



**UNITED NATIONS
DEVELOPMENT PROGRAMME
REPORT OF THE GOVERNING COUNCIL
TWENTY-FIRST SESSION**

(15 January - 4 February 1976)

**ECONOMIC AND SOCIAL COUNCIL
OFFICIAL RECORDS: SIXTY-FIRST SESSION**

SUPPLEMENT No. 2

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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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CONTENTS

	<u>Page</u>
INTRODUCTION	1
 <u>Chapter</u>	
I. ORGANIZATION OF THE SESSION	2
II. ASSISTANCE TO DROUGHT-STRICKEN AREAS OF AFRICA AND ADJACENT AREAS	5
III. UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION .	11
IV. UNITED NATIONS FUND FOR POPULATION ACTIVITIES	14
V. FINANCIAL RESOURCES AND RELATED PROGRAMME MATTERS	21
VI. PROGRAMME RESOURCES AND INDICATIVE PLANNING FIGURES FOR 1977-1981	47
VII. ASSISTANCE TO COLONIAL COUNTRIES AND PEOPLES	58
VIII. COUNTRY AND INTERCOUNTRY PROGRAMMING AND PROJECTS	64
A. Country programmes and projects	64
B. Procedures for approving country programmes	65
IX. TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES	70
X. BUDGETARY, FINANCIAL AND ADMINISTRATIVE MATTERS	77
A. Financial review of UNDP resources and Programme costs 1972-1976	77
B. ITU request for special overhead reimbursement	88
C. UNDP supplementary budget estimates for the year 1975	89
D. UNDP budgetary requirements for 1976 and general outline of budget estimates for 1977	91
E. Cost measurement systems	100
F. Short-term consultants	102
G. Audit reports (UNDP and UNFPA)	102
H. Revision of UNDP Financial Regulations and Rules	103
I. Standard cost of experts	104
J. Cost sharing	106

CONTENTS (continued)

<u>Chapter</u>	<u>Page</u>
XI. ACTION TAKEN IN 1975 BY ORGANS OF THE UNITED NATIONS AND RELATED AGENCIES	110
XII. ARRANGEMENTS FOR THE TWENTY-SECOND SESSION OF THE GOVERNING COUNCIL	112
<u>Annex.</u> REPRESENTATION AT THE TWENTY-FIRST SESSION	115

INTRODUCTION

1. The Governing Council held its twenty-first session at United Nations Headquarters, New York, from 15 January to 4 February 1976.
2. The Budgetary and Finance Committee held 16 meetings between 12 and 30 January 1976, also at United Nations Headquarters, to consider administrative, budgetary and financial matters. The Committee on Technical Co-operation among Developing Countries convened at United Nations Headquarters on 16 January and concluded its work on 28 January, holding four meetings during the session.
3. The present report was adopted by the Governing Council at its 516th meeting, on 4 February 1976, for submission to the Economic and Social Council at its sixty-first session, in accordance with paragraph 4 of General Assembly resolution 2029 (XX).

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, as well as African liberation movements represented at the session are listed in the annex to this report.

Election of officers

5. In accordance with rule 11 of its rules of procedure, the Governing Council at the opening meeting of its twenty-first session elected the following officers by acclamation: Mr. Ricardo Alarcón Quesada (Cuba), President; Mr. Knut Hedemann (Norway), First Vice-President; Mr. Illa Salifou (Niger), Second Vice-President; Mr. Antoni Czarkowski (Poland), Third Vice-President; and Miss Arundhati Ghose (India), Rapporteur.

6. At the opening meeting of the Budgetary and Finance Committee, on 12 January 1976, following consultations with members of the Council, Mr. Hedemann (Norway) was designated Chairman of that Committee by Mr. Endre Iván (Hungary), President of the Governing Council for 1975. Mr. Ernesto C. Garrido (Philippines), who served as Rapporteur of the Budgetary and Finance Committee in 1975, was re-elected Rapporteur of the Committee for 1976 by acclamation.

7. Following the election of officers of the Governing Council for 1976, and after consultation with members of the Council, Mr. Alarcón Quesada, President of the Council, designated Mr. Salifou (Niger), Second Vice-President, as the Chairman of the Committee on Technical Co-operation among Developing Countries. On 16 January 1976, at its second meeting, the Committee by acclamation elected Mr. Francisco González de Cossío (Mexico) as its Rapporteur.

Agenda

8. At its 494th meeting, the Governing Council adopted the following agenda for its twenty-first session:

1. Opening of the session
2. Election of officers
3. Adoption of the agenda (DP/138 and Add.1, DP/139, DP/140/Rev.1, DP/141)
4. Country and intercountry programming and projects, including procedures for approving country programmes and Administrator's report on cost sharing (DP/157, DP/162, DP/175, DP/GC/COS/R.2 and DP/GC/COS/R.2/RECOMMENDATION, DP/GC/FIJ/R.2 and DP/GC/FIJ/R.2/RECOMMENDATION, DP/GC/GUA/R.2 and DP/GC/GUA/R.2/RECOMMENDATION and Corr.1, DP/GC/MAU/R.2 and

DP/GC/MAU/R.2/RECOMMENDATION; DP/GC/NEP/R.2 and
DP/GC/NEP/R.2/RECOMMENDATION, DP/GC/SIN/R.2 and
DP/GC/SIN/R.2/RECOMMENDATION and Corr.1, DP/GC/SOI/R.2 and
DP/GC/SOI/R.2/RECOMMENDATION, DP/GC/TON/R.2 and
DP/GC/TON/R.2/RECOMMENDATION, DP/PROJECTS/R.5 and Add.1-3)

5. Programme resources and indicative planning figures for 1977-1981 and authority of the Administrator to approve projects (DP/146, DP/166 and Add.1, DP/174)
6. Technical co-operation among developing countries (DP/148 and Add.1-5, DP/158)
7. Assistance to colonial countries and peoples (DP/163)
8. Assistance to drought-stricken areas of Africa and adjacent areas (DP/164)
9. Budgetary, financial and administrative matters (DP/165):
 - (a) Financial review of UNDP resources 1972-1976 (DP/155 and Corr.1)
 - (b) Supplementary budget estimates for the year 1975 DP/150, DP/169
 - (c) Report on the 1976 budgetary requirements including the reductions in posts and postponements in reclassifications approved at the twentieth session (DP/149)
 - (d) General outline of budget estimates for the year 1977 (DP/160 and Add.1)
 - (e) Custodianship of UNDP funds (DP/153)
 - (f) Short-term consultants (DP/159)
 - (g) Audit reports (UNDP and UNFPA) (DP/143 and Add.1 and Add.1/Corr.1, DP/144 and Add.1 and Add.1/Corr.1)
 - (h) Revision of UNDP Financial Regulations and Rules (DP/145)
 - (i) Cost measurement systems (DP/152 and Add.1)
 - (j) Global procurement arrangements (DP/156)
10. United Nations Fund for Population Activities (DP/147, DP/151, DP/161, DP/168, DP/170, DP/FPA/4 and Add.1 and 2)
11. United Nations Revolving Fund for Natural Resources Exploration (DP/142, DP/154)
12. Action taken in 1975 by organs of the United Nations and related agencies (DP/167 and Add.1-3)

13. Report of the Administrator on the Council's work and arrangement of business
14. Other matters
15. Date and provisional agenda of the twenty-second session of the Governing Council
16. Draft report of the Governing Council to the Economic and Social Council at its sixty-first session
17. Financial resources and related programme matters (DP/171, DP/172, DP/173 and Corr.1, DP/174)

Summary records of meetings

9. The summary records of the meetings of the twenty-first session of the Governing Council were issued as documents DP/SR.494-516.

Private meetings

10. The Council held two private meetings to consider the eight country programmes and three global projects recommended to it for approval by the Administrator under item 4 of the agenda.

II. ASSISTANCE TO DROUGHT-STRICKEN AREAS OF AFRICA AND ADJACENT AREAS

11. For its consideration of agenda item 8, the Council had before it document DP/164 dealing with assistance to drought-stricken areas of Africa and adjacent areas.

12. In a supplementary oral report to the Council, the Assistant Administrator and Regional Director for Africa stated that the drought situation had been considered at a donors' meeting organized by the Resident Representative in Bamako on 2 December 1975. Its conclusions had been discussed on 2 January 1976 with the Minister of Defence of Mali, who was responsible for the organization of relief operations.

13. During 1975, rainfall in Mali had been 20 per cent less than in normal years and the deficit had been particularly felt in the sixth region of the country. However, the over-all rainfall distribution was relatively satisfactory and the harvest was expected to be quite good. Food aid had therefore not been envisaged at the meeting of 2 December. However, the Malian Government and the sources of aid concerned had underlined the need for medium-term and long-term assistance for the storage and protection of harvests, the establishment of security stocks and improvement of roads and transport.

14. Since the preparation of document DP/164, information had been received on the deterioration of the situation in certain regions of Ethiopia and Somalia as well as on the danger of drought in Mozambique, where the rainy season was about two months late. With reference to Ethiopia, document DP/164 already referred to a second drought situation which had appeared during 1975 in the Ogaden region, particularly the province of Hararghe, where it was estimated that 75 per cent of the cattle had died, and, although the percentage of the population affected was smaller than during the first drought, isolation and communication difficulties had had a more serious effect on the nomadic population concerned. Eighty thousand people, mainly women and children, were currently being looked after in shelters in the province of Hararghe. Paragraph 14 of document DP/164 described the difficult situation in the north and south-western regions of Somalia. According to the most recent information, bad harvests were expected following insufficient rainfall at the end of the year. The Government's rehabilitation programme was likely to be seriously affected by the new developments. The Assistant Administrator informed the Council of his visit to Somalia in November. He had been impressed by the efforts of the Somali Government to resettle the nomadic people from the drought-stricken areas into new forms of settled agriculture in the south, but more assistance would continue to be required if the resettlement programme was to succeed.

15. Regarding medium-term and long-term programmes, the Assistant Administrator referred the Council to section V of document DP/164, where a brief mention was made to some of the activities. He stated that in such a short document there was no room to elaborate on all activities undertaken with UNDP support or to mention activities undertaken by all the other sources of aid, particularly those outside the United Nations system. He mentioned more areas where UNDP was involved along with other sources of aid: a regional programme in the Sahelian countries to

develop the Senegal River basin was under way, with the assistance of Canada, the Federal Republic of Germany, France, Iran, Kuwait and Saudi Arabia, following pre-investment studies financed by UNDP. Other programmes for the development of the Gambia, Niger and Lake Chad basins were also under way and there was also a programme to develop the River Volta basin after achieving the control of onchocerciasis, for which the World Bank had mobilized sources of bilateral and multilateral aid with the help of the World Health Organization (WHO), the Food and Agriculture Organization of the United Nations (FAO) and UNDP. Further, the Ethiopian Government was tackling soil erosion in the drought-affected areas with assistance from the World Bank, the World Food Programme (WFP) and others.

16. Despite recent improvements in several countries affected by the drought, it was still too early to assume that the danger point was over. The Second Conference of Heads of State of the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS) at Nouakchott on 23 December 1975 had renewed its appeal for international solidarity to pursue efforts to finance and carry out the medium-term and long-term programmes drawn up in Ouagadougou in 1973.

17. Concluding, the Assistant Administrator referred to information recently published by a non-governmental organization according to which UNDP had participated in 1973 in the cover-up of the drought situation in Ethiopia. He recalled that there had been a full debate on that situation during the seventeenth session of the Governing Council and a further report had been submitted at the eighteenth session. It was obvious from the information submitted to the Governing Council on those two occasions that UNDP had been informed as early as March 1973 of the difficult situation faced by Ethiopia. Relief operations by the United Nations system and other donors had started immediately on the Government's request. As reported to the Council at its seventeenth and eighteenth sessions, the UNDP Regional Representative had played a significant role in assisting the Ethiopian Government in overcoming logistic and other problems resulting from the drought and in informing the other donors of the development and magnitude of the drought. It could not therefore be said that UNDP had participated in any way in a cover-up.

Summary of discussion

18. Many members of the Governing Council expressed satisfaction with the information in document DP/164 and with the quality and clarity of the oral report of the Assistant Administrator and Regional Director for Africa, which not only followed up the salient points raised at the previous sessions of the Council but brought the Council up to date with new developments in Ethiopia and Somalia and some of the assistance which bilateral and multilateral agencies had offered.

19. Representatives of two drought-stricken countries informed the Council of recent developments in their countries, adding to information provided in the reports. Most of them stressed the importance of continued assistance to the affected regions, and also stated that the current financial difficulties being faced by UNDP should not adversely affect their programmes through reductions. One member stated that he disagreed with the information in document DP/164 which stated that no further food aid was required by Chad. The same member stated that food aid continued to be indispensable to that country, as the population was still suffering from the consequences of the drought.

20. Most members expressed their satisfaction that the situation in the drought-stricken areas had improved, and underlined the importance of medium-term and longer-term programmes which would assist the countries of the region to reconstruct their economies and strengthen their resistance to natural disasters in the future.

21. Some members wanted a report on the drought to be a feature of the Administrator's annual report, without derogating from the need for special reports at any time for the Council. The Council would then have the opportunity of discussing any aspects of the drought without making it a special item on the agenda. Donors would at the same time be able to consider what additional assistance, if any, was required to avoid a resurgence of problems caused by the drought.

22. Many members stressed the importance of the role of UNDP in co-ordinating the bilateral and multilateral flows of assistance to those areas. Some donor countries gave accounts of their bilateral and multilateral assistance to countries and projects in the region.

23. One member stated that document DP/164 was somewhat disappointing in that it did not describe fully UNDP activities or the role of the resident representative and did not fully reflect the current situation in the area, as it gave an impression that the food situation in the drought-stricken countries was no longer acute. Although there had been some improvement, the Sahel region would continue to need food aid.

24. Further assistance would continue to be required in such areas as meteorology, pasture improvement, irrigation and water conservation, pest control, and in other related fields. Several members were none the less concerned about the long-term strategy of the drought-stricken areas. Although in their view specific aid was always welcomed, such short-term aid could not be expected to solve the many problems which came in the wake of a drought nor to prevent such problems, as might be done through long-term strategies. Some members suggested that in developing the long-term strategy consideration should be given to the institutionalization of donor response to the African situation in order to create a sizable and fundamental economic transformation of the area through adequate investment in river basin development, transport, health, education and research. It was stressed that the development of the region's capacity to increase food production would provide a solution to medium-term recovery and a mechanism for the prevention of further catastrophe in the long term.

25. There was general appreciation of consultations which had been started within the Organisation for Economic Co-operation and Development (OECD), the Club des Amis du Sahel and CILSS and the steps which those organizations were taking to solve some of the drought problems. The important role of Resident representatives was stressed and questions asked about their contribution to overall co-ordination of aid. Members were also impressed with the steps which Somalia was taking to resettle nomads into a new form of life, with considerable sacrifice to planned development. Appeals were made to the Administrator to do everything possible to prevent the extension of the impact of the current UNDP financial crisis to drought-stricken countries, the majority of which were among the least developed countries of the world. Some members from drought-stricken countries made strong appeals for increased assistance from the international community and UNDP to enable the economies of their countries to recover.

26. Further, members considered that UNDP should compile an inventory of experience gained in the drought region by the executing agencies and other organizations in order to provide the donors with vital information on certain issues and aspects of the drought. In that regard, UNDP should extend assistance to enable the compilation of existing information provided by satellite, in addition to soil surveys, hydrological and meteorological surveys and other studies which might be considered important, relevant and contributory to the solution of the drought problems. The drought-stricken countries should be assisted in strengthening the capacity of their national and regional institutions to enable them also to undertake studies, research, planning and co-ordination. Information gained would be useful to the United Nations Conference on Desertification to be held in 1977.

Observations of the Administration

27. The Assistant Administrator and Regional Director for Africa, replying to points raised in the discussion, thanked members for their contributions and for their suggestions on ways of handling problems in the future. He also thanked the representatives of Chad and Somalia for the additional information which they had provided concerning the situation prevailing in their respective countries.

28. Referring to certain views expressed with regard to the short-comings of document DP/164, he said that the situation was always changing. The information was accurate six weeks ago when the document was prepared for the Council, although the situation had changed since, as members had been informed earlier. The assessment of the food-aid situation had taken account of the conclusions of a number of multi-donor missions that visited the countries concerned. Those conclusions, whether optimistic or accurate, could not be disregarded. Furthermore, in preparing the document in question, it had been felt that, since the Governing Council had reviewed the situation at recent sessions, it was not considered necessary to present an exhaustive review to the current session. Further, although it would be difficult to present an exhaustive picture of the activities of all other donors outside the United Nations system, the Secretariat would, if the Council wished, endeavour to provide, at a forthcoming session, comprehensive information concerning the involvement of bilateral and multilateral donors, with the approval of the Governments concerned.

29. With regard to the role of UNDP, he agreed with the views expressed by many members and assured them that UNDP would do its best to continue to play its current role in preparing studies, assessing situations for other partners, or in promoting ideas for regional projects which could be implemented by donors inside or outside the United Nations system. Concerning the co-ordinating role of resident representatives, they had played a co-ordinating or pre-co-ordinating role on behalf of and with the agreement of the Governments concerned.

