. Members expressed general support for the proposal for five-year IPFs for intercountry programmes.

Observations of the Administration

250. The Director of the Financial Management Division observed that the key to the entire situation was the question of contributions. In that connexion he agreed with the view expressed that an annual rate of increase up to 15 per cent would eliminate the problems referred to in document DP/L.234.

251. Responding to a question on front-loading of the programme, he indicated that country programmes were not coming in on a standard baseline and varied in duration as well as timing. He indicated that it was not possible to measure the impact of front-loading as it was only apparent with each new country programme. It was expected, however, that the effect of front-loading would even out over the long period. That expectation together with delivery lags had been assumed in table 3 of the document before the Committee.

252. The Director of the Financial Management Division expressed his appreciation for the support of the Committee for five-year IPFs for intercountry programmes, which would provide added flexibility to that portion of the Programme.

253. Finally, he assured members that paragraph 11 of document DP/L.234, as it related to the Operational Reserve, was not intended to imply a commitment by the Administrator. The intent of that portion of the paragraph was to indicate that if the assumptions mentioned materialized and there was no reduction in Programme

costs, then the Administrator saw no other recourse but to use the Operational Reserve to cover the resulting deficit. Pending further experience with the implementation of country programming, in particular regarding the rate of expenditure, no immediate drastic measures seemed necessary.

Recommendation of the Committee

254. The Committee recommended that the Council take note of document DP/L.234.

255. Concerning the matter of handling the projected deficit for the period 1974-1976, the Committee desired that the seriousness of the situation be brought to the attention of the Governing Council and the four possible means of financing the projected deficits should be brought to the attention of the Council:

- (a) Increasing contributions during the period 1973-1976;
- (b) Reducing administrative and programme costs as well as overhead costs;
- (c) Utilizing funds held in the Operational Reserve;
- (d) Reducing the size of the programme.

It was accepted that a combination of those means was also possible. The Committee felt, however, that the course mentioned in (d) was the least desirable.

256. The Committee recommended that the Council request the Administrator to reduce to the maximum extent possible administrative and programme support costs.

257. The Committee agreed that no decision on the possible means of financing suggested in paragraph 255 above was necessary at that time, and recommended to the Council that the matter be kept under careful and constant review as its implication for the Programme could be far-reaching.

258. The Committee recommended that the Council approve five-year IPFs for intercountry programmes beginning with the period 1972-1976.

Decision of the Governing Council

259. At its 336th meeting, the Governing Council approved the recommendation of the Budgetary and Finance Committee.

F. Waiver of assessed programme costs payable in local currency (formerly "local costs") and retroactive waiver of assessed programme costs payable in local currency (formerly "local costs")

260. The Budgetary and Finance Committee had before it documents DP/L.243, and DP/L.236 and Corr.1 which:

(a) related to the hard-core countries which had already been granted full waivers of assessed programme costs for 1972;

(b) outlined the Administrator's plan for granting partial waivers of assessed programme costs in respect of other countries on the list with the "minimum scale" of assessment;

(c) sought authority for retroactive waiver of assessed programme costs in respect of the Government of Bolivia; and

(d) proposed retroactive waivers of differential payments to be assessed to recipient Governments in respect of Operational Assistance (OPAS) experts.

Summary of discussion in the Committee

261. The Committee welcomed the redefinition, in document DP/L.236, of local costs, and the change in nomenclature for purposes of clarity to "assessed programme costs payable in local currency". There was support for the Administrator's recommendation that the Governing Council approve the request by the Government of Bolivia for waiver of outstanding assessed programme costs for the years 1967-1969, amounting to \$198,445 owed under the Technical Assistance component and \$76,473 under the Special Fund component. One member expressed the view that the case of Bolivia should not be regarded as a case of precedent for future actions.

262. While there was no objection to the retroactive waivers of differential payments to be assessed to recipient Governments in respect of OPAS experts, it was felt that the document before the Committee did not clearly reflect the amount of the waivers under consideration. The Administration informed the Committee that the recommendations for retroactive waivers totalled less than \$20,000 spread over a number of countries. The Committee was assured that this was the last time Governments would be contributing directly to the costs of OPAS experts beyond paying local salaries.

263. In regard to the assessed programme costs payable in local currency, estimated at \$16.5 million annually for each of the five years of the development cycle 1972-1976, one member formally proposed that this levy be abolished. He reasoned that the changed nature of local costs and the complete loss of any link between those costs and projects annulled all justification for their payment. Because of this, assessed programme costs were merely an assessed contribution which burdened exclusively developing countries, and which came on top of other financial obligations such as voluntary contributions, the sharing of expenses regarding the office of the Resident Representative and project counterpart contributions. There were many ways in which any decrease in income for UNDP could be compensated, one of these being an increase in project counterpart contributions. The Committee was sympathetic to those proposals and requested that an in-depth study of the principle involved and the implications of the abolition of the assessed programme costs be undertaken by the Administration, to be submitted to the Council for consideration at its sixteenth session. 5/ Another member suggested that in the

5/ Some members of the Governing Council subsequently proposed that the beginning of this sentence be changed to read: "The Committee agreed that these proposals should be studied and requested that an in-depth analytical study of the principle involved ...".

study consideration should be given to the indirect multiplier effect on the balance of payments situation of the countries concerned of assessed programme costs. However, some members expressed the view that such measures might have considerable financial implications for UNDP resources. The view was also expressed that the study should take full account of the implications of operative paragraph 22 of the resolution on special measures in favour of the least developed among the developing countries adopted by UNCTAD on 19 May 1972. In paragraph 22 it is stated:

"In extending technical assistance to the least developed countries, special attention should be given to difficulties experienced by these countries in meeting local counterpart requirements. Developed countries and multilateral agencies should consider as a matter of high priority minimizing, and wherever appropriate waiving, these local requirements in respect to the least developed countries."

264. In that respect the study should, among other measures, identify the possibility of reducing the counterpart contribution for the 25 hard-core least developed of the developing countries.

265. The Committee endorsed the Administrator's decision to continue waivers for 1972 of assessed programme costs payable in local currency in regard to the 25 least developed countries. The Committee was in agreement that waivers should be granted to these countries for the full five-year period of the present development cycle.

266. With regard to possible partial waivers to other countries, the Committee felt that the criteria used in arriving at minimum assessments for purposes of the United Nations Regular Budget would not be appropriate as criteria for applying partial waivers. Therefore, the Committee did not favour the Administrator's suggestion. It felt that waivers (except for those related to the 25 least developed countries) should be considered individually and on an ad hoc basis only until some other criteria should have been determined.

Decision of the Governing Council

267. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Approved the Administrator's recommendations in paragraphs 2 and 4 of document DP/L.243;

(b) Requested the Administrator to undertake and submit to the sixteenth session of the Council an in-depth study on the principle and the implications of the proposal for abolishing the assessed programme costs payable in local currency, taking into consideration counterpart contributions;

(c) Requested the Administrator to grant waivers to the 25 hard-core least developed of the developing countries for the full period of the present five-year development cycle;

(d) Requested the Administrator to continue to consider waivers to other countries individually and on an ad hoc basis only until some other criteria shall have been determined.

CHAPTER XI

ADMINISTRATIVE AND BUDGETARY MATTERS

268. The Governing Council considered the following questions under item 12 of its agenda on the basis of reports of its Budgetary and Finance Committee, to which item 12 was referred for preliminary consideration:

(a) Budget estimates for the administrative and programme support services of the United Nations Development Programme for the year 1973 (DP/L.228 and Corr.1; A/8648).