30. He agreed with the analysis made by many members concerning some of the long-term solutions of the drought. It should be clearly understood that the long-term problems due to malnutrition, health hazards and the destruction of the basic infrastructure for the development of the agricultural and livestock sectors still remained to be solved. He therefore welcomed the institutionalization of efforts with the full consent of the Governments concerned. He noted with pleasure that the heads of State of the six Sahelian countries had agreed that the formation of

the Club des Amis du Sahel was a worth-while step. Both the new Administrator and he himself had informed the Chairman of the Development Assistance Committee of the readiness of UNDP to co-operate with the Club.

31. Referring to the planning of long-term activities, he said that considerable resources had already been earmarked in the current cycle for resolving problems through regional indicative planning figures (IPFs). It was also planned to devote considerable funds in the forthcoming cycle to the long-term solution of drought-related problems in the region. He welcomed the suggestion made that the experience acquired in dealing with the Sahelian situation should be compiled in a way which would help other countries. Meetings of the resident representatives of the Sahelian countries were currently being held to exchange information on how the various countries were handling the situation.

32. Referring to the over-all problem of desertification, he said that, as previously reported to the Council, UNDP was co-operating closely with the United Nations Environment Programme (UNEP) in preparing the United Nations Conference on Desertification. Furthermore, in response to General Assembly resolution 3337 (XXIX), an ad hoc interagency task force had been set up to prepare for the Conference. The third meeting of that task force was to be held in February 1976.

33. With regard to the use of resources, maximum restraint would be used in considering any reduction in programmes in the drought-stricken countries. He expressed the hope that programmes would not have to be reduced in the drought-stricken areas.

34. The Administrator, in his concluding comments, recalled that, as Under-Secretary-General for Political and General Assembly Affairs, he had been made responsible by the Secretary-General for co-ordination of the United Nations system in dealing with the medium-term and long-term needs of the drought-stricken countries. The Special Sahelian Office (UNSO) had been established to undertake that co-ordination, and had compiled a compendium of projects advanced by the Heads of State of the six members of CILSS and had conducted several sectoral analyses as part of an over-all approach to the recovery and rehabilitation of the area. The Office had also undertaken the task of mobilizing resources for priority needs in medium-term and long-term programmes as defined by CILSS and its member States. As a result, he had been able to report in Nouakchott in December 1975 at a meeting of the Heads of State of the Sahelian countries that the financing for many of the priority projects had been committed either on a bilateral basis or through special contributions to the Trust Fund set up by the Secretary-General. Many of those projects were already under way, including the agrometeorological and hydrological regional project with its regional centre in Niamey. The over-all work achieved by UNSO in co-operation with CILSS and its member States could provide a sound foundation on which the Club des Amis du Sahel could proceed. UNDP had been closely associated throughout the process described. It had always been intended that the activities of the Special Sahelian Office would be transferred to UNDP as soon as feasible. He was able to inform the Council that the point had been reached where that transfer could be effected.

35. During the subsequent consideration of the decision under item 8 (see para. 36 below), the Assistant Administrator, replying to an observation by one member, explained that the reference in paragraph (f) to "all countries severely affected by the drought" included the Central African Republic. He added that to fix once

and for all a list of countries affected by the drought would limit the flexibility needed to deal with a situation which was subject to change.

Decision of the Governing Council

36. At its 511th meeting, on 27 January 1976, the Governing Council:

(a) Recalled the decisions taken by the Council at its nineteenth and twentieth sessions concerning assistance to drought-stricken areas of Africa and adjacent areas and also Economic and Social Council resolutions 1917 (LVII) and 1918 (LVII);

(b) Noted Economic and Social Council resolution 1971 (LIX) and General Assembly resolutions 3511 (XXX) and 3512 (XXX);

(c) Took note of the report of the Administrator (DP/164), of the additional information brought to its attention by the Assistant Administrator and Director of the Regional Bureau for Africa and the delegations of the countries concerned, and of the views expressed in the course of the consideration of the question;

(d) Expressed its deep concern at the gravity of the situation in certain drought-stricken countries, such as Ethiopia and Somalia, where economic conditions were continuing to deteriorate in an alarming manner;

(e) Requested Member States to continue to give active support to the emergency programmes and the medium-term and long-term rehabilitation programmes of all the drought-stricken countries;

(f) Recommended that the Administrator should take all necessary steps to ensure that planned activities for the benefit of all countries severely affected by the drought, and particularly projects directly connected with medium-term and long-term rehabilitation programmes, did not suffer;

(g) Requested the Administrator to give particular attention to the needs indicated by the Governments of the drought-stricken countries in the utilization of any additional funds that were made available;

(h) Requested the Administrator to submit, in the future, his report on the situation of the drought-stricken African countries and neighbouring areas as part of his annual report, taking account of the requests for information made during the consideration of the question at the twenty-first session.

III. UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

37. Introducing item 11, on the United Nations Revolving Fund for Natural Resources Exploration, the Director of the Fund informed the Governing Council that interest in and support for the Fund were growing.

38. The Director stated that the operational procedures and administrative arrangements had been revised in accordance with the decision of the Governing Council at its twentieth ^{1/} session and had been distributed to Governments and UNDP field offices, and that the Model Agreement had been revised. He announced the appointment of the Technical Manager of the Fund. He also said that six more countries had been visited since the preparation of document DP/154. Technical advisers were being sent to developing countries on request to assist Governments in evaluating requests for Fund assistance.

39. The Director stressed the importance of selecting projects with high potential and requested the co-operation and assistance of the industrialized countries, whose advanced technology might assist in identifying worth-while projects.

40. The Director recalled that Economic and Social Council resolutions 1762 (LIV) and 1965 (LIX) called upon the Governing Council to reconsider at its twenty-first session the level of contributions to the Fund, with a view to extending exploration up to and including the stage of feasibility studies. He stated that, while the Fund had initiated action needed to undertake feasibility studies, it was a complicated matter, as the Fund could only require payment from successful ventures, and had at the same time to achieve a revolving status. He further said that the Fund's resources might be insufficient to undertake the more costly feasibility studies. He suggested consideration of alternative repayment formulae, and sought the guidance of the Council as to how the Fund could finance such studies.

Summary of discussion

41. Many members expressed their satisfaction that the Fund had begun operating, but stated that a sound financial foundation was a prerequisite for the viability of the Fund and that its revolving nature should be maintained. Many other members stated their reservations regarding some of the regulations of the Fund, and the actual benefit to developing countries of Fund assistance.

42. Some members called for additional contributions. Others felt that special consideration should be given to projects in the poorest countries. Others stated that ambitious projects involving greater risks should not be undertaken at the initial stages of the Fund's operations.

43. Some members felt that targets for voluntary contributions should not be set until more experience was gained.

^{1/} Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A, para. 536, decision I.

44. The Director was requested to provide more information on Fund expenditures, particularly for pre-project missions to prospective recipient countries, and also to provide a forecast of future expenditure.

45. Many members felt that the question regarding the Fund's assistance to feasibility studies should be postponed to a later date; one member requested that the proposed report on the subject provide a range of options for the Council's consideration, while another requested the Director to submit a document on administrative arrangements for feasibility studies to the Council at its twenty-fourth session.

46. One member felt that a number of the provisions of the operational procedures and administrative arrangements and the Model Agreement were not in keeping with the principle of non-interference in the sovereignty of States. The same member reiterated his reservations about the participation of the World Bank, which had not yet implemented the General Assembly resolution regarding the restoration of the lawful rights of the People's Republic of China in the United Nations.

47. Some members stated their intention of contributing to the Fund at a future date, and one member announced a contribution of 1.5 million Canadian dollars as a multiyear contribution.

48. Some members expressed the view that the developed countries must make the largest contributions to the Fund.

Observations by the Administration

49. In his response to points raised in the discussion, the Director of the Fund expressed his appreciation for the pledge made to the Fund and for other expressions of support, as well as for the valuable suggestions which had been made on the operation of the Fund.

50. In presenting information about expenditure levels, the Director reiterated the importance of selecting projects with high potential and the part played in that selection by advisory missions. He informed the Council that actual pre-project expenditures on those missions in 1975 totalled \$127,000 and pre-project expenditures in 1976 were estimated at \$250,000.

51. He also stated that total expenditures in 1974 had been about \$25,000, while administrative expenditures for 1975 were \$83,000, and that 1976 expenditures were estimated at about \$250,000. Thus far, the Fund's administrative and pre-project activity expenditures had been covered by interest received on contributions, which at 30 November 1975 amounted to \$5.4 million. The Director also informed the Council that the six new countries visited included two of the least developed countries.

Decision of the Governing Council

52. At its 498th and 515th meetings, on 19 January and 4 February 1976, the Governing Council:

(a) Took note of the report of the Administrator (DP/154) and the statements of the Director of the United Nations Revolving Fund for Natural Resources Exploration as well as of the observations made by members of the Council during the consideration of that item;

(b) Requested the Administrator to report to the Governing Council at its twenty-fourth session on the implications of, and, if appropriate, recommended rules and procedures for the financing of feasibility studies through the Fund.

IV. UNITED NATIONS FUND FOR POPULATION ACTIVITIES

53. Under item 10, the Council had before it:

(a) A note by the Executive Director of the United Nations Fund for Population Activities (UNFPA) on multi-bilateral funding arrangements (DP/161);

(b) A note by the Executive Director on implementation of UNFPA projects in 1974 (DP/147);

(c) A request to transfer credits among appropriation sections in the 1975 UNFPA administrative budget (DP/168);

(d) A proposal for changes in the UNFPA Financial Regulations and Rules (DP/151), and comments of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the proposal (DP/170);

(e) Projects recommended by the Executive Director (DP/FPA/4 and Add.1 and 2).

54. The Council also had before it, under item 9 (g) of its agenda, UNFPA audit reports (DP/144 and Add.1) which were considered by the Budgetary and Finance Committee (see paras. 424-427 below).

55. The request to transfer credits and the proposal for changes in the UNFPA Financial Regulations and Rules were also considered in the Budgetary and Finance Committee, which reported thereon to the Council (DP/L.304/Add.4).

Consideration by the Governing Council

56. The Executive Director of UNFPA, in his opening statement, noted that pledges to UNFPA had increased by 17 per cent from last year, and that growing awareness of population issues had also manifested itself in many ways, including the recommendation of the First Ministerial Conference on Population Activities in the Arab States for a substantial increase in Arab support to population activities.

57. Describing regional trends in UNFPA assistance in the past year he said that in Africa and Latin America the proportion of family planning projects had increased; in Asia it had been the major item from the beginning, and in the Arab States too it accounted for over 50 per cent of the UNFPA programme. There was a marked regional shift in the developing world as a whole: family planning activities constituted 34.5 per cent of UNFPA assistance in 1974 but would account for about 53 per cent in 1976.

58. The Executive Director stated that UNFPA had adequate financial resources to meet its annual project commitments for 1976; its financial control was focused on project allocations rather than cash expenditures, and used estimated actual costs rather than standard costs for experts. A fully funded operational

reserve was being maintained. UNFPA was not asking for any increase in its 1975 administrative budget. However, requests for assistance continued to outstrip anticipated resources, and the Fund's inability to approve all deserving requests had resulted in Governments somewhat reducing the volume of requests. That was not an encouraging development. Requests worth about \$105 million for 1976 had either been received or were anticipated, while current and anticipated income amounted to only \$72 million, with miscellaneous income at \$2 million bringing the 1976 total to \$74 million.

59. Speaking about his fund-raising efforts, the Executive Director reported on a mission to Arab countries which had already resulted in an increase in the contribution by Egypt. The Arab League had recommended a contribution by Arab States of \$25 million over a two-year period and he had every hope that support within or equal to that figure would be forthcoming. Encouraging discussions had also been held with other non-traditional donors, and traditional contributors had given indications about further increases in 1976.

60. He noted that the Council at its twentieth session had given UNFPA a provisional approval authority of \$90 million for 1976. He urged that that be maintained, since \$90 million, in real terms, would amount to little more than the \$80 million authorized for 1975 and would at least make it possible to avoid a reduction in activities. He pledged that if the \$90 million figure was maintained, UNFPA would at no point make any allocation or enter upon any commitment in excess of safely foreseen revenue, namely, \$74 million currently. He also urged that Governments, whenever possible, make pledges not for a single year but for two or three years.

61. The Executive Director went on to say that multi-bilateral funding of projects undertaken by UNFPA with prospective bilateral donors had made encouraging progress. A key provision of those proposals, now submitted in document DP/161, was that approval by a prospective recipient Government of a multi-bilateral approach was a pre-condition of negotiating any agreement. Multi-bilateral funding should not replace pledges made directly to UNFPA but supplement and augment such pledges. If adopted, the new approach would lead to a new category of projects, termed "designated projects", and success in their funding would lead to an expansion of global resources for population assistance. He urged the Council to provisionally approve the recommendations in document DP/161 and called on recipient Governments to consider the usefulness of the approach. Countries should also give careful consideration to requests that some of their already approved projects, or portions of them, be explored for multi-bilateral finding. The new approach might well produce substantial additional resources. If UNFPA were to achieve \$90 million in regular resources for 1976, multi-bilateral finance might go a considerable way toward meeting the \$105 million of total requests; if, against his hopes, the \$90 million were not achieved, some projects, which would otherwise have to be refused or reduced, could be covered multi-bilaterally.

62. Regarding the two projects submitted for approval (DP/FPA/4 and Add.1 and 2) he said that funds would only be allocated to those projects if they could be accommodated within foreseen resources. As to the programme in Peru (DP/FPA/2/Add.5), approved at the nineteenth session for one year, he said that four projects had been approved so far and that he would request extension of the programme at the twenty-second or twenty-third session.

63. The Executive Director said the the implementation rate of 81 per cent in 1974 had exceeded estimates, and that the 1974 performance had exceeded that in 1973 by 31 per cent. A new system for monitoring projects qualitatively as well as quantitatively had been instituted as of 1 January 1976; the system resembled somewhat the UNDP tripartite review procedure, and in most cases would also produce an annual country review. A full description of the system would be submitted at the twenty-second session.

64. The Executive Director said he would submit recommendations concerning priorities in UNFPA programming to the Council at its twenty-second session.

Summary of discussion in the Council

65. Members of the Council voiced satisfaction with the performance of the Fund and congratulated the Executive Director on the Fund's dynamism and efficiency. Many members expressed appreciation for the healthy financial situation in which the Fund found itself.

66. Several members stressed the need to regard population assistance as part of over-all development assistance and pointed to the interrelationship between population and economic and social development. Satisfaction was voiced by some members over the increased proportion of family planning projects, as well as the increasing ratio of country projects vis-à-vis regional or interregional ones.

67. Several members announced increases in their pledges to UNFPA for 1976. Some members offered to fund the costs of their population experts in UNFPA-supported projects as a contribution to the Fund. Some members stated that it was unfortunate that a small number of countries still contributed the bulk of UNFPA resources.

68. Several members expressed their appreciation of the Executive Director's fund-raising efforts and their hope that additional resources would come in from both traditional and non-traditional donors.

69. The majority of members stated that they were prepared to let the 1976 UNFPA approval authority stand provisionally at \$90 million, provided that UNFPA made no commitments over safely foreseen resources. Some members stated that the situation should be reviewed again at the twenty-second session and the decision on the final 1976 approval authority made then. One member, however, felt that the ceiling should now be set at \$80 million. Two members urged specifically that UNFPA work within the limit of the resources safely foreseen currently, namely, \$74 million, and exceed that limit only if additional pledges warranted it. One member stated that if additional resources became available, it would be preferable for the Executive Director not to commit them during the first half of the year, pending the outcome of the discussion on priorities.

70. Several members expressed satisfaction that the Fund was preserving its \$20 million operational reserve untouched and urged that that remain so. One member requested an up-dated statement on the composition and status of the operational reserve. The same member further suggested that a complete financial statement on the Fund should be regularly provided at the January as well as at the June sessions.

71. Several members supported the Executive Director's suggestion that countries make, as far as possible, pledges for two or three years. Some stated, however, that that would be difficult in view of their parliamentary approval procedures.

72. Many members pointed to the need for UNFPA to further refine programming criteria and stated that they looked forward to the submission of a paper on priorities to the Council at its twenty-second session. It was generally acknowledged that setting priorities in population assistance was a difficult task, in view of varying conditions and the lack of clarity in the concept of population assistance.

73. General support was expressed for the two projects submitted by UNFPA, in Bolivia (DP/FPA/4/Add.1) and Ecuador (DP/FPA/4/Add.2), and it was felt that the projects should be approved subject to the availability of funds. One member asked whether some components of the project in Bolivia could not be taken over by the Government involved. One member requested that more information be supplied by UNFPA in project documents. Several members voiced satisfaction over the integration of family planning services with over-all health services in the two projects. One member noted that in the Bolivia project the multi-bilateral funding principle was to be applied. One member felt that the discussion of individual projects would be made easier if it were made clear how a particular project fitted into the total picture of UNFPA activities. One member requested that the review reports to be submitted to the Council on those projects contain a section indicating the degree of achievement toward stated project objectives.

74. Regarding the recommendations made on multi-bilateral funding arrangements (DP/161), most members felt that they should be regarded as tentative and be further developed. Several members requested that a report on further progress in that area should be submitted by UNFPA at subsequent sessions, before the procedures were finalized. Many members stressed the need for prior concurrence by recipient countries with such funding arrangements. Members felt that such arrangements should not become a substitute for direct UNFPA support or for other bilateral flows of aid, and that the availability of funds to UNFPA should not be adversely affected. Others urged that they serve to expand population assistance rather than be used for on-going projects. One member urged that multilateral assistance be kept separate from bilateral assistance. Several members urged that the Council be given a more substantial role in approving multi-bilateral arrangements than was foreseen in document DP/161. It was also urged that the exact sequence of events in the approval process for such projects be outlined in more detail. Thus, it should be stated how and when the aims and objectives of such a project were determined, and how the plan of operation was to be formulated. One member stressed the need to take into account the cost/benefit factor when embarking on multi-bilateral arrangements in view of the complexity of such projects. He also urged that requests for such funding be simultaneously submitted to prospective donor countries. One member requested that designated projects be circulated at regular intervals, so that donor countries could consider requests for multi-bilateral funding once a year. Another member felt that it was important that a recipient country attach priority to a project considered for multi-bilateral funding. One member warned that the Fund might be overburdened with a variety of tripartite administrative arrangements which could be detrimental to its regular work programme.

75. Members expressed satisfaction over the improved implementation rate of UNFPA projects in 1974 shown in document DP/147. Many members, however, stressed the need to bring out qualitative implementation. Some felt that unqualified, purely quantitative ratios were of limited value. The importance of the monitoring system introduced by UNFPA was stressed by several members. One member stated that it would be interested in receiving, with the recipient Governments' agreement, copies of the annual country reviews. One member requested that the report on 1975 implementation, to be submitted to the Council at its twenty-second session, contain also the 1973 and 1974 figures so that comparisons could be made.

76. One member reiterated his Government's opposition to assistance being rendered by UNFPA, UNDP, and other organs of the United Nations to the South Korean authorities.

77. Several members from developing countries expressed appreciation of the assistance rendered to them by UNFPA.

Observations of the UNFPA Administration

78. The Deputy Executive Director, Operations, agreed that information on qualitative implementation was more important than purely quantitative figures; the report on implementation for the twenty-second session would contain such information, derived also from the new monitoring system.

79. As to a remark that funds-in-trust arrangements were foreseen only to a limited extent in multi-bilateral funding, he said that they were administratively complicated. If individual countries wanted such arrangements, they could be undertaken in some cases. He agreed that the recommendations in document DP/161 remained tentative, and UNFPA would inform the Council on further developments.

80. The Deputy Executive Director, Policy and Programme Development, said that the suggestions made regarding priorities for UNFPA programming would be among those contained in the document to be submitted to the Council at its twenty-second session on UNFPA priorities.

81. Regarding the two projects submitted for approval, he stated that the detailed budgets were still subject to negotiation and that UNFPA would look into what components could be financed by the countries concerned; the role of non-governmental organizations in those programmes was limited. In future more information would be supplied in the project documents, specifically on government contributions and on those of non-governmental organizations.

82. Responding to other remarks in the debate, he said that UNFPA support of the Latin American Demographic Center (CELADE) and the International Institute for Population Studies in Bombay had been approved for 1976, but that some reduction had become necessary in view of the ceiling set by the Council for regional and interregional projects. As to the proposed training programme in demography at Moscow University, on which discussions had begun some time ago, some difficulties had been encountered, but the United Nations, which was executing the project, had now submitted a draft agreement on matters such as non-convertible currency, and UNFPA would keep abreast of the negotiations.

83. The Executive Director, responding to a question, stated that contributions in non-convertible currency constituted only 2 to 3 per cent of total contributions to UNFPA; they posed no problem to UNFPA, since the funds were mostly absorbed by projects in the countries concerned. He thanked members which had announced their increased pledges.

Consideration by the Budgetary and Finance Committee

84. The representative of the Executive Director introduced the questions of the transfer of funds among sections in the UNFPA budget estimates for 1975 (DP/168) and the revision of UNFPA Financial Regulations and Rules (DP/151 and DP/170) in the Budgetary and Finance Committee. With regard to the transfer of funds, he stated that no supplementary sums were being requested. However, the transfers required the agreement of the Governing Council. With regard to the changes in the Financial Regulations and Rules, the representative stated that they were identical to the changes made with respect to the UNDP accounts following consolidation of the two statements prepared in past years into one statement which was now submitted to the General Assembly and the Governing Council, and also to provide for the submission of the accounts to the external Auditors on 30 April and not 31 March as in the past.

Summary of discussion in the Committee

85. In the discussion that followed, most members agreed with those changes and the transfer of funds among sections of the 1975 budget estimates. One member drew attention to the wording in Regulation 15.1 and requested reversion to the original wording, which stated "with audit certificate or audit opinion and report, if any ...".

Decisions of the Governing Council

86. At its 502nd meeting, on 21 January 1976, the Governing Council:

(a) Approved the following projects in the amount of \$1 million or more, subject to the availability of funds, with the understanding that the amount for the third and following years, after a progress review would be resubmitted to the Council for approval:

- (i) Co-ordinated maternal and child health programme in Bolivia (DP/FPA/4/Add.1) in the amount of \$1,520,500 for an estimated period of five years;
- (ii) National programme of family welfare in Ecuador (DP/FPA/4/Add.2) in the amount of \$1,345,800 for an estimated period of four years;

(b) Noted and gave interim approval to the procedures and recommendations on multi-bilateral financing proposed by the Executive Director of the United Nations Fund for Population Activities (UNFPA) in document DP/161, and the further information on them in his statement to the Governing Council at its twenty-first session; and requested the Executive Director, taking into account the comments

of Council members at the twenty-first session, to submit at subsequent sessions further information and recommendations on multi-bilateral and other additional sources of funding;

(c) Noted the information supplied by the Executive Director in document DP/147 on the implementation of UNFPA projects in 1974; and requested him to submit information on implementation in 1975 to the Governing Council at its twenty-second session;

(d) Decided to maintain the provisional approval authority given to the Executive Director for 1976 at \$90 million, on the condition that the Executive Director:

- (i) Limit the approval of project budgets to the availability of resources;
- (ii) Report to the Governing Council at its twenty-second session on the status of resources, with a view to enabling the Council to determine whether resources were sufficient to allow for a total 1976 approval authority of \$90 million.

87. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Approved the changes in the Financial Regulations and Rules of the United Nations Fund for Population Activities proposed by the Executive Director in document DP/151, as amended to include in Regulation 15.1 the words "and report" after "audit opinion";

(b) Approved the Executive Director's request for the transfer of credits among appropriate sections of the 1975 administrative budget contained in document DP/168.

V. FINANCIAL RESOURCES AND RELATED PROGRAMME MATTERS

88. For its consideration of agenda items 9 (a) and 17, the Council had before it:

(a) A financial review of UNDP resources and Programme costs 1972-1976 (DP/155 and Corr.1);

(b) A note by the Administrator on the delivery of the 1972-1976 indicative planning figures (IPFs)(DP/171) and supplementary information provided during the session;

(c) A report on the management of UNDP resources (DP/172);

(d) An analysis of the increase in the actual costs of experts (DP/173 and Corr.1).

89. The Budgetary and Finance Committee of the Council considered item 9 (a) (see paras. 306-349 below) and, under item 17, expert costs (see paras. 431-441 below). In the absence of agreed recommendations, the Committee requested its Chairman to orally report to the Council on the status of discussions in the Committee, to facilitate the Council's consideration of agenda item 17 (see paras. 99-103 below).

90. The out-going Administrator, in a statement to the Council at the opening meeting of the session, observed that it was important to strike a correct balance in assessing the seriousness of the UNDP financial situation, since even though UNDP carried only a fraction of the weight of all world-wide development efforts, many Governments relied heavily on it for infrastructural assistance. He stated that the costs of UNDP assistance delivered in 1975 and programmes for 1976 had escalated beyond assured and usable resources. As a result, some activities planned for 1976 had to be curtailed or postponed. However, he felt that no fundamental clause of the Consensus of 1970 ^{2/} was in any way called into question by recent events. Among the causes for the problems, inflation was primarily responsible, and the mobilization of an increasing volume of resources could enable the Programme to regain its momentum. The Council should therefore assume a forward-looking approach.

91. On the expenditure side, the consciously speeded-up delivery in 1975, the sharper rate of inflation of costs of assistance delivered, especially the cost of experts, required use of maximum pledged resources. On the resource side, arrears in payment of contributions amounting to \$72 million, the inability of UNDP to use some currencies amounting to \$30 million as general resources, and a shortfall in the expected contribution of a major donor amounting to \$42 million, had together faced UNDP with a serious situation. In addition, UNDP had no adequate contingency facility, as the Operational Reserve was neither large nor liquid enough, nor had the Administrator short-term borrowing authority. As a result, consideration had been given to convening a special session of the Council. However, through special efforts, the liquidity issue was successfully resolved.

^{2/} General Assembly resolution 2688 (XXV), annex.

92. The Administrator stated that the possibility of drawing against the IPFs for the second cycle was not a solution, as UNDP would still have to pay bills for actual expenditures for 1976 and it would be unable to do that unless sufficient cash was available, and the Operational Reserve was almost exhausted. Even existing plans envisaged a deficit of \$40 million; the liquidity position would therefore continue to be strained in 1976.

93. On the question of administrative costs, the Administrator stated that economy measures had been instituted in UNDP, especially with regard to staff recruitment and travel.

94. He felt that the effects of inflation could be counteracted by augmenting available resources, through the collection of dues, efforts to overcome the currency problem, consideration by Governments of undertaking or increasing cost sharing in their projects, assistance to projects from other sources, efforts by some Governments to increase counterpart contributions, increased voluntary contributions for 1976 and special one-time donations above the normal contributions. He also felt that the Council should involve itself more with resource mobilization, should authorize the Secretary-General or the Administration to provide short-term advances to UNDP, and should increase, for the longer term, the size of the Operational Reserve.

95. The Administrator also referred to the work under way in UNDP to streamline financial forecasting. In this connexion, he drew the Council's attention to the proposals contained in document DP/172, which, *inter alia*, emphasized that only the expenditure side of the UNDP equation was adjusted for inflation.

96. For the future, the outgoing Administrator stressed the importance of the "new dimensions" approach which had been endorsed by the Council at the twentieth session, 3/ as it held keys to the inflation problem, through Government execution of projects, and a greatly intensified effort by UNDP and Governments to draw upon the expertise and technological know-how existing in a country, thus saving on very costly foreign expertise. In that connexion, he suggested that a comprehensive and properly functioning skills register or data bank of specialized human resources in developing countries was imperative for self-reliance and for strategic use of technical assistance.

97. The Administrator reviewed the new avenues opened up by UNDP during his stewardship - in technical co-operation among developing countries, in the integration of women in development, in special assistance to colonial countries and peoples, in tackling the problems of drought-prone countries, and in the reinvigoration of the United Nations Capital Development Fund. The provisions of the 1970 Consensus had been implemented, country programming had been applied, tested, evaluated and validated, decentralization of programming and administrative functions had been set in motion, and the ability of the system to improve its real delivery capacity had been proven.

98. The outgoing Administrator concluded by paying a tribute to the staff of UNDP and to the Council, and stated that through increased resources on the basis of an expanded resource base leading to more equitable burden-sharing, the Programme would be ready to meet the challenge of the new international economic order.

3/ See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A, para. 54.

99. The Chairman of the Budgetary and Finance Committee, in his oral statement on the discussions in the Committee under agenda item 9 (a), on the financial review of UNDP resources 1972-1976, stated that the Committee had expressed considerable concern about the financial difficulties and liquidity situation which emerged suddenly in late 1975. It had also expressed concern that the level of anticipated resources for 1976 would fall short of the funds necessary to ensure the full implementation of the programme that could be delivered. The Chairman reported that the Committee had stressed the adverse effects that a decrease in the programme in 1976 would have on the development efforts and undertakings of the recipient countries and stated that the impact on those countries must be kept to a minimum. The Committee had also stressed that the criteria for effecting reductions should not be applied across the board but according to a rational procedure which took account of individual country preferences and the points expressed in the Council itself.

100. The Chairman stated that the Committee had discussed a number of factors as contributing to the financial crisis - price increases, inflation and inadequate financial control. In seeking ways and means of overcoming the current financial difficulties, and in preventing a recurrence of the crisis, a number of proposals were advanced during the course of the Committee's discussions. Some members felt the need for better co-ordination and harmonization between programme and financial management, for improved information and forecasting capabilities, and the need to improve the process for consultations with Governments between sessions of the Council.

101. The preference was clearly in favour of economies in administrative and programme support costs, and in the actual costs of experts, rather than reductions in the funds available for programme expenditures. The Chairman also stated that reference had been made to General Assembly resolution 3362 (S-VII), adopted at the seventh special session, which called for increased resources to be made available for development purposes. Specific reference was made in the Committee to the desirability of the Council reaching a decision on the level of programme expenditures for 1976.

102. The Chairman reported that the Committee had discussed the desirability of UNDP being authorized to borrow funds in times of temporary cash shortages in order to carry out the approved programme. The Chairman stated that since the approval of the General Assembly would be required in any case, the Committee had suggested that the Governing Council might wish to return to the subject at its twenty-second session, though the Council might give guidance to the Administrator on that point.

103. The Chairman then reported on the discussions on the specific proposals contained in paragraph 30 of document DP/155 and Corr.1. Some members had been opposed to reductions in programme expenditures in 1976, while some others were prepared to endorse the Administrator's proposals for controlling expenditures in 1976. There appeared to be a broad measure of support for an appeal to Governments to make special and additional voluntary contributions to UNDP in 1976, to request all Governments to pay their 1976 pledges early in the year, and to urge Governments to pay all past due amounts by the first quarter of 1976. Some were opposed to additional appeals. A variety of views were expressed on the other proposals of the Administrator: the question of non-convertible currencies; the reconversion of national non-convertible currencies; the progressive increase

in the Operational Reserve; the question of standard costs of experts; the transfer of IPF funds from regional to interregional projects; and the suggestion that the Council invite its President and other members to contact Governments in a special appeal to obtain the prompt payment of unpaid contributions.

104. The new Administrator then made a statement. The General Assembly at its seventh special session had identified UNDP as a key instrument in the efforts of the United Nations to enhance development in the poorer countries and to advance economic justice throughout the world. It was therefore all the more frustrating to find that such urgent goals were temporarily obstructed by mechanical rather than philosophical or economic issues.

105. The Administrator stated his firm view that there would be no crisis of confidence in the UNDP machinery: it had been founded on principles that could produce successful results. UNDP was simply in a period of momentary set-back which had led to a curtailed volume of activities which must not, however, have protracted effects, since each delay adversely affected people in the developing countries, and made the Programme less able to explore the new horizons of technical co-operation that the Council had assigned to UNDP as its responsibility in the advance towards a dynamic new international economic order.

106. The Administrator looked forward to the fullest collaboration and understanding with the Governing Council.

107. The Administrator outlined some considerations which would guide his future work. First, he wanted to find ways to utilize most effectively the outstanding human resources already available in the UNDP staff. Problems of structuring, organization and management would require attention. There was a need to unite, in the person of the Administrator, the streams of UNDP activity on both programme planning and management and financial planning and management; and there was a clear need for better and more up-to-date financial information on the progress of the Programme. The Administrator was very concerned about the administrative cost of the Programme; he asked for the Council's comments on sectoral advisers, the possibility of consolidating or eliminating field offices. He was intending to study where economies might be made, consistent with the efficiency of the Programme, and he would report to the Council at its next session. He warned that downward adjustments were not easy to achieve in inflationary conditions and that he was concerned to preserve the effectiveness of an important development resource - the experienced and dedicated staff of UNDP. Longer-term economies would have to be examined within the larger context of the restructuring of the economic and social activities of the United Nations.

108. As far as the mobilization of resources was concerned, the Administrator accepted that that was one of his principal responsibilities, and that with the advice and support of the Governing Council he would meet the challenge energetically. He also said that he would pursue the search for additional resources in a way which he hoped would produce a fair formula for burden sharing, as some Governments had approached their upper limits in providing resources, and that in the light of the call for increased UNDP resources made at the seventh special session of the General Assembly, other countries might be encouraged to contribute their fair share. The Administrator also pledged to bring all currencies into the mainstream of UNDP programmes, and he hoped that all parties would approach the issue openly, constructively and affirmatively.

109. The Administrator continued by stating that for 1976, either the Programme would have to be cut back, or additional resources would have to be mobilized very quickly. He pledged that the Administration would do what it could to protect the interests of the most vulnerable countries, to the extent its ingenuity and the IPF framework permitted. He also stated that any decisions of the Governing Council must be such that UNDP could live within its available and usable resources. Moreover, there must be a clear understanding between the Council and the Administrator on decisions reached at the current session, on the discretionary authority of the Administrator, and on what must be deferred to intersessional consultations or to the next session. If it proved impossible to identify an assured level of resources for 1976 at the current session, then the Administrator would report later on his own efforts at resource mobilization and utilization. He spoke on the basis of a net deficit of \$40 million in 1976, and he urged that the Council give serious consideration to the need to provide contingency facilities in the event of cash shortfalls occurring before the next session of the Council.

110. The Administrator concluded by saying that the decisions of the Council would determine the fate of many development projects, touching the aspirations of peoples for a better life.