(b) Anticipated savings in the budget for the administrative and programme support services for the year 1972 (DP/L.229);

(c) Arrangements to provide advice and support to Resident Representatives in sectoral fields within the United Nations development system (DP/L.235).

A. Budget estimates for the administrative and programme support services of the United Nations Development Programme for the year 1973

269. The Budgetary and Finance Committee had before it the Administrator's budget estimates for the administrative and programme support services of the UNDP for the year 1973 (DP/L.228 and Corr.1) and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/8648).

270. In introducing the budget estimates for 1973, the Administrator informed the Committee that the estimates before it were provisional and might be subject to minor modifications before the end of 1972. He stated that the staffing arrangements and organization at UNDP Headquarters itself were being reviewed and that in his view it would be more meaningful if the results of that review could be adequately considered by the Council at its fifteenth session.

271. The Administrator also informed the Committee that UNDP had been in the process of significant evolutionary changes designed to render multilateral assistance through the United Nations system more meaningfully related and more directly responsible to the priority needs of the developing countries. It was also gearing its methods and machinery to handling effectively in the next four or five years an annual programme of double the present size.

272. In regard to the main proposals reflected in the 1973 budget estimates, the Administrator informed the Committee that while he was not making any over-all proposals for organizational change at this time, his experience over the last few months had convinced him that in order to provide greater coherence and mutual support to the functions of programme and policy co-ordination, he had found it necessary to bring those functions together in one central staff function bureau (Bureau for Programme Policy and Co-ordination). He further stated that the second important need that had emerged clearly was that the sound direction and management of the Programme would require two Deputy Administrators to support the

Administrator, one having responsibility for administration of UNDP on a day-to-day basis and the other having responsibility for all aspects of country and other programmes from formulation to follow-up, including effective guidance and direction for over-all programme co-ordination.

273. The Administrator also informed the Committee that improving the quality of personnel and performance had been his first task after he took office. In regard to this question, he outlined the action programme initiated to appraise and improve the quality of personnel and to identify the staff training and career development needs which must be met in order to obtain maximum productivity and performance.

274. Turning to the field offices, the Administrator indicated that he planned to proceed with the third phase of the current process of strengthening those offices to enable them to meet their new and enlarged responsibilities. He informed the Committee that the 1973 estimates reflected the addition of some 40 professional posts, bringing the total new posts added in the 1971-1973 period to 132.

275. As regards the UNDP total resources for 1973, the Administrator indicated that he would have a clearer picture only after the annual Pledging Conference in October 1972, but expressed the hope that the increase in pledges would be more than the theoretical assumed average annual rate of growth of 9.6 per cent in contributions.

276. Referring to the report of ACABQ (A/8648), the Administrator noted the Committee's recommendation in paragraph 33 that economies might reasonably be expected in a number of areas and that such economies could, on a conservative basis, amount to \$500,000, of which at least half might be attributed to savings on salaries and wages. He indicated, however, that he had no basis, at that stage, to say whether that conclusion was realistic or not and it would depend very much on the pace at which full-scale recruitment for vacant posts would be resumed. The Administrator indicated further that there had been a deliberate slowing down of recruitment in 1971 and 1972 due to the special demands of the restructuring of the Headquarters Secretariat in 1971 and that a somewhat similar policy had been maintained in 1972 because of the emphasis he had placed on first getting a comprehensive qualitative inventory of existing staff resources. It might very well be that the return to full scale recruitment would take longer than had been anticipated in the estimates and therefore there could be savings in 1973.

277. The Administrator also referred to other specific items on which the Advisory Committee on Administrative and Budgetary Questions had offered comments and indicated that economies might be possible. Referring to the item relating to consultants, he stated that, as underlined by the ACABQ in paragraph 20 of its report, certain steps to streamline the use of consultants had been taken and he intended to examine the matter further in order to make sure that consultants were engaged only to meet demonstrated needs which could not be met from normal staff resources. He emphasized, however, that at the same time he would continue to require special consultant advice to assist him in his efforts toward better organization, simpler and more efficient procedures and improvement in quality and performance. Referring to the item relating to travel, he indicated that the ACABQ seemed to have accepted the need for adequate travel funds for the Resident Representatives to enable them to oversee effectively progress of projects in the country or countries for which they were responsible. With regard to the ACABQ's

comment that it would have liked to have seen the increase in the field travel budget offset by reductions at Headquarters, the Administrator assured the Committee that while travel was limited to what was absolutely essential, he placed a great deal of importance on the Regional Bureau chiefs getting out to their regions and expected that they would be in the field five to six months in the year.

Summary of discussion in the Committee

278. The Committee expressed appreciation for the clarity of the form of presentation of the 1973 estimates and for the lucid and informative statement which the Administrator had made in personally introducing the estimates in the Committee.

279. The discussion in the Committee reflected general concern at increasing administrative and programme support costs which, taken together with the overhead allocations to executing agencies, represented a significant proportion of the total resources of the Programme. At the same time it was recognized that 1973 represented more or less the closing phase of the process of restructuring and strengthening the UNDP machinery to enable it to meet the heavier demands of the Consensus. It was also recognized that the increase in the 1973 estimates by comparison with the approved budget for 1972 was about 10 per cent, which was slightly more than the assumed average annual rate of growth of 9.6 per cent in contributions. The important point, it was suggested, was that the administrative and programme support costs beyond 1973 in the period 1972-1976 should be stabilized, without any significant real increases. The Committee was aware of the provisional nature of the budget pending the completion of the reorganization which was still in process.

280. It was emphasized that the Consensus demanded not only improved capacity but also improved efficiency, and satisfaction was expressed at the Administrator's initiatives towards substantially improving the quality and efficiency of UNDP performance. The hope was also expressed that the new and enlarged responsibilities of the Resident Representatives and better performance would give an assurance of better servicing of the developing countries.

281. The Committee supported the proposals relating to the third and final phase of the strengthening of the field offices and felt that that constituted the implementation of a generally agreed policy. One member specially underlined the need for relating that strengthening to the realistic needs of the offices in the light of evolving needs and resources.

282. On the question of the review of Headquarters organization and staffing, there was general support for the Advisory Committee's position that the Administrator should be allowed a reasonable time to review the matter and formulate his comprehensive proposals. By the same token, it was recognized that special considerations applied in 1972 which precluded a final or definitive budget submission for 1973 by the Administrator at that time.

283. Pending the submission of such comprehensive proposals, attention was given to the Administrator's plans for having two Deputy Administrators and to the merger of most of the functions performed previously by the Bureau for Programme

Co-ordination and the Bureau for Policy Planning in one central Bureau for Programme Policy and Co-ordination. While members recognized a measure of validity in the Advisory Committee's suggestion to defer consideration of those matters until the comprehensive proposals were outlined, the Committee generally felt that it was appropriate to progress step by step in that area as long as the steps being proposed were basically sound. Thus, there was general support in the Committee for the proposal to have two Deputy Administrators. In that connexion, one member expressed the hope that the direct link between the heads of the Regional Bureaux and the Administrator would continue to be maintained in accordance with paragraph 57 of the Consensus. Questions were asked about the responsibilities proposed to be allotted to the second Deputy Administrator. It was the general view of the Committee, which was accepted by the Administrator, that the field of responsibilities of the two Deputy Administrators should be kept quite distinct and clearly defined. It was also understood that the reconstitution of the unified Bureau for Programme Policy and Co-ordination was appropriate for the time being: in any event that aspect of Headquarters organization would be covered further in the Administrator's submission to the fifteenth session of the Council.

284. On the size of the estimates, there was general support for most of the comments and suggestions of the ACABQ. Thus, it was suggested that significant savings might be made under "staff costs", primarily because of delays in recruitment, although it was also pointed out that such savings would only mean deferral of the higher level of costs to a later date. It was recognized that the Administrator had by and large held the Headquarters establishment for 1973 at the 1972 level. Several members underlined the need for achieving economies in other areas of expenditure identified by the ACABQ, namely, consultants, travel and transportation and other general expenses, including hospitality.

285. On consultants, several members referred to the ACABQ's comments (A/8648, paragraph 20) and, while appreciating the continuing efforts of the Administrator to streamline the use of consultants, expressed the hope that such efforts would lead to significant economies in costs.

286. Specifically as regards travel, it was suggested that regional meetings of Resident Representatives might be limited to two regions instead of all four each year. The possibility of under-expenditure in regard to home leave, as suggested by the ACABQ, was also noted. One member suggested that the Administration might explore possibilities for special arrangements with air carriers for more economical travel costs.

287. There was also emphasis on the need to control expenditures on general expenses in such areas as communications and hospitality.

288. Several members welcomed the Administrator's emphasis on developing a more intensive and systematic programme of staff training. Particular attention was drawn to the importance, underlined by the Advisory Committee, of taking account of related developments in this field in other parts of the United Nations system. It was asked that, pending a decision on the United Nations staff college, care should be taken to avoid expenditure on what was termed "bricks and mortar" or long-term commitments. Several members expressed the view that the UNDP share of the basic cost of the staff college should be proportionate to the UNDP use of its facilities and programmes. One member felt that UNDP was an efficient organization and that the risk of overtraining should be avoided. Another member suggested that the

Administrator should submit to the fifteenth session a background paper covering the experience with the staff training programme for 1972, the suggested programme for 1973, the procedures employed, including criteria for the selection of participants, and an assessment of results.

289. There was general support for the ACABQ's suggestion in paragraph 34 of its report for the development within UNDP of a coherent system of control, inspection and evaluation with particular emphasis on activities in the field offices, which now numbered over 100 in widely dispersed parts of the world. The need for such a system was considered urgent and essential in the interest of both efficiency and economy of operation. It was suggested at the same time that such arrangements should be developed without significant additional costs and, to the extent possible, through redeployment of resources from areas of less priority. The need to assign highly qualified and experienced staff to those functions was also underlined. One member suggested that a detailed discussion paper on the matter should be submitted to the Council at its fifteenth session.

290. A number of detailed questions were raised about the costs of contractual printing for development support information publications. The main thrust of those questions was to urge the careful and selective programming of the publications with attention to all avenues of economy in their actual production and distribution. In this regard the need to enlarge information disseminated on projects approved, subcontracts to be awarded and related matters was also emphasized.

291. A few suggestions were made for further improvements in the budget format. In addition to a review of tabular presentations in order to avoid duplication, it was suggested that additional information might be provided in future documents by giving a breakdown of the column for the budget year in annexes 3 and 4, distinguishing between revised costs of maintaining the previous year's level of activity and costs for additional activities. It was also suggested that a background paper might be submitted to the fifteenth session describing the methods by which earlier levels of activity, if they were to be continued, were recosted for the budget year.

292. One member stated that his delegation would not be able to support the budget estimates for 1973 unless reductions were made at least to the level proposed by ACABQ.

293. In general, discussions in the Committee reflected a widely-shared feeling that the administrative and programme support budget estimates were too large in comparison with expenditures on operational activities. That led to the suggestion that the time was approaching when the Governing Council would need to establish an over-all ceiling for expenditures in the administrative and support area, leaving it to the Administrator to adjust his priorities within that ceiling.

294. Several members expressed their concern that, although the Governing Council had established at its twelfth session a new procedure for consideration and approval of the budget estimates, according to which the budget for any year would be submitted for approval at the June session of the preceding year, it had proved necessary in the current year, due to the exceptional circumstances, to defer approval of the estimates until the fifteenth session. It was hoped that the procedures adopted at the twelfth session would be followed in future years. 6/

6/ See Official Records of the Economic and Social Council, Fifty-first Session, Supplement No. 6A (E/5043/Rev.1), para. 198.

Observations of the Administration

295. During the discussion, the Administrator responded to comments made by members of the Committee, particularly on matters of an organizational or policy nature. Referring to the Advisory Committee's suggestion about the advisability of dealing with the organizational changes mentioned in the budget proposals in the context of the wider review in January 1973, the Administrator expressed the view that there was often great advantage in moving step by step in such matters rather than waiting for all of the steps to be taken at one time. Thus, he especially underlined the urgent need for the second post of Deputy Administrator in the interest of the sound and efficient management of the Programme. In response to another question, the Administrator stated that the post of Assistant Administrator released by the merger of the Bureau for Programme Co-ordination and the Bureau for Policy Planning had been shown in the Office of the Administrator only as a holding operation, and no final conclusion had been reached about its eventual disposition. This matter would be covered as part of the review of Headquarters structure on which he would be reporting to the Council at its fifteenth session.

296. As regards the use of consultants, the Administrator indicated that he had already taken steps to streamline that area and intended to continue his review of the need and use of consultants. At the same time, at least for the next 12 to 18 months, he would require specialized and high level expertise from outside in his search for efficient management and operational arrangements in various areas of UNDP. It was difficult to see very clearly how the savings that would arise from a more careful approach to the use of consultants and the additional requirements for expert advice for the purposes he had mentioned would affect budgetary requirements but, on balance, he felt that the 1973 estimates should be more or less at the same level as for 1972, as reflected in the document.

297. The Administrator informed the Committee that he was convinced of the necessity and usefulness of annual regional meetings of Resident Representatives in the next year or two until the new structure as well as the new concepts, methods and procedures were firmly established and clearly understood. Thereafter, he would have an open mind on the frequency of such meetings and it was conceivable that their periodicity could be somewhat reduced.

298. Referring to the Advisory Committee's suggestion for systematic arrangements for inspection and the comments on this question in the Committee, the Administrator underlined the importance of that function in the total effort to achieve sound and economic management. He believed that the need was for a small but highly efficient and selected group of officials to be assigned to this task.

299. The Director of the Bureau of Administrative Management and Budget responded to a number of specific points made by members. First, however, he commented by way of clarification of the estimates as a whole that the period 1971-1973 represented a time of restructuring, adaptation and strengthening of the UNDP Secretariat, at Headquarters and in the field, in response to the demands placed on it by the Consensus. That process of strengthening had been generally agreed to by the Council and it was therefore to be expected that administrative costs during that period would register substantial increases. As regards later years, it was envisaged that there would be no significant expansion of staff or costs, as by 1973 or 1974 the UNDP would have been fairly well geared to the accomplishment of its enlarged tasks. The estimates of administrative costs included in the document

on estimated resources and programme costs for 1973-1977 had been based on an increase of 7 per cent a year beyond 1973, mostly to meet the effects of inflation. The specific level of budgetary requirements in those years would be determined in the light of the actual impact of inflation.

300. On the question of vacant posts and their relation to staff costs, the Director explained that the relatively large number of vacancies in 1971 and 1972 was the result of a deliberate policy of slowing down recruitment pending the completion of the restructuring and the qualitative inventory of existing staff resources. The extent to which the vacancy situation would result in savings in 1973 would depend on the pace at which the rhythm of normal recruitment was restored. The position on that question would be clearer later in 1972. The Director, commenting on questions relating to staff training, described briefly the programmes which had been in operation and drew attention to the outline given in document DP/L.246 of projected training programmes in 1972-1973. In this regard, he emphasized that all such programmes would be wholly work-oriented and designed to improve the performance of the staff members in their jobs. He also confirmed that no expenditures were envisaged either for "bricks and mortar" or by way of commitments to institutions; practically all the proposed expenditures related to programmes within UNDP.