111. At the invitation of the President of the Council, the Deputy Administrator (Administrative) made a statement. He described the measures under way to improve the information system of UNDP. Now that the problem was no longer that of the slow delivery rate but rather the inadequacy of financial resources, the Deputy Administrator said that there was a need to better forecast anticipated programme costs and to allocate programme expenditures annually on the basis of expected available resources. Approvals of new projects would continue to be regulated in order to keep expenditure within the anticipated income in 1976, and would have to continue. Reliable information on actual and projected expenditures as well as keeping track of commitments in financial terms would be necessary to plan and control future spending. He said that steps were being taken, together with the field offices and the agencies, to specify what kind of data was needed for such an information system. The machinery of consultation between UNDP and the agencies would be reviewed so as to bring together in the same working and consultative groups both programme and financial management functions. UNDP would also provide the Council with more up-to-date financial data on a regular basis. He further stated that the original information system had had to be adapted after the decentralization process had given the resident representatives increased responsibilities. For 1976, the Deputy Administrator explained that the agencies would be providing detailed expenditure data on a monthly basis and by project component. In particular, a closer watch would be kept on the development of expert costs to give a better indication of future cash requirements. He also said that for the second cycle, the information system was to be oriented toward forecasting, as formerly the emphasis was on past performance.

Summary of discussion

112. Most members of the Council pledged their full support to UNDP and expressed their whole-hearted confidence in the essential soundness of the Programme and its underlying principles and objectives. They stressed the vital role of UNDP in providing technical assistance to developing countries. Members recalled that

the General Assembly, in its resolution 3362 (S-VII) adopted at the seventh special session, had entrusted UNDP with a number of very important tasks in the furtherance of development and international economic co-operation, and in the establishment of the new international economic order. Several members reminded the Council of the enormous contribution UNDP had made in the service of the developing countries and were fully confident that UNDP would continue to play a central role in the development of the developing countries.

113. Members of the Council recognized that the current financial and liquidity situation of UNDP was serious, with significant implications for the developing countries. However, many members agreed with the Administrator that the current difficulties were of a mechanical rather than of a philosophical or economic nature and that they constituted only a temporary set-back which would and must be overcome. Several members stated that the crisis did not in any way reflect upon the basic character of UNDP, nor upon the system of programming laid down in the Consensus adopted by the Council in 1970. Many members took the opportunity to reaffirm their support for the Consensus. The system of country programming with fixed five-year IPFs was sound and there was no need to consider any major changes to it.

114. Members appreciated the frank and constructive statement of the Administrator, and they pledged their full support to and confidence in him. Several members of the Council also appreciated the oral statement of the Chairman of the Budgetary and Finance Committee. Some, however, stated that in their view the Chairman's report was not objective.

115. Most members expressed their grave concern at the liquidity problem that had arisen during the last months of 1975, and at the speed at which the crisis had developed. There was a unanimous view that the crisis would have very serious implications for the programmes in developing countries.

116. Most members of the Council stated that the world economic situation, and in particular the impact of inflation over the past few years, had directly affected the Programme. Most members noted that inflation had a particularly significant impact on the increase in expert costs, the largest single component in the programme. Some members noted that since the Programme purchased a considerable part of its goods and services in the developed market economies, it was particularly susceptible to effects of inflation in those countries. Other members noted that, with contributions pledged in money terms, it was very difficult for UNDP to maintain the real value of the Programme in times of rapid inflation.

117. Several members of the Council drew attention to the question of contributions. Some members felt that the explanation for the financial crisis could be subscribed to the shortfall in expectations in contributions. Several other members, in examining the information contained in document DP/155 and Corr.1, felt that if the voluntary contributions pledged had been promptly paid, and if assessed programme costs, government cash counterpart costs and cost-sharing costs had likewise been promptly paid, then the liquidity situation would have been greatly improved. Other members, however, felt that the non-payment of outstanding contributions was only a small part of the current financial difficulties.

118. Several members said that the inability to convert non-convertible currencies and the difficulties in utilizing such currencies were important factors in the current situation. They stated that the utilization or conversion of those

currencies would assist in solving the current liquidity problem. Other members, however, said that the non-convertibility of currencies was not a cause of the liquidity crisis, and that in fact such currencies, if properly utilized, could contribute to alleviating the current crisis.

119. Many members stated that, since UNDP was living in an inflationary environment, the management should have been able to forecast the likely effects of inflation on the capacity of the Programme to deliver. Several members said that if the impact had been foreseen, and the Governing Council advised at an earlier stage of the seriousness of the situation, then corrective steps could have been taken, and the very harmful effects of a drastic reduction in programmes would have been avoided. Several members were surprised to learn that the existing information system was not able to provide UNDP management with the data required to effectively monitor and control the programme, and, in particular, to relate anticipated commitments to the level of resources estimated to be available. Some members felt that the co-ordination between programming and financial planning and management was inadequate, and noted the new Administrator's comments on that matter with appreciation. Some members felt that the Administration had not complied with the provisions of the Consensus with regard to the composition of the Operational Reserve.

120. Regarding the question of over-programming, some members felt that the Administration had kept within the understanding of the eighteenth session of the Governing Council on the matter. Other members felt that greater control should have been exercised over the level of approvals and the rate of delivery. Several members of the Council said that although mistakes may have been made in the past, the emphasis should now be placed on finding a constructive way forward, avoiding recriminations and blame.

121. Many members also stated that the rise in administrative overhead and programme support costs were significant factors causing the current financial difficulties, and strongly advocated financial stringency in these areas.

122. Several members remarked on the differential rates of increase of administrative and programme support costs as compared with programme costs. Drawing upon data provided in table 1 of document DP/155 and Corr.1, it was shown that agency overhead costs would increase in the period 1975-1976 by 78 per cent, UNDP administrative and programme support costs by 61 per cent, but programme costs would increase by only 34 per cent. One member hoped that the new Administrator would not permit a situation which seemed to protect expenditure on administrative costs generated in the metropolitan countries, but not those generated in the developing countries, to continue.

123. One member stated that in his view the financial difficulties of UNDP were a product of the irrationality of the policies and regulations under which it operated. If the problems were to be solved, there must be a thorough reform of those policies, so that UNDP became a truly multilateral aid institution really serving the interests of the independent development of the third-world countries, in accordance with the basic principles of the Declaration on the Establishment of a New International Economic Order. ^{4/} One member said that the struggle between the super-Powers found expression in that context, since one super-Power was openly opposed to any reform, while the other was engaged in desperate rivalry under the camouflage of supporting the reform.

^{4/} General Assembly resolution 3201 (S-VI).

124. Several members deeply regretted that one member had used the forum of the Governing Council to make an unjustified attack on one of its members and they categorically rejected the allegations.

125. The Council noted that the Administrator had proposed for delivery in 1976 a programme of \$360.9 million against the IPF, and about \$9.0 million against the Programme Reserve. The 1976 programme represented a reduction of some 20 per cent in real terms when compared with the 1975 programme. The Council also noted that on the basis of those expenditure projections and the latest forecast of the availability of resources a cash shortfall of some \$40 million was estimated, which would have to be covered in one way or another.

126. The Council recognized that the cut-backs in the UNDP programme for 1976 and into 1977 would seriously affect many developing countries already suffering from the combined effects of unprecedented world-wide inflation, recession in the developed market economies, rising prices for essential imports and declining export prices.

127. One member pointed out that even though the 1976 delivery would be lower than the 1975 programme, nevertheless the entire 1972-1976 IPF would have been spent, and that that was a creditable achievement. However, other members said that the decline of the 1976 programme to a very low level would make it very difficult for the momentum to be built up again, and the cost in physical and monetary terms of decelerating and accelerating the programme would be high. One member felt that the reduction of the programme along the lines proposed by the Administrator, abruptly and virtually without notice, would lead to a considerable part of the investment of UNDP and Governments in past years being wasted as a result of the reductions in the programme.

128. Several members of the Council, and several observers to the Council speaking on the invitation of the President, gave detailed accounts of how the cut-back in the 1976 programme would affect the country programmes. One observer, the representative of a newly independent country which was still suffering from the effects of a prolonged drought, stated that it would have its IPF cut by over one third, which would affect vitally important development projects. One member stated that under guidance from UNDP, as late as the middle of 1975, the programme in his country had been built up so as to be able to deliver a much higher level in the future, and the national administration had geared up accordingly. Reversing the process would have serious consequences. Another observer said that a contraction of its country programme at the current stage of intensive reconstruction and development would have extremely adverse effects.

129. The representative of one of the specialized agencies stated that its planned programme would have to be cut, perhaps by as much as one third; that about one third of presently serving experts would have to be terminated with all the additional costs involved; that the countries which would experience the most serious effects would be those in Africa and Asia and the Pacific where there were the greatest number of least developed countries, and that by December 1976, its programme would be at a very low level indeed.

130. Several members expressed their grave concern that the financial crisis

appeared to have seriously delayed the introduction of many of the innovative approaches to technical co-operation embodied in the decision on "new dimensions", so recently endorsed by the General Assembly at its thirtieth session. ^{5/} In fact, in the view of many members of the Council, the current crisis should facilitate the introduction of new approaches, such as government execution of projects, especially when such innovations would also mean a reduction of administrative and programme support costs.

131. In discussing the criteria which had been suggested to bring 1976 expenditures in line with the level of resources likely to be made available, some members of the Council expressed regret that the Administration had issued instructions to resident representatives and the agencies before the matter had been discussed in the Governing Council: in their view it was the Council's responsibility to decide on the approach which should be taken when bringing expenditures into line with available resources.

132. Members of the Council were unanimous in saying that the priorities set by the recipient countries in any reprogramming exercises must be observed by UNDP during the difficult months ahead. The reductions in the programmes must be carried out in the closest possible consultation with the developing countries, whose assessment of the importance of UNDP projects from the point of view of national development priorities and objectives should invariably be respected.

133. Several members spoke of the need to reduce to a minimum the impact of the proposed reduction in the programme for 1976. A large number of members felt that the most vulnerable countries should be protected as far as possible, in particular the least developed countries, the most seriously affected countries, the land-locked countries, the newly independent countries, and those countries suffering from natural disasters. One member felt that there might well be grounds for a shift of IPF resources from one region to another so that the better-off countries would make a small sacrifice for the benefit of the poorest. Other members felt that the IPF framework should be maintained and that due regard should be paid to the universality of the Programme, and the needs of all developing countries.

134. Several members suggested that, in line with the concern expressed at previous sessions of the Council, those countries with a significant under-expenditure against the IPF should be permitted to continue to approve projects and expend funds up to the level of the IPF. Moreover, as several members suggested, those countries with a major increase in their IPFs for the second cycle should be favourably treated, so as to facilitate a smooth transition from the current cycle to the next.

135. Several points were expressed on the question of the relative priorities to be attached to country programmes and intercountry projects. Several members of the Council favoured the priority to be attached to country programmes; other members, while agreeing with that, expressed the wish that the regional programmes in their regions would not be too severely curtailed. Several members expressed their support of regional programmes, saying that such activities were of considerable benefit to their regions. In particular, projects in the Asian region, for example the Regional Centre for Agricultural Machinery and regionally-based activities in the Pacific, were mentioned as worthy of continued assistance.

^{5/} General Assembly resolution 3405 (XXX).

136. Several members emphasized the need to preserve the essential components of approved budgets - in particular equipment and supplies which were regarded as being of critical importance in technical assistance activities. Other members said that it was wasteful and expensive to cut projects in mid-stream, and it also caused severe disruption to their development plans. Some members said that it would not always be possible to follow the guidelines laid down by the Administrator in his instructions to the resident representatives. One member, speaking from direct personal experience, said that it would be very difficult and wasteful to terminate such contracts in advance of the proper attainment of the objectives of the project.

137. Several members said it was necessary to try to protect those projects linked with other external assistance and/or to investment follow-up possibilities. Some members, and the representative of a specialized agency, said that they would examine whether any of the projects which UNDP would now be able to support could be absorbed into ongoing or new bilateral, multilateral or multi-bilateral programmes.

138. Some members emphasized that the procedure for effecting reductions, which should be based on sound and rational grounds, must ensure that UNDP was able to live within its means, and that the 1976 programme was reduced to a level compatible with the availability of resources. To that end, several members endorsed the proposals of the Administrator as outlined in document DP/155 and Corr.1. However, several other members questioned whether in fact it was necessary to reduce the programme to the level recommended by the Administrator. Quite apart from the desirability of minimizing the reduction in the programme - from the point of view of the economic arguments against such reductions - some members felt that a passive acceptance of the 1976 reductions would render more difficult the mobilization of the required additional resources. Thus, in the view of some members, a flexible approach should be taken, one with moderate reductions in the programme based upon minimum disruption to the ongoing activities, combined with an effective campaign for additional resources.

139. In connexion with the level of the programme for 1976, several members expressed their concern with the level of administrative, programme support, and agency overhead costs. There was a clear expression that such costs were too high in relation to programme costs and should be reduced. Some members strongly felt that the programme should only be reduced after economies had been effected in administrative and related costs. Some members recalled the statement of the Administrator and said that they would like him to have the opportunity to make a complete examination of the various issues involved, and then to report his findings and recommendations to the Council at its next session.

140. In seeking various means of overcoming the liquidity situation, several members endorsed the proposal of the Administrator that a special appeal to Governments be made for additional voluntary contributions to UNDP in 1976. In that context, members recalled the relevant provisions of General Assembly resolution 3362 (S-VII), adopted at the seventh special session, which stated that the resources of the development institutions of the United Nations, in particular UNDP, should be increased. Members of the Council warmly appreciated the generous additional contribution for 1976 announced by the representative of Sweden during the session of the Council, and several members hoped that other countries would come forward with announcements of similar contributions. One member stated that it was giving serious consideration to additional contributions to UNDP for 1976. Some members felt that the current crisis might have been avoided if UNDP had been assured of a

regular and agreed flow of resources, and expressed the wish that the shortfall in the expectation of certain contributions might be made up. Several members appealed to developing countries at the higher end of the income scale and others in a position to do so to make additional contributions for 1976. Some members explained that because of the extent of their ongoing bilateral aid programmes, and their other multilateral aid commitments, it might be difficult to make additional contributions, although the wishes of the Council would certainly be transmitted to their Governments. One member felt that an increase in contributions for UNDP, if it were possible, would be at the expense of other aid programmes, leaving unchanged the total quantum of overseas development assistance.

141. Members of the Council expressed their support for the proposal of the Administrator that a request be made to Governments to pay their 1976 pledges early in the year. Several members took the opportunity to announce that their payments had already been made, or would be made shortly. Several members said that, while early payment of pledges would ease the cash flow problem, it could not and should not be regarded as the solution to the current financial difficulties.

142. The proposal of the Administrator that Governments should be urged to pay all dues for 1975 and for earlier years received general support. Many members felt that those dues should be paid by the first quarter of 1976. Some members felt that a system of notification to Governments in arrears should be adopted. One member requested the Administrator to submit recommendations on arrearages at the twenty-second session.

143. A few members felt that if the system of assessed programme costs was to be continued, amounts overdue for more than one year should be regarded as a reduction from funds available in subsequent years under the IPF, or that no new approvals should be given. Other members objected to those proposals, and recalled discussions at earlier sessions of the Council on the undesirability of the continuation of the system of assessed programme costs, which in their view was a discriminatory levy in foreign exchange on developing countries, and should be eliminated. One member said that developing countries should not be penalized for failing to pay and, in his view, that raised the question as to how to treat donor countries who failed to meet their pledges.

144. Members of the Council also discussed the proposal that the President of the Council, assisted by a small group of other Council members, contact Governments in a special appeal to obtain the prompt payment of unpaid contributions. Several members welcomed the pledge of the Administrator that he regarded fund raising and resource mobilization generally as his special responsibility, subject, of course, to the over-all guidance and advice of the Council. Many members agreed with that approach and said that the Council should not involve itself directly in such matters, as the proposal would entail expenditure which might be better allocated to the programme itself. Several members said that, while they regarded the matter as the responsibility of the Administrator, they requested that he keep the Council regularly informed of the progress in overcoming the current financial difficulties, either through informal consultations, or if necessary, through an intersessional meeting.

145. Some members of the Council felt that resources could be found within the Programme, and specifically in the Operational Reserve, to cover the projected deficit. Several members of the Council, however, were extremely concerned to learn

that the currently constituted Operational Reserve could not be utilized, mainly because most of the assets held in the Reserve were in an illiquid form. Some members recalled the provisions of the Consensus which called upon the Administrator to determine and maintain the composition of the Reserve in accordance with sound principles of financial management.

146. Members of the Council were unanimous in requesting that the Operational Reserve be maintained in a far more liquid form than hitherto and that it be composed of assets that could be quickly mobilized or called on to meet the emergency needs of the Programme. Several views were expressed on the proposal to progressively increase the level of the Reserve, from \$150 million currently to \$400 million by the end of the second cycle in 1981. Some members felt that if the liquid portion of the Reserve were substantially increased, then this would obviate the necessity for increasing the level. Others felt that the liquid portion should be increased, and that the level should be raised, some felt to \$250 million, while others were flexible on the limit to be established. Some members called for a further study on the matter, and for the question to be discussed at the twenty-second session of the Governing Council. One member suggested that, in addition to the Operational Reserve, which should be made liquid but which might be maintained at its current level, there was a need for a working capital, comprising, in the main, the advances to the agencies, and the resident representatives' imprest accounts.