301. As regards the field offices, the Director emphasized the urgency of completing their strengthening. Even after the completion of the expansion process, the field offices would, on the average, have only some 4.2 man years of professional staff, including the Resident Representative. In response to a specific question, the Director assured the Committee that the proposed opening of a sub-office in Bahrain was considered essential to the sound management and overseeing of UNDP activities in the States in the Gulf area.

302. In response to suggestions made in the Committee, the Director undertook to provide the Committee at its fifteenth session with background papers on the three items mentioned earlier in the report, namely:-

(a) Arrangements for inspection and control;

(b) Description of re-costing methods; and

(c) Staff training programmes.

In replying to a question, the Director stated that the work of the Protein Advisory Group would have no budgetary implications for UNDP.

303. In response to another question, the Director stated that before renewing the contracts which the United Nations Volunteers had with the two co-ordinating organizations, the Administrator would review the matter along the lines indicated in paragraph 31 of the ACABQ's report.

304. In conclusion, the Director informed the Committee that much of the greater part of any savings in the 1973 estimates would have to be derived from delays in recruitment and would, therefore, fall under Sections 1 and 2. Other areas of economy suggested by the Advisory Committee would be reviewed carefully, although significant economies were unlikely to arise in those areas. The Administrator would take full account of the comments of the ACABQ as well as of members of the Committee in formulating his revisions to the estimates for submission to the fifteenth session.

Decision of the Governing Council

305. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Governing Council adopted the following decision:

(a) The Governing Council generally agreed to the broad lines of the proposals contained in the Administrator's budget estimates (DP/L.228 and Corr.1) and specifically approved the proposed establishment of a second post of Deputy Administrator. The Council noted that the Administrator would submit to the fifteenth session the results of his review of the organizational and staffing arrangements at Headquarters and recommendations arising therefrom together with the consequential specific revisions to the 1973 budget proposals. The Council urged the Administrator, in formulating his revision of the estimates, to take fully into account the suggestions for economies made in the report of the Advisory Committee on Administrative and Budgetary Questions (A/8648) and in the discussions in the Budgetary and Finance Committee and to seek total savings of around \$500,000 as suggested by the ACABQ.

(b) The Council, at its fifteenth session, would review the budgetary revisions which would be submitted by the Administrator and take a final decision on the budget appropriations for 1973. The Administrator's submission for this purpose would consist of revisions, with appropriate explanations, to the estimates already submitted rather than a new budget document as a whole.

(c) This departure from the agreed arrangement of approving the following year's budget at the June session was regarded as exceptional in view of the provisional nature of the budget estimates for 1973.

(d) Pending approval by the Governing Council at its next regular session in January 1973 of the budget for 1973, the Council authorized the Administrator to maintain during the first part of January 1973 a rate of expenditure in respect of the budget at a level not to exceed that approved for 1972.

B. Anticipated savings in the budget for the administrative and programme support services of the UNDP for the year 1972

306. The Budgetary and Finance Committee had before it a report by the Administrator on the anticipated savings and additional requirements in the budget for the administrative and programme support services of UNDP for the year 1972 (DP/L.229).

Summary of discussion in the Committee

307. The Director of the Bureau of Administrative Management and Budget, in introducing this item in the Committee, stated that while savings of \$654,400, mostly attributable to the continued policy of slowing down new recruitment, were anticipated, unavoidable additional requirements amounted to \$464,800. During the discussion, the point was raised and clarified that if any new requirements resulted in anticipated expenditures in excess of the appropriation under any budget section, the Administrator would require the approval of the Council before making any transfer of credits between budget sections in order to meet such anticipated over-expenditures. In this sense, and while the Administrator's report

did not specifically include such a request for transfer of credits, the revised budget set out in annex I of document DP/L.229 was intended to cover such a request for approval. Some members indicated that savings and supplementary estimates were two separate issues and requested that in future two separate papers be prepared, one notifying savings and the other seeking authority for supplementary expenditures if necessary.

308. The opinion was expressed by some members that the Administrator would require greater flexibility in transferring unused credits between sections of the budget in order to cover additional expenditures in other sections to reflect a resetting of priorities, especially if, as had been suggested by some members, he was likely to be asked in future years to operate within an over-all budget ceiling. Some other members had formal objections to granting further flexibility.

309. Another subject of discussion in the Committee arose from a suggestion that country programme documents might be produced and distributed in the chosen language (one of the official languages of the United Nations) of the country concerned, while the Administrator's note, expanded if necessary, would be circulated in all four official languages used by the Council. While a number of members saw merit in that suggestion as a means of effecting significant economies, several others had strong reservations of principle on the grounds that the suggested approach would result in all official languages not being treated equally and would interfere with the right of members to obtain official documents in an official language of their choice. The suggestion was accordingly not pursued.

310. Several members urged that further efforts should be made to effect savings in the budget for the year 1972, particularly in such areas as the reproduction of country programme documents, hospitality expenses and other general expenses.

Decision of the Governing Council

311. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of the report of the Administrator on anticipated savings in the budget for the administrative and programme support services of the UNDP for the year 1972 and requested the Administrator to continue his efforts for further savings in this budget; and

(b) Approved the transfers of unused credits between budget sections as reflected in the revised budget contained in annex I of that report (DP/L.229).

C. Arrangements to provide advice and support to Resident Representatives in sectoral fields within the United Nations development system

312. The Budgetary and Finance Committee had before it an interim progress report by the Administrator (DP/L.235) which outlined the steps being taken to ensure that the proposals which would be submitted to the Governing Council in January 1973 would take into account programme needs as well as administrative and financial considerations. In introducing the report, the Director of the Bureau of Administrative Management and Budget, updating the information given, indicated that the identification of the needs for sectoral advice and support to the

Resident Representatives would reflect special requirements by type of country and sectors and determine the best and most economical means of meeting them.

Summary of discussion in the Committee

313. One member of the Committee stressed the importance of the multidisciplinary approach to developmental activities and, referring to the Consensus, stated that it was essential that the Resident Representative, as leader of the team, receive proper technical support from the agencies.

314. In reply to a query, the Director explained that the experience with the agreement between UNDP and FAO for the assignment of senior agricultural advisors/FAO country representatives to the offices of Resident Representatives had been positive. In that connexion, two members of the Committee expressed concern at the possibility of extending current FAO and UNIDO arrangements to other agencies as they felt that this would have serious implications on UNDP administrative and programme support costs over the years and suggested that solutions be sought along alternative lines. The Director assured the Committee that the comprehensive study undertaken by the Administrator would cover various alternatives, bearing in mind the need for keeping down administrative costs.

Decision of the Governing Council

315. At its 336th meeting, on the recommendation of the Budgetary and Finance Committee, the Council took note of the interim progress report by the Administrator (DP/L.235).

CHAPTER XII

PERSONNEL FOR DEVELOPMENT ASSISTANCE

316. Under item 6 of its agenda, the Governing Council had before it the report of the Administrator on personnel for development assistance (DP/L.246).

317. In introducing the report, the Administrator indicated that the report before the Council outlined the steps that were being taken to improve the quality and performance of personnel within UNDP. The programme of action for such an improvement had started with recommendations from an internal task force and was being further developed with the assistance of a competent consultant from outside. The Administrator emphasized that the aim was to develop a career concept starting with recruitment of young, well-qualified people of the highest competence and integrity and, at the same time, on as wide a geographical basis as possible. Such young people would be trained in terms of the specific needs of UNDP work which was becoming increasingly complex because of the demands of the country programme process and the necessity for more effective co-ordination, not only within the multilateral system but also with bilateral and non-governmental programmes.