147. The Council also addressed itself to the question of the desirability of providing UNDP with additional flexibility in meeting temporary financial difficulties. Several members felt that the Secretary-General should be authorized by the General Assembly to provide short-term advances to UNDP to smooth out seasonal or temporary fluctuations in cash receipts so as to make it possible to meet the obligations of the Programme. Some members accepted that proposal as long as the authority was not used to finance a long-run deficit between expenditures and resources, and as long as the borrowing was confined to such funds as UNFPA, the United Nations Capital Development Fund and the United Nations Revolving Fund for Natural Resources Exploration. Other members, however, could not endorse the proposal, saying that it conflicted with the principle of a voluntary programme. Other members felt that there was a need for more time to study the matter, and suggested that the Administrator might wish to report more fully on the proposal to the Council at its twenty-second session. Those members noted that in any event the approval of the General Assembly would be required, leaving time for the Council to consider the matter at its next session.

148. The Council considered the proposal of the Administrator requesting Governments for full reconversion facilities to UNDP for national currencies which were purchased for use in the programme. Some members supported the proposal, while others opposed it on the grounds that their national legislation did not permit such reconversion. One member stated that reconversion could only apply to the limits of pledges.

149. One member suggested that UNDP might reduce the level of outstanding advances to the agencies, and the level of the imprest accounts of the resident representatives. Another member suggested that developing countries might increase their contribution - e.g. through cost sharing - to certain projects, that a funds-in-trust mechanism might be used for other important projects, and that, when equipment was urgently required for a particular project and UNDP funding was not available, the Government might seek other alternatives - e.g. soft loan from an international financial institution, or direct purchase.

150. The Council carefully considered the question of non-convertible currencies. Several members urged those Governments contributing in non-convertible currencies to make every effort to allow conversion into currencies which could be easily utilized by the Programme. They expressed the hope that future contributions from countries contributing in non-convertible currencies would be made in convertible currencies.

151. The representatives of countries contributing in non-convertible currencies rejected the use of the word "difficult" to describe their currencies, which in fact, in the last few years, had maintained a very stable value. Several members rejected the allegations that the payment of contributions in non-convertible currencies had caused the financial difficulties in which UNDP had found itself. They were not in arrears in their payments, and moreover, in several cases, the greater part of the share of the non-convertible currencies had been used over the past years for the purposes of the Programme. They stated that, in accordance with the voluntary nature of the Programme, they would continue to pledge their contributions in their national currencies, though some stated that they were prepared to accept payment for goods and services originating in their country in their national currencies. One member stated that his country pledged 50 per cent of its contribution in non-convertible currency so as to encourage the diversification of the supply base of the programme.

152. Several members advanced suggestions on how the funds might be utilized. Some members felt that UNDP should not follow the ruling of the Administrative Committee on Co-ordination (ACC) on the question of the currency of payment of expert salaries, and should continue to pay a portion of the salary in the expert's home currency. Other members drew attention to the proposals for a global procurement system, and felt that that might present opportunities for the purchase of certain common-user items by utilizing some of the non-convertible currencies. Non-convertible currencies could also be used to meet the local expenses incurred by organizations of the United Nations system when arranging conferences, seminars, study tours, and missions in the countries contributing in such currencies. One member suggested that if no satisfactory solution were found to the problem one possibility would be to allocate the sum of the non-convertible currencies to developing countries in proportion to their IPFs, thus encouraging all the parties to use the currencies. Another member suggested that countries contributing in non-convertible currencies should be obligated to accept payment in non-convertible currencies for goods and services purchased by the programme up to the limit of their contribution. Some members felt that if those currencies could not be utilized they should not be taken into account when planning expenditures. In any case, efforts to utilize those currencies should not affect the over-all quality of the programme. Another member called for a fresh study to be prepared and to be submitted to the next session of the Council. One member felt that UNDP should explore the possibility of channelling non-convertible currencies to other United Nations development agencies in a better position to utilize them, against refunding in convertible currencies, on the basis of an over-all view of the United Nations involvement in the development field, and suggested that a study and action programme on such flexible arrangements might be prepared.

153. Some members recalled the positive and constructive statement of the Administrator on the matter, and in that spirit they would like the Administrator and his partners in the executing agencies to continue to use their imagination and to make every effort to utilize the non-convertible currencies.

154. The Council devoted considerable time to the question of costs for experts, particularly regarding the concept of the standard cost system. Members were alarmed at the tremendous increase in actual costs of experts over the past few years. Most members felt that the cost of expert services had become too high and should be reduced. Several members requested the Administrator to propose ways and means whereby effective reductions in those costs could be made. Several members, while acknowledging that a system of standard costs facilitated project planning, and eased administrative and accounting problems, nevertheless preferred a system in which actual costs were charged to the IPF, since that might help in reducing the cost of expert services. Members recalled that the Council at its twentieth session had requested the Administrator to review the whole question of the use of the standard cost procedure, in consultation with executing agencies, and to report to the Council at its twenty-second session. ^{6/} In that context, members were informed that an interagency working group would be convened shortly. Several members suggested topics for consideration by the working group: the feasibility of charging project budgets with actual costs; the reasons for the significant variations in interagency average costs; the feasibility of linking expert costs to the cost of living in the recipient country; the question of whether part of the increase in costs was due to the inclusion of elements that did not strictly belong therein; and the feasibility of making more regular adjustments to the standard cost. Several members felt that it would be useful if representatives of Governments were associated with the working group.

155. Some members noted that the adjustment of standard costs to current realities had lagged behind the increase in actual costs, particularly during periods of rapid inflation, and had thus contributed to serious undercosting of project budgets. Several members welcomed the proposal of the Administrator to carefully analyse trend movements in the unit costs of expert services so as to propose revisions of standard costs and project budgets ahead of time. Members also noted the proposal to state standard costs in monthly rather than annual amounts. Several members made suggestions to reduce the actual costs of experts: shortening the average duration of individual assignments, making more effective use of the services of experts, seeking non-traditional sources of expertise, for example through technical co-operation among developing countries. Some members requested the Administrator to examine the feasibility of instituting a system of assessing the work of an expert by Governments and resident representatives upon completion of assignment.

156. Several members of the Council objected to the proposed retroactive increase in the standard costs of experts to \$3,500 per month for 1975, though other members felt that they had no choice but to endorse the proposal. A variety of views were expressed concerning the proposal to increase the standard cost to \$4,000 per month for 1976. Some members could not agree to the proposed increase, while others accepted the necessity for the increase. Still others proposed that consideration of the matter be deferred until the twenty-second session of the Council, at which time the whole matter of expert costs would be considered.

157. While many members felt they could accept the proposal of the Administrator to transfer \$3.2 million from the regional IPFs to the interregional IPFs, some members objected to the diminution that would entail in regional projects, since

^{6/} See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A, para. 361.

such regional activities were extremely important to the furtherance of subregional and regional economic co-operation and integration. Other members felt that the transfer was being proposed merely to provide opportunities to utilize certain non-convertible currencies, and said that such a transfer would be acceptable only if it was shown that the projects which it was proposed should be funded from the interregional budget were worth while in themselves.

158. Several members recognized the difficulties of the Administrator in operating a system based upon the annual pledging of contributions combined with multi-year commitments. They agreed that there was no clear commitment by contributors as to the level, timeliness or availability of resources that corresponded to the commitments entered into by UNDP to finance country programmes. They were therefore in favour of improving the system of contributions so as to provide a better basis for planning ahead at least in money terms, and, if possible, in real terms. Some members were prepared to support the proposal that firm pledges for one year ahead should be supplemented by indications of contributions during a second and third year.

159. A related proposal of the Administrator as regards burden-sharing was also discussed. Some members felt it would be desirable if the Governing Council did participate more actively than in the past in the process whereby funds were mobilized. Several members supported the proposal of the Administrator that negotiations be held among UNDP participating States designed to achieve agreement not only on the future level and rate of growth of resources, but also on the shares of various contributors in providing such resources. Some other members, however, felt that that approach would conflict with the principle of voluntary contributions and that it might in fact result in an over-all decrease in resources. Other members noted that several of the important contributors were prepared to endorse such an approach. In their view, "burden-sharing negotiations" would be necessary if the proposed growth in resources of 15 per cent per annum was to be attained over the course of the second cycle.

160. Some members said that a considerable amount of work was undertaken by the field offices of UNDP on behalf of other organizations of the United Nations system and that adversely affected the capacity of field offices to carry out their principal responsibilities for UNDP, and represented a significant cost to the administrative budget. Those members suggested that the matter required examination. Other members felt that in the current financial circumstances of UNDP, the function and role of sectoral advisers should also be re-examined.

161. One member drew attention to the comparatively low overhead costs charged by the Office of Projects Execution of UNDP itself, and felt that an expansion of UNDP directly executed projects might mean an over-all saving in administrative and related costs. Another member objected to the manner in which UNDP directly executed projects, saying that such projects were often entrusted to private corporations, which inevitably increased the cost of the project and violated the principle of multilateral technical assistance in which international and local experts should join together as a collective body.

162. Several members felt that the application of "new dimensions" - in particular the execution of projects by Governments and local institutions in the developing countries - would constitute a significant step towards reducing administrative and related costs as well as facilitating the attainment of self-reliance and furthering the objectives of UNDP technical co-operation.

163. The view was also expressed that UNDP and the executing agencies should avail themselves of the experience and capabilities of the developing countries, and generally diversify the supply base for technical assistance in accordance with the objectives of technical co-operation among developing countries. Members said that such an approach would constitute a major move towards increasing the real value of the programme, particularly if the developing countries could provide the needed expert services, training facilities, and equipment at a lower cost than was available in the developed countries.

164. Regarding certain proposals of the Administrator in document DP/172, one member cautioned against the suggestion to include a margin of resources within each project budget to absorb cost overruns, since such a provision often encouraged equipment suppliers and subcontractors to offer inflated bids for the goods and services required by the project.

165. Several members supported the proposal that UNDP support might be envisaged in terms of an over-all budgetary allocation for each specific project which could not normally be exceeded, instead of a commitment for the delivery of specified real inputs. Members recalled that the principle of Government execution was endorsed in a general way by the Council at its twentieth session, and subsequently by the General Assembly at its thirtieth session. Some members requested the Administrator to report to the Council at its twenty-second session on the modalities for the speedy implementation of the question of Government execution, and several members said that they would warmly welcome the Administrator's offer to explore further the idea of an over-all blanket allocation for specific projects.

166. Members of the Council welcomed the proposals to strengthen the information system, as described in document DP/172. Members agreed that the improvements in the information system would make it possible to monitor the programme in a more precise, systematic and timely manner than had been possible hitherto. Several members said that UNDP needed a better forecasting system. In that connexion, one member suggested that UNDP avail itself of the studies to be carried out by the United Nations in response to resolution 3508 (XXX) adopted by the General Assembly at its thirtieth session on the examination of long-term trends in the economic development of world regions. Other members said that UNDP needed an information-control mechanism which would provide timely information on approvals and expenditures, enabling the Administrator to adapt expenditures to the available level of resources. Some members felt that closer and more effective relations between UNDP and agencies would facilitate the flow of information between both parties.

167. Many members welcomed the statement of the Administrator that he intended to bring about a closer and more effective co-ordination between financial planning and programme planning. Members of the Council agreed that that was highly desirable and long overdue. Some members suggested that the Administrator might wish to appoint a financial management consultant to make proposals on how best the co-ordination might be strengthened. Other members of the Council said that they would welcome a progress report to the Council at its twenty-second session.

Observations of the Administration

168. The Deputy Administrator (Programme) said that careful note had been made of all the various statements made during the course of the discussion, and he thanked the

members of the Council for the constructive approach of their comments and for their many helpful suggestions. He would not wish to try to respond to all the points raised by members, but he would like to explain a little further the procedure and character of the reprogramming exercise undertaken by the Administration.

169. The Deputy Administrator agreed with those members who had stated that in making adjustments in programme delivery, certain basic criteria should be borne in mind. There was no intention of making across-the-board adjustments or adjustments in accordance with preconceived notions of agency shares or sectoral balance.

170. The Deputy Administrator emphasized that, within the expenditure constraints for each country, it was the responsibility of the resident representative, in consultation with the Government, to determine how and in what areas the ongoing activities might be rephased. UNDP fully respected the right of the Governments to determine the priorities for UNDP assistance in the light of their national development priorities. Within that context, UNDP would hope that projects linked with other development assistance or to investment activity would receive priority.

171. The Deputy Administrator continued by saying that, while the discipline of the IPF system had to be preserved, the Administration would do what it could to protect the interest of those countries identified by members of the Council as requiring special treatment. Those would be, for example, the least developed countries and the otherwise seriously disadvantaged as well as newly independent countries. Further, countries with a currently low level of expenditure against the IPF should receive special attention. The procedure had been for each region to explore what could be done to control expenditures to more or less the IPF level for each region. However, should additional resources become available, over and above those estimated currently - and the Deputy Administrator hoped that that would be the case - those resources would be applied in such a manner as to take account of the interest of the most needy countries.

172. The Deputy Administrator then stated that the Administration had no preconceived notion about the relative priorities to be accorded to regional projects in comparison with country programmes. However, he explained that if each region was to remain within its total IPF, regional projects would be affected somewhat more than country projects in relation to earlier plans. The Administration recognized the hardship that that entailed, but in any event three of the regions would have spent the level of their regional IPFs on regional projects. In the fourth region, a degree of under-expenditure was to be expected because of the late start in implementing regional projects. The Deputy Administrator said that he had noted the comments made by several members on specific regional projects, particularly those in Asia and the Pacific.

173. The Deputy Administrator then explained the rationale for suggesting that \$3.2 million might be transferred from the regional IPFs to the interregional IPF. The Council at its eleventh session had decided to retain a sum of \$19.6 million in undistributed regional IPF funds. Over the years, parts of this sum had been gradually distributed, for example, allocations to several projects in connexion with the drought in the Sahelian countries, leaving an unallocated balance of \$7.5 million. The proposed \$3.2 million would be transferred from that category. He assured the Council that the projects to be financed from the sum were worth while on their own merits, and, in addition, it enabled the Administrator to make

use of all the currencies available to UNDP. The Deputy Administrator hoped that, with that explanation, the Council would see its way to endorsing the proposal.

174. Finally, he stated that it was the intention of the Administrator to take a global view of programme adjustments, within the discipline of the IPF system.

175. The Deputy Administrator (Administrative) then responded to a number of specific questions of several members. First, he explained that local salary scales for locally recruited staff in the field were established on the basis of the best prevailing rates, in accordance with the principles laid down by the General Assembly. Governments were generally not consulted in determining salary scales, unless, as an employer, their rates were among the best prevailing in the country. Salary levels were calculated following a survey of those employers - banks, embassies, and so on - paying the best rates. Secondly, the Deputy Administrator explained that a weighted average was used to determine average standard expert costs, although, in response to an informal request from one member, figures based on an arithmetic mean were presented in document DP/173 and Corr.1. In any event, the arithmetic average differed only slightly from the weighted average. Thirdly, he explained that the increases in the administrative budget for 1976 were entirely attributable to the impact of inflation. Fourthly, the Deputy Administrator explained the status of the implementation of the recommendations on the management and use of UNDP funds made by a team of consultants. Of the 63 recommendations made by the consultants, 49 were directed towards UNDP, the balance towards the United Nations. Of those concerning UNDP, a large number had already been implemented, several more were in the process of being implemented, and the rest were still under study.

176. Turning to the question of the borrowing authority that some members had suggested should be provided to UNDP, the Deputy Administrator said that the Administrator would be prepared to participate in a full-scale review of the question at the twenty-second session of the Council. Any decision at that time could be referred to the Economic and Social Council and then to the General Assembly for ultimate approval.

177. The Deputy Administrator said that the Administrator would continue to provide the Governing Council with regular reports on the liquidity situation as it developed over the next few months. In that connexion, he recalled that, on the current estimates, UNDP faced a cash shortfall of approximately \$15 million during the first quarter of 1976. Every effort would be made to contain expenditures within current income, but the Deputy Administrator warned that it might be necessary to take emergency measures of the kind used in December 1975 to meet short-term cash requirements. He therefore hoped that the Council would be able at the current session to reach an understanding that temporary infusions of additional cash beyond normal inflows might be necessary from time to time.

178. The Deputy Administrator then turned to the question of standard costs of experts. He noted the wish of many members for an in-depth review of the whole question, and recalled that an interagency working group would be meeting in February 1976 to help prepare the report the Governing Council had requested at its twentieth session. While he appreciated the desire of many members that projects budgets be charged with actual costs, the Deputy Administrator wished the Council to know what administrative and accounting difficulties that would entail. He did suggest that it might be possible to charge each project with the major

elements of actual expert costs, amounting to about 75 per cent of the total expert costs. The minor elements could be charged to projects by a small standard cost factor. The interagency working group would study that possibility. However, for 1976, there was no choice but to charge project budgets with standard costs. The only choice would be to charge IPFs with actual man-months and the calculated cost per month could be apportioned to each country.

179. The Deputy Administrator stated that the Council had in fact been forewarned about the rise in expert costs for 1975: the Administrator had informed the Council at its nineteenth and twentieth sessions that the expert costs would rise in 1975, that the deficit in the expert variance account would correspondingly increase, and that \$36,000 was too low a figure to reflect the actual costs UNDP would have to pay agencies for 1975. He also stated that resident representatives had been requested last August to use a standard cost of at least \$42,000 in their planning. Further, the Deputy Administrator went on to explain that, should the Governing Council not wish to endorse the proposal to retroactively increase the standard cost for 1975 to \$3,500 per month, the deficit in the expert variance account for 1975 would amount to about \$38 million. Likewise, if the Governing Council would not agree to the Administrator's using for planning purposes in 1976 an expert standard cost figure of \$48,000 and at the same time deferred its decision on the question of the standard cost for 1976 to June, the cumulative deficit for 1975 and the first half of 1976 in the expert variance account would amount to \$63 million. An alternative way of looking at the matter was that that additional sum would be available to Governments and resident representatives to programme within the current IPF cycle, thereby constituting a means of avoiding the currently proposed reduction of the country programmes. The result would be that for 1976, expenditures higher than the currently planned \$370 million would be incurred, taking the programme well beyond its financial potential, and UNDP would be forced to default. However, the Deputy Administrator warned, the deficit in the expert variance account would still have to be financed and, in the Administrator's judgement, it was too much to expect that additional contributions, the payments of arrears and the utilization of the non-convertible currencies would be such as to both cover the currently estimated cash shortfall of some \$40 million and the increase in the deficit of the expert variance account of some \$63 million if the standard costs were not raised. The Deputy Administrator said, however, that the Administrator could manage the situation if the Council approved the 1975 change, and deferred its decision for 1976 to the June session, in the meantime giving the Administrator sufficient flexibility to use a realistic yardstick for planning and budgetary purposes. He concluded by stating that the Administration would exert maximum effort to achieve reductions in actual costs of experts.

Working Group of the Council

180. On the conclusion of the debate on agenda item 17, the President instituted an open-ended informal working group, under the chairmanship of the First Vice-President to facilitate a decision on the subject.

Resumed discussion in the Council

181. At the Council's 513th meeting, the First Vice-President introduced the draft decision on agenda items 9 (a) and 17 (for the text, as adopted, see para. 193 below). He stated that the informal working group set up by the President had been

successful in reaching a decision, even though it had initially faced a difficult situation, with several draft decisions. He expressed his appreciation to all concerned for the constructive way in which a broad understanding had been obtained.

182. The Deputy Administrator (Programme) stated that his understanding of paragraph (x), subparagraph (viii), of the draft decision was that the standard cost of \$3,800 per month of expert costs to be used for forward planning purposes for 1976 was exclusive of travel costs.

183. Several members stated that while they would not wish to stand in the way of the consensus of the Council, they wished to express their strong reservations on the proposal to endorse the retroactive increase of the standard cost of experts in 1975, and the proposal to increase the standard cost in 1976. One member stated that the decision would have implications for her Government's participation in cost-sharing projects, and consequently reserved its position on the matter.

184. One member stated that as a developing socialist country belonging to the third world, it hoped, in making its contribution to UNDP, to be able to contribute to the economic development of friendly third world countries. In undertaking UNDP projects, all accounts were settled in the national currency it contributed to UNDP and it did not seek payment in convertible currency. Therefore, it could not agree with the classification of its national currency contribution as "difficult" without any analysis or distinction. It stated that UNDP should make further efforts to overcome such obstacles as still existed in utilizing its national currency, in pursuance of the basic principles set forth in the Declaration and the Programme of Action on the Establishment of a New International Economic Order. 7/

185. One member referred to paragraphs (q) and (r) of the proposed decision and stated that the Administrator had been given several alternative ways of using non-convertible currencies for the benefit of developing countries seeking technical assistance. However, the various means available for utilizing non-convertible currencies should not lead to discrimination against goods and services from his country.

186. One member stated that he understood that the interpretation of the draft decision, and in particular of paragraphs (t) and (u), was not to authorize the Administration to automatically affect the programmes of countries which were not considered as among the poorer ones, in particular at the mid-level of the per capita income scale.

187. One member, referring to paragraph (g), recalled the objections of his delegation to paragraph 7 of document DP/155 and Corr.1. He, however, welcomed paragraph (u), which added the necessary balance. He felt that paragraph (u), in which the Administrator was called upon to consult recipient Governments on the question of programme adjustments, should be the basis of future action. Referring to paragraph (h), he stated that the level of \$370 million should be a "floor" level of expenditures, and that the Administration and contributing Governments should exert maximum efforts to bring the level of programme expenditures for the current cycle to the originally planned level. With regard to paragraph (p), he

7/ General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

stated that the proposal to consolidate or reduce field offices, as a way of reducing administrative expenses, should not be pursued, especially since important new responsibilities had been entrusted to resident representatives for the promotion of technical co-operation among developing countries.

188. The same member stated that there should be no disruption of interregional projects, especially those in which countries belonging to the same regional group participated, and those through which a developing country, member of the Group of 77, which however did not belong to a developing region, was able to participate with other members of the Group.

189. The member further stated that he understood the words "with the understanding that expenditures were kept within financial resources available at any given time" in paragraph (x), to be in line with the basic approach and general principles of UNDP assistance, as embodied in the consensus, particularly with regard to the country programming. He stated that the sentence should not be construed as supporting either the concept of "rolling IPFs" or that of annual expenditure ceilings.

190. Two members stated that they had some reservations about paragraphs (k) and (l); one member stated that while he appreciated the importance of early payments, he could not commit his Government at the current stage. The other member stated that the financial year in his country did not coincide with the calendar year, and as a result payments could only be made in the middle of the year.

191. One observer, supported by several members, suggested a reordering of the paragraphs of the draft decision, so as to emphasize the Council's interest in mobilizing additional resources to meet the present situation. However, when appealed to do so by several other members, the observer withdrew her proposal.

192. During the resumed discussion the representative of Japan announced his Government's contribution of \$21 million to UNDP for 1976, subject to the customary parliamentary approval by his Government. Part of the contribution was to be earmarked for reconstruction of the Suez Canal Zone. Japan would also contribute \$3.5 million to the United Nations Revolving Fund for Natural Resources Exploration and \$9 million to the United Nations Fund for Population Activities for 1976. All three contributions would be paid at the earliest possible date after the beginning of the fiscal year in Japan. The announcement was welcomed by the Council.

Decision of the Governing Council

193. At its 513th meeting, on 30 January 1976, the Governing Council adopted the following decision introduced by the First Vice-Chairman, incorporating minor drafting changes:

The Governing Council,

Deeply concerned about the liquidity problem and the problem of resources constraints of UNDP and their impact on orderly programming as laid down in the Consensus of 1970 8/, and on the reliability of the Programme as a vehicle of

8/ General Assembly resolution 2688 (XXV). annex.

development of the developing countries, and their adverse and disruptive effects on the development process as a whole,

(a) Reaffirmed the importance of UNDP as the major source of multilateral technical assistance and co-operation;

(b) Recalled the Consensus of 1970 as the comprehensive framework for the activities of UNDP;

(c) Recalled resolution 3362 (S-VII) adopted by the General Assembly at its seventh special session which stated that the resources of the development institutions of the United Nations system, in particular UNDP, should be increased;

(d) Reaffirmed the decision of the Governing Council at its eighteenth session by which it authorized 1972-1976 UNDP expenditures in a country, and primarily in any country whose next cycle illustrative indicative planning figure (IPF) was significantly higher than its current IPF, reasonably to exceed its IPF for the same period on the understanding that any excess of expenditure would be "debited" against the next IPF in order not to disturb the equity of the allocation of resources among countries and that any balance of a country's IPF for 1972-1976 which was unspent by end 1976 should be carried forward into the second IPF cycle always ensuring that every best effort was made to deliver the full IPF by the end of 1976;

(e) Reaffirmed that, in adopting measures for remedying the current situation of the Programme and for avoiding the recurrence of such situations in the future, the basic concepts and approach of providing UNDP assistance to developing countries as embodied in the Consensus, particularly the country programming system based on IPFs, should be maintained;

(f) Requested the Administrator to ensure that maximum resources be assigned for actual programming of operational activities;

(g) Noted the basic approach taken by the Administrator in his proposals for controlling expenditures in 1976 while urging the Administrator to take into account the views expressed during the twenty-first session of the Governing Council or measures to minimize and, if possible, to reverse the adverse effects on programme activities caused by short-term liquidity problems;

(h) Noted the level of expenditures established by the Administrator to be the minimum for planning purposes for 1976 in the amount of \$370 million and requested the Administrator to ensure the highest possible level of programme delivery consistent with the resources realized by the Programme;

(i) Requested the Administrator to contact Governments on an urgent basis in order to obtain the necessary financial resources to ensure not only that minimum level of programme expenditures for the current cycle but also the originally planned level of programme activities for the cycle;

(j) Appealed strongly to Governments to make additional voluntary contributions to UNDP in 1976;

(k) Requested all Governments to pay their pledges early in the year;

(l) Urged Governments to pay all past due amounts on voluntary contributions, assessed programme costs, Government cash counterpart, and payments under the cost-sharing or cost reimbursable arrangements and requested the Administrator to make maximum efforts to obtain those payments by 15 April 1976 and to report on the results of his efforts to the Governing Council at its twenty-second session. Further requested the Administrator, in co-operation with Governments, to ensure promptest possible payment of similar dues which might occur in 1976;

(m) Invited those countries in a position to do so to consider urgently the possibility of achieving net contributor status;

(n) Called on the Administrator to commence or continue work on cost-sharing projects only once the required advance payment had been received;

(o) Urged the Administrator, when consulting with Governments of recipient countries, to consider any practical arrangements put forward by those Governments in support of their programmes and to report on those arrangements to the Governing Council at its twenty-second session;

(p) Instructed the Administrator to exert the maximum effort to increase resources for programme purposes through minimizing administrative and overhead costs, by pursuing all avenues to that end, taking into account the views expressed by members during the twenty-first session of the Governing Council, including particularly the reduction of headquarters staffing costs and the curtailment of travel costs;

(q) Requested the Administrator to be guided by the discussions at the twenty-first session of the Governing Council and to consult further with Governments and the executing agencies on various measures for the rational use of all currencies, including non-convertible currencies, for the benefit of the recipient countries, and invited the Administrator to submit a report to the Governing Council at its twenty-second session on effective and efficient utilization of all currencies made available to the Programme, exploring new avenues and approaches, including conversion arrangements with other United Nations development bodies;

(r) Urged the Administrator, in those cases where the Programme had accumulations of non-convertible currencies, to return to the traditional practice regarding the proportion of payment made to an expert in the currencies in which his country's pledge was made, and as well, to make payments to contractors for goods and services in the currencies in which their countries' pledges were made until the excess holdings were liquidated;

(s) Recommended that the current portfolio of assets of the Operational Reserve be changed either by utilization or conversion, at the first available opportunity and in such a way as to make its resources fully available to the Programme in the form of programme expenditures or a liquid operational reserve and requested the Administrator to report on that matter to the Governing Council at its twenty-second session;

(t) Asked the Administrator to ensure that any impact on the transition of the programme to the next cycle, particularly in those countries whose next cycle illustrative IPFs were significantly higher than their current IPF, should be

minimized and that the programmes in countries where implementation in the current cycle was lagging behind in relation to the IPF should only moderately be affected;

(u) Requested the Administrator, in any rephrasing of the programme which might be necessary, to undertake full prior consultations with Governments of recipient countries and, without prejudice to their sovereign rights and development goals and objectives to take into account the following guidelines:

- (i) No criteria based on a restriction on the delivery of any specific component of projects should be applied without Government agreement;
- (ii) Any reduction in the planned expenditures on ongoing projects scheduled for completion in 1976 or 1977 should be avoided as far as possible;
- (iii) Other projects which were to start implementation in 1976 as well as terminating after 1977 should, if necessary, be rephased in such a manner as to cause minimum disruption to the execution of the projects;
- (iv) Formulation, appraisal and approval of projects to be implemented in the next cycle should not be interrupted;
- (v) Special consideration should be given to requests for the continuation of all projects involving the poorest countries and the poorest and most vulnerable strata of the population in the development process;
- (vi) Every effort should be made to avoid cutting or deferring expenditure on regional projects;

(v) Urged that the current resources constraints should promote the implementation of technical co-operation among developing countries;

(w) Noted the transfer of funds from undistributed regional IPFs to interregional projects as reported by the Administrator in document DP/155 and Corr.1, and requested the Administrator to allocate the balance of available undistributed regional IPFs to regions whose IPFs were relatively small and to report in detail to the Governing Council on such allocations and on the effectiveness of that transfer;

(x) Recognized the need to avoid recurrence in the future of a situation marked by liquidity problems and the vital importance of maintaining the dynamism and growth of the Programme in the coming years and to that end, with the understanding that expenditures were kept within the financial resources available at any given time, recommended that:

- (i) Within the framework of the agreement reached on the level of resources, including the growth element to be taken into account for programme activities, Governments in a position to do so should consider the possibility of supplementing firm pledges for the first year of the cycle with reasonably reliable indications of contributions during subsequent years;
- (ii) The Operational Reserve should be replenished to a \$150 million level on a funded, fully liquid basis as soon as possible; once the \$150 million

level of the Operational Reserve has been achieved, its liquidity should be maintained and the Governing Council would re-examine the level of that Reserve with a view to maintaining an appropriate relationship between that level and the programmes financed under IPFs;

- (iii) The implementation of the decision of the Governing Council at its twentieth session on new dimensions 9/ should be expedited as a means of improving the quality and efficiency of the Programme, in particular by expanding the range and scope of projects entrusted for execution to Governments and institutions in developing countries and, inter alia, of reducing administrative and overhead costs, and in that connexion called on the Administrator to report to the Governing Council at its twenty-second session on the changes in procedures, if any, to be introduced within UNDP and if necessary by agencies for the direct execution by Governments upon their request;
- (iv) To improve forecasting and to control expenditure, the Administrator should ensure more effective co-ordination between budgeting and programming and programme implementation, and for that purpose should, inter alia, make the necessary arrangements for ensuring the timely flow of reliable information among UNDP headquarters, field offices and executing agencies and report to the Governing Council at its twenty-second session;
- (v) A working group be established on the operation of the standard cost of experts as mentioned in paragraph 18 of document DP/173 and Corr.1, and that the group also examine ways and incentives for the agencies to reduce the actual cost of experts and that the Administrator seek to ensure in co-operation with the agencies, that the expert cost incurred accounts of all the agencies were, at all times, available for examination at the request of the Division of Finance of UNDP and that adequate information was submitted to the agency auditors so as to enable them to carry out a detailed audit of the accounts; and that the Administrator, further, request the agencies to observe strictly the existing guidelines and such further guidelines as might be agreed relating to the charging of costs to the expert cost-incurred accounts, and to clear any unusual charges with the Director of Finance of UNDP prior to charging them to those accounts;
- (vi) The Administrator should study and report to the Council at its twenty-second session on:
 - (a) The question of redefining the elements which should be included in actual expert costs and in the computation of standard costs for experts with a view to improving control and reducing actual costs to a minimum;
 - (b) The possibility and desirability of charging real costs for experts and fellowships;

9/ See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A, para. 54.

- (vii) The Administrator's recommendation to increase the standard costs to \$3,500 per month retroactively for 1975 be approved;
 - (viii) A decision on the cost figure for 1976 be deferred until the twenty-second session of the Governing Council, it being understood that in the meantime the Administrator was authorized for forward planning purposes to utilize a figure of \$3,800 per month;
 - (ix) Keeping in view the interest of the Programme in having a full knowledge of the value of experts, the Administrator take the necessary measures, in co-operation with the Agencies concerned, to make assessments of the work of the experts, taking into account the opinions of the recipient Governments concerned expressed about the usefulness of their assignments;
- (y) Invited the Administrator to submit a report to the Governing Council at its twenty-second session on the costs and benefits and financial, legal and administrative consequences of granting short-term borrowing authority to UNDP, and on the necessary arrangements therefor, taking into account the views expressed on that matter at the twenty-first session of the Governing Council.

VI. PROGRAMME RESOURCES AND INDICATIVE PLANNING
FIGURES FOR 1977-1981

194. Under item 5 of the Council's agenda, the Deputy Administrator (Programme) introduced a report (DP/166 and Add.1) which included the Administrator's recommendations on the rate of growth of UNDP resources that might be assumed for the second programme cycle and the distribution of those resources among major cost categories as well as between individual country indicative planning figures (IPFs) and regional IPFs. The Deputy Administrator stated that the Council had decided to take the final decision on those issues at the current session. The recommendations being made by the Administrator incorporated the guidelines which had been given to him by the Council at a number of earlier sessions when the item had been the subject of comprehensive discussions.

195. The Deputy Administrator pointed out that the Administrator's various recommendations were interrelated and that it might therefore be difficult to adopt some of the major recommendations without accepting some of the others. The Administration had recommended a 15 per cent growth rate in resources, for planning purposes, on the assumption that the second cycle would start with no liabilities from the first, and on the basis of General Assembly resolutions urging Member States to achieve such a growth rate in UNDP resources. The Deputy Administrator added that such an increase was necessary, especially in view of the current financial difficulties facing UNDP, as even with a 15 per cent growth rate in resources during the second cycle, the real rate of delivery for 1975 would not be resumed until 1978. He stated that the feasibility of achieving the recommended growth rate was linked with the possibility of redistributing participation in the Programme.