318. The Administrator pointed out that the staff training programme of the UNDP would be wholly work-oriented and of an "in-service" nature. Account was also being taken of possible developments relating to UNDP participation in a United Nations staff college.

319. On the use of consultants, the Administrator reaffirmed that continuing or long-term consultants were being discontinued and outside consultants would be utilized in future only on specific matters and for short periods of time. A good example of such use was the employment of an outside consultant for assisting in the formulation and implementation of the Personnel Development Programme. In connexion with staff utilization, the Administrator indicated that conscious efforts were being made to make maximum use of the facilities of other units of the United Nations, particularly the resources of the Department of Economic and Social Affairs, to meet the economic data and research needs of UNDP.

320. The Administrator added that he was equally concerned about achieving improvement in the quality and performance of the staff of the executing agencies who were working on UNDP projects and, particularly, experts and other field project personnel. He felt, however, that the first priority must be bringing about such improvements within UNDP itself and his efforts had therefore been directed accordingly.

Summary of discussion

321. Members of the Council generally welcomed the Administrator's report and his introductory statement as evidence of a determined effort to effect improvements and achieve higher standards of performance. Particular attention was drawn to the emphasis which the Administrator had placed on quality. In this regard, it

was suggested that there should be some recognition that all existing staff members might not be fully at the desired standard and that reform should therefore not be based too much on staff members already in service.

322. There was general support for the concept of a career service with emphasis on the recruitment of highly qualified and competent young people on a world-wide basis. At the same time, it was suggested that the possibility of outside appointments at higher levels should not be excluded as otherwise the organization might tend to become a "closed shop". Furthermore, it was stated that non-career appointments would be more appropriate for specialized, technical personnel in view of the need to maintain up-to-date expertise in the Secretariat. One member specifically disagreed with the proposed approach to a career service as also with the suggestion that Resident Representatives should have first served as Deputy Resident Representatives for a period.

323. The Administrator's proposals regarding staff training were generally received with appreciation. Several members welcomed the emphasis on "on-the-job" training related to the specific requirements of UNDP operations. It was suggested that UNDP should not enter into any long-term commitments pending the outcome of the question of the establishment of a staff college and that the maximum possible use should be made of existing institutions and facilities. The efforts in this direction indicated in paragraph 19 of the report (DP/L.246) were noted with satisfaction. On the staff college, several members emphasized that there should be a direct relationship between the extent of the financial support which UNDP might be called upon to provide and its use of the facilities and programmes of the college.

324. Several members expressed the view that the Administrator should be more actively involved in the appointment of project managers and other key project personnel in order to promote maximum efficiency in project operations. The needs of project personnel for proper orientation and training in the light of the new demands arising from the country development process and related procedures were also underlined. One member suggested that Resident Representatives should have greater discretion in deploying staff and other field personnel in the interests of the Programme.

325. One member referred to the differing practices among the Executing Agencies in regard to the recruitment and administration of associate experts provided by Governments at their cost, and suggested that the UNDP might examine the situation with a view to bringing about a greater measure of uniformity of treatment. It would be useful to have a central review by the Administrator of the experience with the associate expert programme in the various organizations at an appropriate time.

326. Several members underlined the importance of adequate conditions of service in the recruitment and retention of qualified personnel. Special attention was drawn to the problem of housing for field personnel which in many areas had become a serious impediment to the success of the Programme, and it was suggested that all appropriate efforts should be continued to bring about improvements in this regard. Members noted with appreciation the efforts which the Administrator was making in that direction, as indicated in paragraphs 49 to 53 of the report (DP/L.246), and it was suggested that such arrangements should be extended to include the international staff of UNDP when, in the Administrator's view, circumstances so warranted.

327. The Council generally agreed that questions relating to internal organization and personnel management were the responsibility of the Administrator within his executive authority but that the Council should be informed periodically on the general situation and on the progress made towards improvement. It was accordingly suggested that that matter should not become a regular item on the agenda of each session of the Council but should rather be brought to the Council's attention at appropriate intervals. It was specifically suggested that the Administrator might review the progress made in the current programme of personnel improvement in about two years and report to the Council on the results achieved.

Observations of the Administration

328. In responding to the comments made during the discussion, the Administrator expressed appreciation for the general welcome given to the steps which he had initiated and to the further thoughts which had been outlined in the report. He emphasized that improvement in quality would be achieved through a well planned and systematic programme of staff training, mostly on-the-job, and, as far as possible, through a constructive approach to the effective utilization of already available staff resources. The Administrator thought that an evaluation of progress after about two years was in order and offered to report to the Council again at an appropriate time, perhaps in 1974.

329. The Administrator also responded to a number of specific questions. On the Staff College, he shared the concern expressed by several members for a careful approach on the matter, including the question of UNDP's pro rata share of the costs of the College. Referring to the appointment of key project personnel, the Administrator indicated that, following recent IACB discussions, there would be greater consultations in the future between the executing agency and UNDP prior to the employment of project managers and other key personnel. On associate experts, the Administrator stated that he would arrange for necessary consultations leading to a review of existing arrangements and to the development of more coherent and uniform approaches to this matter.

Decision of the Governing Council

330. At its 328th meeting, the Governing Council:

(a) Took note, with appreciation, of the Administrator's report on personnel for development assistance (DP/L.246) and of the steps which he was taking to improve the quality and performance of UNDP staff, as well as of the views expressed in the Council.

(b) Looked forward to receiving further reports at appropriate future sessions in the progress made and results achieved.

CHAPTER XIII

UNITED NATIONS TECHNICAL CO-OPERATION ACTIVITIES

331. Under item 13 of the Governing Council's agenda, the Director of the Office of Technical Co-operation introduced the report of the Secretary-General contained in document DP/RP/13. The Director said that 1971 marked a high point in the history of United Nations technical co-operation activities. The total value of the programme had been \$61 million, which had allowed the assignment of over 2,300 experts and the granting of some 2,000 fellowships.

332. He reminded the Council that the United Nations had direct responsibility for the implementation phase of 20 per cent of UNDP's programme. He felt that the Council occupied itself insufficiently with the implementation of programmes; in his opinion those programmes were the real heart of UNDP's problems in the 1970s. He also briefly described the impending reorganization of the Office of Technical Co-operation which he hoped would make the contribution of the United Nations to UNDP's programme increasingly effective.

333. He felt there was a need for an improvement in recruitment. Not only should experts be recruited more rapidly but there was room for improvement in the quality of experts. The Governing Council had a role to play in this regard because if it helped the United Nations and the agencies through constructive criticism to become a better place in which to work, the organizations could attract the best human resources. The sometimes rather negative and sterile criticism to which the United Nations and the agencies were exposed did not make it easier for the organizations to attract and retain high calibre personnel.

334. The Director then turned to a detailed description of three of the larger scale projects under the 1972 Regular Programme, namely, those which had been developed in Chad, Niger and the People's Democratic Republic of Yemen. The projects concentrated on the problems of the poorest sections of the populations in those least developed countries which had been bypassed even by the development taking place in their own countries. The projects sought both to improve the economic conditions of those communities and to take full account of the basic sociological and anthropological problems. He also emphasized the necessity of the peoples' participation in the projects and the character of those projects as integral parts of the communities' own activities and not something imposed from the outside. The projects were very experimental in character and the Governments concerned, together with the United Nations, were proceeding with great caution but it was hoped that the Governments could make their decisions on the basic development problems of those societies somewhat more intelligently with the help of those projects.