196. The Deputy Administrator pointed out that the 13 to 14 per cent rate of growth in voluntary contributions in the first cycle had been achieved largely because a group of countries had made a particular effort to increase official development assistance to the target level of 0.7 per cent of gross national product (GNP) set by the General Assembly ^{10/} and he suggested that the 15 per cent growth rate proposed for 1977-1981 would be difficult to achieve unless an equally important group or groups could make a similar effort in the second cycle.

197. The Deputy Administrator suggested that the Council might wish to clarify whether the assumed rate of growth of contributions was to be applied to the proposed integration, where applicable, of assessed programme costs and a country's voluntary contribution or whether it should be applied only to the previously voluntary component.

198. With regard to the proposed increase in the Operational Reserve from \$150 million to \$400 million, the Deputy Administrator said that the Operational Reserve served to provide working capital and funds for contingency purposes. The requirements for the former type of reserve were determined by the volume of transactions and by the need to cover seasonal discrepancies in income and expenditure. Funds held for that purpose could not be used for programme purposes,

^{10/} See resolution 2626 (XXV).

but were merely to smooth the flow of financial transactions. The contingency component of the Reserve, which might otherwise be called an IPF reserve, had a different function, namely to finance the Programme in periods of financial difficulty in order to avoid programme cut-backs. That would avoid the need for short-term disruptions in programme activities and it was for that purpose, rather than to increase working capital, that the Administrator had recommended an increase in the Operational Reserve.

199. The Deputy Administrator stated that document DP/166/Add.1 was issued to reflect the fact that the earlier assumption that administrative expenditure would account for 11.5 per cent of total programme delivery had been unrealistic. The figure had increased to 13.77 per cent, as a result of increasing inflation and lack of real growth in programme delivery rather than any real increase in staff.

200. The Deputy Administrator informed the Council that proposed regional and country IPFs had been determined in accordance with the guidelines already provided by the Council at previous sessions. The use of the most recent data in the latest calculations inevitably produced individual instances of both increases and decreases from the illustrative IPFs calculated in document DP/26. The Deputy Administrator noted that the proposed IPFs for several of the newly independent countries were lower than had been expected and he suggested that the Council might wish to give sympathetic consideration to the special situation of those countries on a once-and-for-all basis. On supplementary criteria, the Deputy Administrator indicated that the growing application of such criteria meant that most countries qualified for one or more of them so that relatively little benefit was derived from meeting any of the criteria and no particular group had gained significantly.

201. The Deputy Administrator informed the Council that there was complete understanding between UNDP and the United Nations Industrial Development Organization (UNIDO) regarding the Special Industrial Services (SIS) programme. It was considered that those projects continued to have an important role, particularly in the light of the Lima Declaration, 11/ and that with improved management and better geographical distribution of the projects, continuation of the current absolute level of \$3.5 million per annum would enable that role to be fulfilled.

202. Finally, he referred to document DP/146, in which the Council had been requested to delegate to the Administrator authority for the approval of projects and suggested that the practice be continued.

Summary of discussion

203. Many members addressed themselves to the question of whether it was appropriate for the Council to take decisions on the important issues involved in the item at a time when the immediate financial outlook for UNDP was uncertain. A few members suggested that the decisions should be deferred to the next session of the Council, by which time the financial outlook should have become clearer and the new Administrator would be able to give his own views on the matter. On the other

11/ Lima Declaration and Plan of Action on Industrial Development and Co-operation, adopted by the Second General Conference of the United Nations Industrial Development Organization, held at Lima from 12 to 26 March 1975.

hand, several members emphasized that both the Administration and recipient countries required some indication of the current level of individual IPFs in order to undertake the necessary forward planning for the use of those resources, including through their second country programming exercise. It was stated that many countries would be assisted in formulating their own national development plans if they were given a timely indication of the level of UNDP resources likely to be available. Other members indicated that they would have preferred to defer a decision on those matters, but could understand the need for action currently and would therefore accede to deciding on the matter if that were the general feeling of the Council. Several members commented that a decision at the current session should nevertheless be subject to further review as the resource situation clarified.

204. Members of the Council agreed that the decision concerning the rate of growth of voluntary contributions to be assumed for planning purposes for the next cycle would be of fundamental importance to the development of the programme, but recognized the difficulties involved in making such a projection. In discussing the growth rate to be assumed, several members referred to General Assembly resolution 2973 (XXVII) urging a 15 per cent growth in contributions to UNDP and pointed out that, even if that were adopted in accordance with the Administrator's recommendations, the real rate of growth of the programme would be relatively modest because of the erosive effects of inflation. Moreover, it was stated by many members that even a 15 per cent growth rate would not meet the needs of the developing countries for technical assistance from UNDP.

205. Other members emphasized the need for realism rather than optimism in forecasting resources and highlighted the damage that could be done to the programme, as currently being witnessed, if at some later date it were found that resource availability was less than assumed. Some members stressed that a 15 per cent growth rate would require more equitable burden-sharing in the next cycle, since it could not be assumed that those donors who had been responsible for a disproportionately large share of the increase in resources in the first cycle would be able to shoulder a similar increase in future. Several members reiterated their views that some of the industrially advanced countries and the oil-exporting countries should further increase their contributions and that recipient countries in the upper GNP per capita bracket should become net contributors in order that the required growth rate of resources might be attained. A number of members pointed out that, if countries accepted the General Assembly request for a 10 per cent reduction in armaments expenditure and for the allocation of some of the proceeds to development assistance, it should enable participants to make additional resources available to UNDP.

206. Several members drew attention to the voluntary nature of contributions to UNDP and emphasized that the adoption by the Council of an assumed over-all growth rate of voluntary contributions could not be interpreted as an infringement on that characteristic of the Programme or as a commitment on the part of their Governments to meet that growth rate in their future contributions. One member stated that his Government could not, moreover, assume responsibility for any difficulties which might arise as a result of the failure to reach a targeted growth rate. On the understanding that it implied no commitment on the part of individual contributors, several members indicated that they could accept the assumption of a 15 per cent growth rate of voluntary contributions if that was the consensus of the Council. Some members considered a lower rate more appropriate.

207. Several members drew attention to the anomaly between the one-year commitments to UNDP in terms of voluntary contributions and the five-year commitments by UNDP in terms of IPFs for recipient countries. A few members thought that the idea of "rolling IPFs" deserved further consideration and suggested that UNDP might examine a concept of rolling expenditure plans along the lines used by the United Nations Children's Fund (UNICEF) and UNFPA. Other members expressed strong reservations about the concept of rolling IPFs.

208. In discussing the allocation of resources between major cost categories, several members stressed the need to reduce UNDP administrative expenses and agency overhead costs. The need to slow down the increase in expert costs as well as to reduce the more general impact of inflation on the programme was also stressed. Some members suggested that some such reductions in costs could be achieved by increasingly applying the concept of technical co-operation among developing countries. It was stated that such sources of supply, as well as sources in countries unaffected by the inflationary forces of the market system, would often prove less costly than other markets.

209. Some members endorsed the Administrator's proposal to increase the Operational Reserve, but several expressed their reluctance to agree to that recommendation currently. There was general agreement in the Council that the Reserve should consist of liquid and freely convertible, and therefore readily usable, funds. Some members suggested that \$150 million in such a form should be sufficient to maintain the financial integrity of the Programme. A number of members considered that a review of the appropriate level of the Reserve should be carried out when the current Reserve had been transformed into liquid convertible funds.

210. There was broad agreement in the Council on the proposals contained in paragraph 14 of document DP/166 concerning the Programme Reserve, the United Nations Volunteers (UNV) programme and SIS, although a few members expressed other views. There was also general agreement on the Administrator's proposal to allocate a proportion of programme resources in order to accommodate possible future participants in the country IPF programme.

211. It was noted by the Council that the proposed regional IPFs and the individual country IPFs had been calculated in accordance with the guidelines given to the Administrator at previous sessions. Most members commented favourably on the increased emphasis in the proposed country IPFs on the most needy countries, particularly the least developed. Concern was expressed by some members at the considerable cost which was involved in maintaining the "floor" - i.e. in ensuring that no countries had negative changes in their IPFs between the first and second cycles. Several members suggested that that served to reinforce their view that those recipient countries at the upper end of the per capita income scale should strive to become net contributors or possibly, as suggested by a few members, forgo all or part of their IPFs. In that context, some members expressed their disagreement with the Administrator's proposal that, in the event that resources did not reach the planned level, all IPFs should be reduced proportionally. It was the view of those members that recipient countries at the upper end of the GNP scale should be expected to bear the burden of any reduction in programme activities which might be necessary under such circumstances.

212. Some members pointed out that, although there was no nominal fall in their IPF between the first and second cycles, inflation seriously reduced the amount of UNDP

assistance which would be available to them in real terms in the second cycle and requested that the monetary floor should be compensated by an adequate percentage to take account of inflation; the allocation of resources from the agreed supplementary criteria should be in addition to that figure. Some of these members explained the significance of UNDP in their development efforts and emphasized the harmful effects that a reduction in the level of such assistance could have at a time when they were actively seeking to achieve or in the process of take-off into economic self-sufficiency. A number of observers also made statements to this effect.

213. Some members suggested that the indicators adopted by the Council, namely population and per capita GNP, did not necessarily provide an accurate measure of a country's development or its need for technical assistance. They hoped that additional criteria, such as absorptive capacity, size of the domestic market, density of population, availability of natural resources, impact of natural disasters such as drought, and factors such as those used to determine the list of the most severely affected countries, could also be taken into account in finalizing the country IPFs. One observer suggested that other indicators, such as share of manufacturers in GNP, school enrolment ratio and number of physicians per 100,000 of population, should be given consideration. A few members commented that the provisional 1973-1974 data which were used in the calculations might not necessarily be an accurate reflection of the magnitudes of the variables concerned in certain countries, either because of errors in the statistics or because the period under consideration was atypical of more recent trends in those variables. A number of members saw the provisional nature of the data and the fact that many of the developing countries had been severely affected by the world economic recession since the period to which the data related as further reasons for a review by the Council of the resource situation and individual IPFs at a later date.

214. One observer stated that the proposed 21 per cent decrease in the 1977-1981 IPF for his country from the figure originally proposed by the Administrator in document DP/26 had become known only in the latter half of December 1975. By that time his Government had formulated the country programme on the basis of the illustrative IPF contained in document DP/26 and that programme was before the Council for approval at its current session. It would be extremely difficult for his Government to reduce the programme to within the 1977-1981 IPF for his country now being proposed by the Administrator. Another observer brought the attention of the Council to the difficulties that were faced by his country, which had a small domestic market, was land-locked and was largely surrounded by a country with different interests and policies to its own.

215. Some members expressed their opposition to the proposed continuation of UNDP assistance to Chile and South Korea.

216. One member stated that, before the establishment of a government of national unity in Angola, it would be inappropriate to allocate Angola's IPF to only one of its organizations. Others indicated that the provision of IPF assistance to Angola agreed to in June 1975 should not be altered without prior reference to the Governing Council. Several members supported rendering technical assistance through UNDP to the legitimate Government of the People's Republic of Angola with the capital in Luanda and expressed their strong objections to continuation of assistance to the separatist movements in that country.

217. Members of the Council generally endorsed the Administrator's recommendation for the extension of the delegation of authority to approve projects through the second programme cycle, as proposed in document DP/146.

218. One member reviewed the progress in efforts in the development field since the adoption of the consensus resolution by the General Assembly at its seventh special session (resolution 3362 (S-VII)). He stated that the success of those efforts was a promising sign of similar success for the future of UNDP.

Observations of the Administration

219. The Deputy Administrator (Programme) said that he believed there was a certain amount of agreement on the net results of the Administrator's recommendations as set out in document DP/166/Add.1 although views on specific matters varied. In response to particular points raised in the discussion, the Deputy Administrator explained that, in the absence of firm pledges at the time of writing, the base year figure for voluntary contributions of \$438.5 million was a conservative estimate for 1976 used to produce a round figure of \$3,400 million for total resources in the cycle. He said that as a result of the higher level of administrative costs assumed in document DP/166/Add.1, the least developed countries' share of country IPFs would fall from 31.5 to 31.3 per cent. He further added that, following the suggestion made by a member, the Council could, in its consideration of item 17, refer to the need for flexibility to enable the Administrator to find ways and means of easing the effects of the existing stringency. Two members had commented, respectively, on the use of the Programme Reserve and the global IPF. The Deputy Administrator recalled that the Council had previously accepted a proposal that, apart from use for emergency purposes, the Programme Reserve should also be used for programme development. Similarly, the global IPF could be used for the development of new technologies and the Deputy Administrator expressed the belief that the scope for such work in fields as yet undeveloped by UNDP fully justified the recommended increase in the global IPF from 1 to 2 per cent of IPF resources.

Resumed consideration by the Governing Council

220. At its 514th meeting, the Governing Council considered a draft decision prepared during informal consultations among members of the Council (for the text, as adopted, see para. 240 below).

221. One member, while welcoming the proposed decision as providing a firm basis for UNDP to solve its current urgent problems and move forward with its vitally important tasks, stated that the last sentence of paragraph (k) of the draft decision, dealing with national liberation movements, neither involved nor implied any change in the policy or actions of his Government toward any national liberation movement. Its policy on such matters was decided as a function of other considerations and in other contexts. He further called attention to the reference to "relevant decisions of the UNDP Governing Council," and said that his delegation clearly understood that an additional Governing Council decision or decisions would be required to grant assistance to any national liberation movement not currently covered by the decision already taken on item 7 (see para. 265 below), and that any further decisions bearing on the subject would be taken in accordance with the Council's usual practice, i.e. by consensus.

222. Another member stated that he understood paragraph (q) as allowing the Council to review such questions at any time in the future.

223. Following the adoption of the decision, some members commented on specific aspects of the decision of the Governing Council. With regard to paragraph (q), one member stated that the mid-term review would deal with the availability of resources and their allocation in accordance with the established criteria, and that emphasis would be laid on the need of developing countries at the lower end of the per capita GNP scale. One member stated that, while recognizing the emphasis on specific disadvantaged groups such as the least developed and the drought-affected, the decisions at the mid-term review referred to in paragraph (q) should, as stated, take into account the needs of all developing countries and not be to the detriment of any one group.

224. Some members, while accepting the decision, expressed disappointment that the IPFs of countries at the mid-level of the per capita income scale would not increase over their levels for the first cycle. While recognizing that that was the result of criteria agreed upon by the Council at previous sessions, they hoped that an increase in resources for the next cycle would facilitate an increase in the IPFs of such countries and they suggested that the mid-term review proposed in paragraph (q) would provide an opportunity to examine that possibility.

225. One member, supported by another, drew attention to the inappropriateness of the provisional data for one country where the per capita GNP figure was inflated as a result of the inclusion of a large number of expatriates. That element of the population, and hence the per capita GNP, had declined dramatically following that country's independence and the lower per capita GNP should be taken into account in recalculating its IPF. The same member also referred to the adverse effect on the significant decrease in IPFs which had been suffered by a few small developing island economies since the initial calculations had been presented to the Council in document DP/26. The member urged utmost administrative and operational flexibility on the part of the Administration in order to reduce the impact of the required reduction in the size of the proposed programmes for those countries and requested that the needs of those countries be taken into account in the regional programme.

226. One observer expressed his delegation's appreciation that the decision enabled the Administrator to recalculate country IPFs in those cases where final data on 1973-1974 per capita GNP and population resulted in a higher IPF than the provisional data justified, and referred to his remarks in the earlier discussions regarding the inaccuracy of the provisional data for his country.

227. One member, while supporting the consensus reached, specified that it obviously did not modify the well-known position of his Government concerning the liberation movements. In particular, it could not be construed as a recognition of the representation of movements alleging to be the spokesmen on behalf of the population of French Territories.

Statement by the Administrator

228. In a concluding statement to the Council (DP/174), following the decisions taken on items 17 and 5 (see paras. 240 and 193), the Administrator recorded his

interpretation of the decisions as regards what he was expected to do, what the Council was prepared to leave to his judgement, and what was deferred for later decision.

229. He noted that, for an orderly transition from the first to the second cycle, any necessary adjustments had to be consistent with the Consensus and with the progressive shift in emphasis in favour of the most disadvantaged countries and groups.

230. The Administrator took it as agreed that \$370 million was the desirable minimum of total programme expenditure in 1976, but that actual expenditures must be regulated strictly in accordance with resources firmly in sight. He was mapping plans for further reductions in administrative costs and for additional fund-raising. However, there was still a deficit of \$40 million to be bridged before reaching the target of \$370 million. The Administration would have to take some action in the next few weeks in anticipation that a substantial part of the deficit of \$40 million would be met through additional resources. There was bound to be an unpredictable time lag between decisions to curtail activities and actual reductions in cash outflows. Preliminary estimates indicated an almost certain liquidity crisis between now and the June session of the Council; indeed, extreme care would have to be exercised well into 1977 in order to live within available resources.

231. The Administrator hoped for a most sympathetic response from all Governments - traditional donor countries, potential donor countries, and developing countries - to the Council's specific suggestions for raising additional resources in 1976. He expressed appreciation for the additional contribution the Government of Sweden had announced during the session and hoped that other Governments might be in a position to make similar contributions. He stressed the importance of those Governments still having outstanding obligations to the Programme paying them in the very near future.