335. The Director then described briefly a few other projects in the 1972 Regular Programme, including a slum clearance project in Upper Volta; a project in Uganda where administrators at the lower and middle levels were trained through correspondence courses; a project in the Central African Republic where the promotion of participation of women in development was the main feature; a project

for the reorganization and strengthening of a public administration institute in the Yemen Arab Republic; and a housing and city planning project in Haiti.

336. He reminded the Council that the United Nations Regular Programme was the only programme in the United Nations system which was almost entirely devoted to the least developed countries and he felt that the relatively quick transformation of the programme had been made possible because of its inherent flexibility.

337. In conclusion, he reverted to the point that the Governing Council should give more attention to project implementation problems, over which the Council exercised direct control, especially with regard to the United Nations, which was the second largest of UNDP's executing agencies.

Summary of discussion

338. All members who spoke commended the interesting report and the frank statement of the Director of Technical Co-operation. There was agreement that the Council should turn its attention more towards implementation problems in future sessions. Several members expressed their strong support for the new orientation of the Regular Programme and congratulated the United Nations for having developed so many interesting and vital projects for the least developed countries. One member proposed, and was subsequently supported by several other members, that the Secretary-General's report should only be presented once a year in the Governing Council and that that occasion should be taken for an in-depth discussion of the implementation problems associated with the United Nations operational activities.

339. It was also suggested that the Council might be given more opportunities to see similar reports from other participating and executing agencies. Some members, while appreciating the importance of the problem of recruitment and of the Director's assessment of this problem, inquired whether the United Nations could not carry out more of its work through subcontracting. One member asked whether more experts could not be recruited from developing countries. Another member inquired about the development of the United Nations Development Advisory Teams and the co-ordination of their work with the many other country missions of UNDP and the agencies, as well as with assistance in country programming through regional economic commissions.

340. The Director, in his reply, said that he saw no particular problem about limiting the consideration of the Secretary-General's report to once a year and welcomed the support of the Council for a more thorough treatment of implementation problems. He said that the United Nations was moving towards increased use of subcontracting, including subcontracting in such areas as development planning, but he drew the Council's attention to the fact that each man-year in a subcontract was usually considerably more expensive than under direct recruitment and that some developing countries under the new IPF system had shown reluctance for the use of their scarce UNDP resources for the more expensive man-years provided under subcontracts. He said that the United Nations was very anxious to recruit more experts in the developing countries but was somewhat hampered in this effort by the less well developed national recruitment services existing in developing countries compared with those existing in developed countries.

341. In reply to the question concerning the United Nations Development Advisory Teams, he informed the Council that three teams were now in operation and that two further teams were being established in Africa, thanks to a grant from the Swedish Government. He referred to an earlier statement by the Administrator to the Council in which the Administrator had described the discussions under way between the Administrator and the Department of Economic and Social Affairs with a view to streamlining and improving the utilization of all resources available to the Department of Economic and Social Affairs, including regional economic commissions and the United Nations Development Advisory Teams to assist Governments and Resident Representatives in better country programming.

Decision of the Governing Council

342. At its 337th meeting, the Governing Council took note with satisfaction of the Secretary-General's report (DP/RP/13) and of the statements made by members of the Council.

CHAPTER XIV

UNITED NATIONS CAPITAL DEVELOPMENT FUND

343. Under item 15 of its agenda, the Council had before it a progress report by the Administrator (DP/L.222). In introducing the report, the Director of the Financial Management Division stated that there had not been much improvement in the operations of the Fund or in the resources available to it. In an effort to find a more satisfactory focus for the Fund, the Administrator was suggesting that the modest available resources might be used at least in part to finance self-contained, viable projects, mostly in the industrial field which, because of their small scale, anticipated modest return on investment and for other reasons had not been able to attract financing from conventional resources. Subject to the views of the Council, the Administrator proposed to explore with the least developed countries the possibility of concluding arrangements for the provision of a selected small number of small-scale plants. In this way, another modest but helpful step might be taken in favour of the least developed countries.

Summary of discussion

344. Several members reiterated their support for the objectives of the Fund and regretted that there was no improvement in its resources and therefore in its operations. The suggestion by the Administrator to examine possibilities for the use of funds in the least developed countries was welcomed by all members who spoke on this item. They stressed that those proposals were in line with and foreshadowed the more recent recommendations by the third session of UNCTAD for a "study of the feasibility of using the United Nations Capital Development Fund (UNCDF) first and foremost for the least developed countries" (see DP/L.238/Add.1). It was also pointed out that the Administrator's proposals, while not changing the general objective of the Fund, rightly focused on the least developed countries. The concentration on small-scale projects of a specific nature avoided the possibility of overlap with assistance available from other financial institutions. In this connexion, several members expressed the hope that if the Fund could, as proposed by the Administrator, be used for activities falling in a "grey zone" between UNDP and other financial institutions of the United Nations system, some of the developed countries which had so far not contributed to the United Nations Capital Development Fund might modify their position. The suggestion was made that the Administrator should endeavour to ascertain whether Governments would increase their contribution or begin to contribute if they knew that funds would be used for the least developed countries and for the type of activities contemplated by the Administrator. One member stated that some developed countries, his own included, had at earlier Council sessions taken the view that there were better channels for providing technical assistance and development finance to developing countries.

345. Several members pointed out that the study recommended by UNCTAD was broader than the specific proposals of the Administrator; they felt, therefore, that the Governing Council should request him to prepare such a study and to submit his

findings to the Governing Council for review and for subsequent consideration by the Economic and Social Council and the General Assembly. One member, while welcoming the new proposals, felt that the time had perhaps come to consider discontinuing the United Nations Capital Development Fund and returning its assets to the few countries which contributed to it. He suggested that if a study was undertaken, as recommended by UNCTAD, it should include the question of "the continuation of the functioning of the Fund". Some other members objected, however, to an extension of the study of this matter which they felt was within the sole competence of the General Assembly.

346. The proposal was also made that if the Administrator was to explore with the least developed countries the possibility of financing small-scale plants through the use of UNCDF funds, planning for specific projects should be taken in co-operation with other developing countries.

Decision of the Governing Council

347. At its 337th meeting, the Governing Council decided:

(a) To take note of the progress report by the Administrator (DP/L.222) and the views expressed by members of the Governing Council during the discussion;

(b) To invite the Administrator to explore with the least developed countries, in co-operation with other developing countries, the possibility of financing from the United Nations Capital Development Fund a selected small number of small-scale plants; and

(c) To request the Administrator, with reference to paragraph 44 of the resolution adopted on 19 May 1972 by UNCTAD at its third session, to prepare a study of the feasibility of using the United Nations Capital Development Fund first and foremost for the least developed countries and to submit his findings and recommendations to the Council at its fifteenth session.

CHAPTER XV

OTHER MATTERS

A. Report by the Administrator on the thirteenth session of the Inter-Agency Consultative Board

348. Under item 17 (b) of the Council's agenda, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination introduced the report by the Administrator (DP/L.242).

Summary of discussion

349. During the discussion, it was noted with satisfaction that a spirit of co-operation had prevailed during the discussions between UNDP and the agencies at the thirteenth session of the Inter-Agency Consultative Board, and the hope was expressed that that positive trend would continue.

350. Particular interest was evinced in the IACB discussion of the question of the selection of Resident Representatives. The view was expressed that full authority for the recruitment of Deputy or Resident Representatives as well as of key project personnel should rest solely with the Administrator. Another member registered concern that the IACB had already agreed upon a set of procedures for the selection of Resident Representatives before the Council itself had taken any decisions in that regard. Similarly, he added that it would have been more appropriate if the Administrator had informed the IACB of the criteria to be applied in the calculation of IPFs after these had been determined by the Council.

351. It was also observed that it would be useful if in the future the Council could be informed in greater depth of the discussions on the main issues dealt with by the IACB, particularly with regard to such questions as special measures in favour of the least developed countries and follow-up investment.

Observations of the Administration

352. Commenting on the role and functions of the IACB, the Deputy Administrator pointed out that the Board was a purely advisory body and that the Administrator, in accordance with General Assembly resolution 2029 (XX), was required to consult the agencies on major policy questions before formulating his recommendations to the Governing Council. It was important that the Administrator should have the benefit of views on matters of common concern to all the organizations engaged in UNDP activities.

Decision of the Governing Council

353. At its 330th meeting, the Governing Council took note of the report of the Administrator on the thirteenth session of the IACB (DP/L.242) and of the views expressed by members of the Council.

B. Statistical information on bilateral programmes of assistance

354. One member of the Council drew attention to the difficulty in obtaining timely and valid statistics on the bilateral assistance provided by countries which were needed by the Resident Representatives in the preparation of country programmes. He suggested that UNDP might utilize the statistical services of the Committee for Development Assistance (CAD) and the Organization for European Economic Co-operation (OECD) for assistance in the provision of reliable statistical information in this regard.

C. Establishment of a United Nations Revolving Fund for Natural Resources Exploration

355. Under item 17 (a) of its agenda, the Council considered a note by the Administrator (DP/L.247 and Corr.1). The report of the second session of the Committee on Natural Resources (E/5097 and Corr.1 and 3) and the reports of the Intergovernmental Working Group on the United Nations Revolving Fund for Natural Resources Exploration on its first and second sessions (E/C.7/24 and 29) were available to the Council for information.

356. In introducing this item, the Assistant Administrator in charge of the Bureau for Programme Policy and Co-ordination said that UNDP had always supported the idea of placing greater emphasis on natural resources exploration and development as being one of the bases for economic development. Some of the views of UNDP were reflected in annex V to E/C.7/24. The UNDP believed that unity in the administration of all funds for development facilitated effective co-ordination and management.

Summary of discussion

357. Members of the Council noted that the Committee on Natural Resources at its second session had agreed in principle to the establishment of a United Nations Revolving Fund for Natural Resources Exploration and had entrusted the task of formulating a scheme for a revolving fund to the Intergovernmental Working Group. It was the wish of the Committee on Natural Resources that the final report of the Intergovernmental Working Group on the detailed scheme for the revolving fund (E/C.7/29), together with the comments and recommendations of the Governing Council of UNDP at its fourteenth session, should be transmitted to the Economic and Social Council at its fifty-third session for further consideration of the proposal to establish the fund.

358. There was a large measure of agreement in the Council that there was indeed a need to accelerate the tempo of exploration of natural resources development. Some members stated that the exploration and development of natural resources would be to the advantage of both developing countries and many of the industrial countries which were increasingly confronted with growing shortages of select natural resources.

359. Many members believed that existing sources of financial aid for natural resources exploration and development were not adequate. In this context, many members insisted upon the necessity of adding to the funds and emphasized that there should be no reduction of existing UNDP programmes. However, the small IPFs prevented many countries from making requests in this sector.

360. Members from the developing countries drew a distinction between the UNDP type of programme and "risk" capital or investment that was proposed under the fund. Projects under the fund could not be part of a country programme. They would not be under a grant programme but were more like investments and UNDP procedures must not be applied to them since they might slow down project implementation.

361. Consequently, some members felt that a separate fund with a separate identity was needed to be a repository of modern technology and specialization. Reference was made to the difficulty of securing "risk" capital from international lending institutions or bilateral sources. Furthermore, what was proposed at the international level was already found to be successful at the national level. There were some models of revolving funds in some of the industrialized countries active in natural resources exploration.

362. A number of members questioned the need for a separate fund, and believed that the objectives of such a fund could be accomplished through the existing UNDP machinery. Advantages of centralization of fund-raising would be lost, affecting coherent country programming. It was emphasized by some members that creation of yet another fund did not necessarily ensure additional resources but only added further claims on the predetermined funds available for assistance from donor countries. Sectoral funds had the further disadvantage of cutting across the basic principles underlying UNDP country programming and sought to impose a narrow sectoral bias on development. They also added to administrative costs.

363. Many members commented favourably on the unique nature of the concept and felt attracted to it because of its emphasis on self-help and the revolving feature. However, some members felt that the proposal, as it stood, would prevent the revolving feature from coming into early operation.

364. Some members questioned the desirability of establishing a Secretary-General's trust fund to be administered by the UNDP Administrator. If the staff were to be appointed by the Secretary-General, the Administrator could not be held accountable. They did not wish the Administrator to take responsibility on behalf of the Secretary-General without effective control.

365. Members of the Council noted the division of opinion in the Intergovernmental Working Group on the scope and forms of assistance. The majority of members in the Working Group had been of the view that assistance provided by the fund should be completely separate from and additional to many of the activities undertaken by UNDP. They had also not believed that project requests submitted to the fund should be drawn up in terms of UNDP country programming procedures. They had envisaged the operations of the fund as being independent and having their own particular integrity.

366. On the other hand, a number of members had considered it to be of fundamental importance that the operations of the fund should form part of the total and integrated effort of United Nations assistance activities. Many members expressed their opinion that article 8 of the draft statute should have included provisions which directly linked the activities of the fund to projects undertaken by UNDP, even though the assistance provided by the fund would be additional to that provided from UNDP resources. They also envisaged total or partial financing by the fund of projects not financed by UNDP when such action was within the capacity of the fund.

367. A point of view was expressed that in case the latter idea prevailed it would be useful to include the thought that when assistance was given in the form of partial financing, deductions should be made for local and other counterpart contributions prior to repayments from successful projects.

368. Some members strongly favoured the second approach of making operations of the fund part of total and integrated efforts of UNDP activities. It was believed that since the fund had only limited resources and not large-scale capital available to it, it would be more effective if it supplemented a large number of UNDP projects with the emphasis on the least developed countries.

369. There was some agreement on the part of the Council that the additional resources such as those to be provided through the proposed revolving fund would be all the more effective when handled in the same context of over-all co-ordination of all inputs at the country level under the leadership of UNDP Resident Representatives. Some members believed that all assistance should be given within the framework of the country programme concerned.

370. One member put forward an idea based on the belief that there was scope for providing financial assistance for the preparation of requests for pre-investment projects. A fund adopting the SIS formula could be established for this purpose and financed by repayments from successful projects. Another member commented favourably on that idea but noted that those objectives could be achieved through the special natural resources advisory services.

371. One member said that the International Development Association (IDA) should consider providing some of the types of assistance contemplated for the proposed fund.

372. The Council noted that the principles of repayment to the fund from successful projects had not yet been worked out. One member believed that the ploughing back of a sum up to a specified percentage of repayments into the same country would prevent the revolving feature coming into early operation. Another member stated that the repayment principle introduced an element of discrimination in a specific sector. Situations could also be visualized where some of the least developed countries would have to make large repayments even though in the over-all context that would not be desirable.

373. Regarding an intergovernmental organ for the proposed fund, many members questioned the need for a separate executive board as proposed in the draft statute. A complicated machinery drawn from both the Governing Council and the Committee on Natural Resources had been proposed. There would be legal as well as practical difficulties for the Administrator if he were to be responsible to both the proposed executive board and the Governing Council. Several members believed that the UNDP Governing Council would be the appropriate intergovernmental organ to control the operations of the fund.

374. On the other hand, it was argued that both the Committee on Natural Resources and the Governing Council had a direct interest in the policy and operations of the fund, and a composite body was therefore needed. The rationale of the present concept was that participating countries both among donors and recipient countries which had a direct interest in the fund would be on the executive board. It was also pointed out that other funds in the United Nations system had their own intergovernmental bodies.

375. Members noted that the majority opinion in the Intergovernmental Working Group, as reflected in its report, called for an independent secretariat. However, some members questioned the need for such a secretariat in view of the administrative costs involved. Some members believed that the secretariat should be part of the UNDP secretariat. On the other hand, other members were of the view that, since the professional skills and expertise that would be needed for the fund were different, an independent secretariat was called for.

376. In this context, the Council noted the proposal in the draft statute that administrative costs of the fund would not exceed 10 per cent of the total budget.

377. Some members noted that some of the key provisions of the draft statute such as, for example, those on repayment, were not yet complete and should be finalized in the forthcoming fifty-third session of the Economic and Social Council.

378. One member observed that the principle of permanent sovereignty over natural resources should be better reflected in the statute.

379. Some other members believed that sufficient time had not been given to the Governing Council to study and transmit its considered views on the draft statute and, therefore, the Economic and Social Council should request the Intergovernmental Working Group to study and revise the statute in the light of discussions during the fourteenth session.

380. Many potential donor countries expressed strong reservations on some of the provisions in the statute. They felt that even though they were in sympathy with the objectives of the fund and had a positive attitude to it, they would refrain from participation if the statute were finalized in its present form. There was a feeling that every care should be taken to avoid a situation comparable to that of the United Nations Capital Development Fund. The potential donor countries, therefore, urged the Economic and Social Council to embark on serious and extensive consultations to redraft the statute in the light of the comments that had been offered.

Observations of the Administration

381. The Administrator wished the Council to know that in case a United Nations Revolving Fund for Natural Resources Exploration was established, his preference would lie strongly in the direction of a fund administered by him under the authority of the UNDP Governing Council.

Decision of the Governing Council

382. At its 336th meeting, the Governing Council decided:

(a) To take note of the note by the Administrator (DP/L.247 and Corr.1) on the proposed establishment of the United Nations Revolving Fund for Natural Resources Exploration; and

(b) Requested the Administrator to transmit to the Economic and Social Council, for consideration at its fifty-third session, the chapter of its report incorporating the views expressed in the course of its debate on this item.

CHAPTER XVI

DATE AND PROVISIONAL AGENDA OF THE FIFTEENTH SESSION

383. At its 339th meeting, the Governing Council decided to hold its fifteenth session from 22 January to 9 February 1973 at United Nations Headquarters. It was also agreed that the Budgetary and Finance Committee would convene at United Nations Headquarters on 18 January.

384. At the same meeting, the Council agreed on the following provisional agenda for its fifteenth session:

1. Opening of the session
2. Election of officers
3. Adoption of the agenda
4. Country and intercountry programming and projects
 - (a) Consideration, in private meetings, and approval by the Council of individual country programmes
 - (b) Consideration, in private meetings, and approval by the Council of projects recommended by the Administrator
 - (c) Report by the Administrator on projects approved between the fourteenth and fifteenth sessions
 - (d) Report by the Administrator on review of regional and interregional projects
 - (e) Further consideration of the experience in country programming
 - (f) Further review of criteria to be followed in calculating indicative planning figures for the 1977-1981 period
 - (g) Report on actions taken and suggested as to special measures in favour of the least developed among developing countries
5. Financial matters:
 - (a) Revised estimates of resources and Programme costs for 1973 and for the period 1972-1976
 - (b) Arrangements for the custodianship of UNDP funds
 - (c) Progress report on agency overhead costs
 - (d) Audit reports
 - (e) Programme Reserve

6. Administrative and budgetary matters:
 - (a) Report by the Administrator on arrangements to provide advice and support to Resident Representatives in sectoral fields
 - (b) UNDP participation in the United Nations staff college
 - (c) Report by the Administrator on headquarters premises of UNDP
 - (d) Revised budget estimates for the year 1973
 - (e) General outline of budget estimates for the year 1974
7. Draft omnibus statute for the Programme for consideration by the General Assembly (General Assembly resolution 2688 (XXV))
8. Action taken in 1972 by organs of the United Nations and related agencies on matters relating to the United Nations Development Programme
9. United Nations Capital Development Fund
10. United Nations technical co-operation activities
11. Date and provisional agenda of the sixteenth session of the Governing Council
12. Other matters
13. Draft report of the Governing Council to the fifty-fifth session of the Economic and Social Council

385. It was understood that the inclusion of item 10 in the provisional agenda for the fifteenth session would be dependent on the Secretary-General's decision concerning the consideration by the Governing Council of United Nations technical co-operation activities only once a year.

ANNEX I

REPRESENTATION AT THE FOURTEENTH SESSION^{a/}

Members of the Governing Council

Australia, Austria, Belgium, Brazil, Bulgaria, Cameroon, Canada, Central African Republic, Cuba, Denmark, Ecuador, Ethiopia, Federal Republic of Germany, Finland, France, Guatemala, India, Indonesia, Iran, Iraq, Italy, Ivory Coast, Japan, Kuwait, Lebanon, Libyan Arab Republic, Mexico, Morocco, Netherlands, Nigeria, Norway, Pakistan, Philippines, Poland, Romania, Sweden, Switzerland, Trinidad and Tobago, Turkey, Uganda, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Upper Volta, Uruguay, Yugoslavia, Zaire, Zambia.

States represented by Observers

Algeria, Argentina, Bangladesh, Chile, Colombia, Czechoslovakia, Egypt, Honduras, Hungary, Israel, Mauritania, New Zealand, Peru, Republic of Viet-Nam, Venezuela.

United Nations Bodies

United Nations Secretariat, Office of the High Commissioner for Refugees, United Nations Children's Fund, United Nations Conference on Trade and Development, United Nations Development Programme, United Nations Industrial Development Organization, United Nations Institute for Training and Research.

Specialized Agencies

International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Civil Aviation Organization, World Health Organization, International Bank for Reconstruction and Development, International Monetary Fund, Universal Postal Union, International Telecommunication Union, World Meteorological Organization, Inter-Governmental Maritime Consultative Organization.

Other Intergovernmental Organizations

African Development Bank, Inter-American Development Bank, International Secretariat for Volunteer Service.

^{a/} In accordance with paragraph 3 (f) of General Assembly resolution 2836 (XXVI) of 17 December 1971, participants are not listed by name.

ANNEX II

PROJECTS APPROVED BY THE GOVERNING COUNCIL AT ITS FOURTEENTH SESSION

<u>DP/PROJECTS/R.1</u> <u>Add.</u>	<u>Country</u>	<u>Project title</u>	<u>Executing Agency</u>	<u>Estimated Government participation (in \$US)</u>	<u>Estimated UNDP cost (in \$US)</u>	<u>Estimated total cost (in \$US)</u>	<u>Duration (years)</u>
1	Brazil	Modernization of the Brazilian Patent System (BRA/71/559)	UNDP ^{a/}	25 000 000	1 371 000	26 371 000	5
2	Regional ^{b/}	Institute of Education, Beirut (REM/71/280)	UNESCO	-	482 000	482 000	2
3	Regional ^{c/}	Kuwait Regional Institute for Economic and Social Planning in the Middle East (REM/71/300)	United Nations	8 701 000	1 140 000	9 841 000	4
				<u>33 701 000</u>	<u>2 993 000</u>	<u>36 694 000</u>	

^{a/} Through a contract with the World Intellectual Property Organization.

^{b/} Jordan, Lebanon and the Syrian Arab Republic.

^{c/} Bahrain, Egypt, Jordan, Kuwait, Libyan Arab Republic, Qatar, Sudan, United Arab Emirates, and Yemen.

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