232. He noted that other special measures so far proposed included borrowing of funds by one Government to maintain the momentum of UNDP activity in that country; establishment by recipient Governments of trust funds to be administered by resident representatives; additional cost-sharing contributions for specific projects; and indications from several bilateral and multilateral sources of their willingness to assist in selected cases. Those proposals were testimony to the importance of the common endeavours of UNDP and the developing countries. The Administrator wished to take advantage of every viable alternative to maintain the programme at the highest possible level, while safeguarding the over-all financial situation. In his view, that implied a degree of flexibility in the application of rules case-by-case, so long as the Government concerned was in full support and the Administrator determined the proposals were prudent and sound; he would report on any such special arrangements to the Council at its next session.

233. The Administrator reiterated his pledge to work urgently to reduce UNDP administrative expenditures, and noted that the Council had left specific measures to his discretion. Priority attention would go to travel and headquarters staff costs which the Council had specifically mentioned. The Council would not expect cuts that would weaken UNDP ability to manage the Programme, especially having regard to the need to institute management improvements, such as a better management information system.

234. With agencies, the Administrator said, he would discuss how best to reduce overhead costs and achieve more rapid use of accumulated currencies. His consultations so far with Governments contributing such currencies indicated their willingness to explore every possible means of utilizing them rapidly and to best advantage.

235. The Administrator noted with appreciation the Council's guidance on criteria to be followed in making any unavoidable adjustments in 1976 programme expenditure, and its understanding that resource constraints might require slowing down or even canceling certain project commitments, e.g. in order to accommodate selected new activities with high Government priority. Some restraint might likewise be unavoidable in regional projects. At the same time, he gave assurance that efforts to implement technical co-operation among developing countries and "new dimensions" would be continued.

236. The Council had postponed consideration of the size and composition of the Operational Reserve until the twenty-second session. The Administrator said he could not rule out another liquidity crisis before June and a need for a temporary infusion of additional cash beyond normal inflows and resources on hand. He hoped the Council would not object to his taking the necessary action and to seeking the Council's help and advice, perhaps during a brief session in April before the Economic and Social Council convened.

237. His highest personal priority, the Administrator noted, was to achieve better co-ordination between budgeting and programming, and to develop better information and forecasting systems with the agencies. He appreciated the Council's agreement to the revision of expert standard costs for 1975 and to a realistic yardstick for 1976, pending a final decision at the next session. With the agencies, he would pursue all possible means of reducing expert costs in the current year and for the future.

238. Finally, the Council had taken an important decision on resources for the next cycle, and would have his considered recommendations at the June session, looking towards an upswing in activities which all hoped to achieve.

239. The Administrator then presented some personal views about the ultimate purpose of UNDP, and needed innovations.

Decisions of the Governing Council

240. At its 514th meeting, on 3 February 1976, the Governing Council:

(a) Recalled resolution 3362 (S-VII), adopted by the General Assembly at its seventh special session which stated, inter alia, that the resources of UNDP should be increased;

(b) Recalled the decisions of the Governing Council at its seventeenth, eighteenth, nineteenth and twentieth sessions on criteria for allocation of indicative planning figures (IPFs);

(c) Took note of the Administrator's proposals as outlined in documents DP/166 and Add.1, as well as the views expressed by members of the Council on that subject;

(d) Endorsed in principle the allocation of available resources in accordance with the individual country IPFs as contained in column 1 of the annex table of document DP/166/Add.1 for purposes of forward planning by Governments and the Administration;

(e) Invited the Administrator to make an appropriate recalculation of the 1977-1981 IPF, upon the request of the affected country, should more definitive data on per capita gross national product (GNP) and population for 1973-1974 result in a materially higher IPF than that currently calculated from provisional data, and requested the Administrator to report to the Council on the outcome of such recalculation;

(f) Further endorsed in principle the allocation of available resources in accordance with the regional IPFs as contained in column 2 of table 4 of document DP/166/Add.1 for purposes of forward planning;

(g) Approved in principle the interregional and global IPF as contained in column 4 of table 2 for purposes of forward planning;

(h) Approved in principle the allocation of resources for Special Industrial Services and the Programme Reserve as contained in column 4 of table 2 for purposes of forward planning;

(i) Decided to consider a final decision on the IPFs at its twenty-second session in the context of total resources that might be assumed available for 1977-1981, together with a review by the Administrator of the proposals in documents DP/166 and Add.1 on the allocation of resources among other major cost categories;

(j) Decided further to take up at the twenty-second session the question of the size and composition of the Operational Reserve, a working capital, agency overhead costs, and UNDP administrative programme support costs for the second cycle;

(k) Requested the Administrator, as soon as additional amounts might become available during the second cycle, to recalculate the IPFs of newly independent countries in order to provide them with increased resources to meet their special acute needs. Due attention should also be given to the provision of appropriate assistance to the national liberation movements recognized by the Organization of African Unity in accordance with the relevant decisions of the UNDP Governing Council;

(l) Agreed with the general assessment of the Administrator in document DP/166 that several conditions should be fulfilled in order to achieve the recommended resource target level. That target was based on an over-all annual increase in voluntary contributions of 15 per cent, each nation determining its own contribution;

(m) Recommended that in order to achieve that dynamic growth in resources, a wider support for UNDP, and an appropriate pattern of contributions, the donor developed countries making a relatively small contribution in relation to their capacity to pay should consider a marked increase;

(n) Recommended those countries at the upper end of the per capita GNP scale in a position to do so to become, in accordance with the decision of the Governing Council at its sixteenth session, 12/ net contributors as early as possible. For such purpose, those countries should consider additional contributions and/or support for UNDP through a variety of means open to them;

(o) Recommended also recipient countries at the upper end of the per capita GNP scale in a position to do so, other than those referred to in the above paragraph, to consider additional contributions and/or support for UNDP through a variety of means open to them;

(p) Invited the Administrator to pursue actively the process of consultations with donor countries, developed and developing countries, with the aim of achieving a stable and realistic financial basis for the Programme's activities in the second cycle. Governments in a position to do so should consider the possibility of supplementing firm pledges for the first year of the cycle with reasonably reliable indications of contributions during subsequent years;

(q) Decided also to undertake a mid-term review of the above decisions, taking into account the needs of all developing countries and without prejudice to established criteria.

241. At the same meeting, the Governing Council also decided to extend the authority of the Administrator to approve projects through the period 1977-1981. It was understood that such delegation would be subject to review by the Governing Council within that period if the Council so wished. It was also understood that certain categories of projects would continue to be submitted by the Administrator to the Governing Council for approval, as specified in paragraphs 20 and 23 of the Consensus and amplified by the Governing Council at its thirteenth session. 13/

12/ See Official Records of the Economic and Social Council, Fifty-fifth Session, Supplement No. 2A, para. 90.

13/ Ibid., Fifty-third Session, Supplement No. 2, para. 107.

VII. ASSISTANCE TO COLONIAL COUNTRIES AND PEOPLES

242. Under item 7 of its agenda, the Governing Council had before it document DP/163, in which the Administrator reported the progress made in assisting national liberation movements of Africa recognized by the Organization of African Unity (OAU), as well as in providing assistance to Portuguese-speaking countries in Africa since the Council's last session.

243. The Assistant Administrator and Regional Director for Africa orally reported to the Council on events and developments that had taken place since the preparation of the report.

244. He had visited the Seychelles Islands, where political developments had progressed to the point where the country would accede to independence in June 1976. After outlining basic problems and immediate needs of the country, he indicated to the Council that the high figure for GNP per capita was misleading on the level of development of the country and that the difficult situation in which the Seychelles would find themselves after independence justified four to five years of continuing budgetary assistance from the former colonial Power, the United Kingdom. He further stated, with reference to assistance to the two liberation movements of the country, the Seychelles Democratic Party (SDP) and the Seychelles People's United Party (SPUP), that UNDP had approved a \$300,000 project package which he had discussed with the leaders of the liberation movements concerned.

245. Referring to the situation in the Comoros, he informed the Council of the UNDP-financed mission that visited the country in December following difficulties experienced by the Government as a result of the withdrawal of French specialists who had been running the country so far. He brought to the attention of the Council the findings and conclusions of the mission, particularly its recommendations concerning emergency aid for food, medicine and fuel, as well as assistance expected from the organizations in the United Nations system in various fields including economic planning. The United Nations Disaster Relief Organization (UNDRO) had appealed to 77 Governments to assist the Comoros, and WFP had provided, out of \$1.3 million of aid, 2,500 tons of rice. UNDP had also financed the posts of two economists, one of whom had already joined his duty station.

246. As regards the French Territory of the Afars and the Issas, also called French Somaliland, he informed the Council of the agreement he had reached with the French Government to postpone his visit to that Territory in view of recent political developments likely to lead to the country's independence in the near future. He reported that he had met with one of the liberation movements in that Territory, the Front de libération de la Côte des Somalis (FLCS), when he visited Mogadiscio, where the movement was based.

247. With respect to Namibia, the Assistant Administrator observed that the United Nations Commissioner for Namibia had requested the use of the entire amount of the IPF for that country for the development of the Institute for Namibia. The Assistant Administrator requested a ruling by the Governing Council on whether

assistance to the South West Africa People's Organization (SWAPO) should also be financed out of that IPF or out of the Trust Fund for Assistance to Colonial Countries and Peoples. He informed the Council that to date, projects for African liberation movements recognized by OAU had been allocated nearly \$4 million, far exceeding the Trust Fund total resources, which amounted to only \$2.8 million. The exhaustion of the Trust Fund posed a clear impediment to the UNDP programme of assistance to colonial countries and peoples unless prompt action was taken either to replenish the Trust Fund or to make available additional resources to increase the ability of the programme to meet additional requests.

248. The United Nations Commissioner for Namibia reported that the Institute for Namibia had now been legally established, with a Namibian director as its head and a body constituting a senate which was responsible for the policy of the Institute. He was concerned over the possibility that, due to the current financial crisis of UNDP, funds might not be coming to the Institute in the required amount for starting up some of its urgent programmes. The Commissioner particularly cautioned against cutting the Namibian IPF, since the Senate of the Institute and he had counted on the \$1 million IPF to assist the Institute, the total budget of which was over \$3 million annually. He reminded the Council that the immediate objective of the Institute was the preparation of a cadre of Namibian civil servants to man the Government when Namibia became independent. He emphasized the unique responsibility of the United Nations in that regard by pointing out that Namibia was the only geographical entity for which the United Nations was directly responsible. The Commissioner referred to the large number of Namibian refugees who escaped to settle in neighbouring countries and appealed to the Governing Council for support for SWAPO, which, as the only recognized representative of the people of Namibia, carried the burden of providing a livelihood for Namibian refugees. Finally, the Commissioner reminded the Council that the educational level of the people of Namibia had been deliberately kept down by the Government of South Africa and that the international community had special responsibility to help SWAPO and the Institute to upgrade the educational level of the Territory.

Summary of discussion

249. At the invitation of the President of the Council, representatives of national liberation movements addressed the Council. The representative of the African National Congress (ANC South Africa) reviewed recent political events in southern Africa and expressed the hope that his movement's struggle for independence would draw encouragement from the fact that many territories and peoples in Africa had taken their rightful places among the independent nations of the world. In South Africa, mass arrest and imprisonment of large numbers of people continued unabated. He thanked UNDP and countries which had continued to support the struggle of his movement for self-determination and urged member States to press for genuine mandatory sanctions against South Africa. He stressed the great needs of his people, who were scattered all over the neighbouring countries and were in dire need of every human necessity. He expressed his belief that counter-propaganda against South Africa through radio would accelerate the downfall of the South African racist Government and appealed for support in that particular endeavour.

250. The representative of the African National Council (ANC Zimbabwe) gave a detailed account of Southern Rhodesia's budgetary breakdown which, according to him, had been significantly increased in order to fortify the hands of the Smith régime to wage war against Zimbabwean freedom fighters. He also reported that ANC had intensified its struggle as more and more people joined its ranks to liberate themselves from the inhumanly oppressive régime of a small minority of white settlers in Southern Rhodesia. He spoke of the great influx of his people into Zambia and other neighbouring countries and underlined the great need for caring for those people. He outlined the health, educational and food needs of his people and stated that the aid so far mobilized had not been able to meet their immense needs. The host countries had over-extended their hospitality and could hardly do any more. He felt that UNDP-supported projects often lacked cash components, so that large projects might be immobilized because some small cash was lacking for meeting urgent and unforeseen expenses. Since ANC did not have its own resources, he suggested that every UNDP project should have some cash reserve built into it so that ANC could make small cash outlays to enable the project to continue unimpeded. He made a special appeal to the Council regarding the representatives of his movement who were placed in various centres around the world in order to represent ANC and present its cause to Governments and individuals. He referred to the fact that the United Nations funded the office of the representatives of SWAPO to the United Nations and requested UNDP to accord similar support to ANC Zimbabwe. He concluded his statement by expressing gratitude to UNDP and other United Nations agencies for their continued support.

251. The representative of SWAPO informed the Council that in recent months many thousands of his people had left their homes to cross the border into neighbouring countries as South Africa intensified its terrorist machinery and committed more atrocities than ever before. He appealed to the Council for humanitarian assistance to the many Namibians who were now in Zambia without minimum medical care, shelter and adequate nutrition. Drugs, cement, corrugated iron sheets, and bricks were urgently needed for many thousands of Namibians who had recently escaped arrest and imprisonment and were facing human deprivation of the worst kind. He expressed the gratitude of his people to the socialist countries and the Nordic countries whose material and moral support for his people had been unparalleled.

252. The representative of FLCS, referring to the recent decision by France to grant independence to his country, strongly objected to the transfer of power to what he described as an illegal and undemocratic "puppet group" which did not represent his people, and expressed doubt that France was sincere in its decision. He deplored the deportation of a large number of his people by France and asked the Governing Council to send a fact-finding mission to Djibouti to observe the oppressiveness of the French Government. He appealed to UNDP to assist his movement in placing elementary and secondary students in the Somalia public school system, since, he asserted, France had denied basic education to his people.

253. The representative of the Pan Africanist Congress (PAC South Africa) thanked UNDP for its continued support for his people and outlined the suffering of the black people of South Africa. He stated that South Africa, while posing as seeker of détente in Africa, had become more oppressive to the people and more determined to silence all and every demand for legitimate human rights. He pointed out that the members of his movement were social workers and public administrators as well

as freedom fighters and consequently needed help in every possible way. He stressed the desire of his people to be self-sufficient even as refugees, mainly in Zambia and the United Republic of Tanzania, where they wanted to establish farms and raise pigs, vegetables and poultry. The representative of PAC also appealed to the Council to intensify its assistance to the newly independent countries of Africa, for they provided a source of courage and moral rearmament to his people, who wanted to follow their footsteps in the bitter struggle for independence, freedom and dignity.

254. The representative of the Mouvement de libération de Djibouti (MLD) informed the Council that his Territory, which he called the French Territory of the Afars and the Issas, had not yet received any material assistance from UNDP, but that contacts with the Regional Director for Africa had encouraged his movement. He stated that the support of the United Nations system to other national liberation movements had given his movement moral support in its struggle against colonialism. The representative of MLD also stated that his people had requested the granting by UNDP of 100 scholarships to Afars and Issas students either at home or abroad.

255. The President of the United Nations Council for Namibia recalled the special status of that country and the responsibility which the United Nations was assuming in that respect. He called upon the Council to continue to support actively assistance to the peoples of Namibia.

256. Members of the Council who participated in the discussion under item 7 gave unanimous support to the UNDP programme of assistance to national liberation movements, including those of the former Portuguese Territories which had attained independence. Appreciation was also expressed to the contributors to the national liberation movements Trust Fund and it was hoped that such assistance would continue. Most members stressed the importance of meeting the wishes of the leaders of the national liberation movements and OAU in regard to the quality, modality and priority of aid.

257. One member expressed the hope that the concerted action of the international agencies and community would finally eradicate colonialism and racism from Africa. Reaffirming the support of his Government for national liberation movements, he suggested that the Trust Fund alone would not be adequate for the national liberation movements programme and expressed the hope that UNDP would draw on its Programme Reserve to expand its assistance to national liberation movements in the future.

258. One member stated that her delegation did not recognize the remarks made by the representative of FLCS as having been made on behalf of the peoples of the French Territory of the Afars and the Issas. The statement made by that speaker was beyond the purview of the Council. She reiterated that her Government had, on 31 December 1975, taken a position on the matter affirming the Territory's wish for independence and that talks were continuing with a view to ensuring the Territory's accession to full sovereignty.

259. Another member stated that his Government supported the OAU effort in decolonizing Africa and the United Nations irrevocable commitment to gain self-determination for Namibia. He suggested that there should be more co-ordination between bilateral and multilateral assistance to national liberation movements.

260. Several members expressed views on the Angolan situation and called upon UNDP to stand prepared to launch a programme of assistance to that country as soon as the situation permitted. Some members cautioned against dealing with a single political faction and urged UNDP to treat the three factions equally and continue to give assistance even-handedly, while several members urged UNDP to start assistance to the legitimate Government of the People's Republic of Angola, with its capital in Luanda.

261. One member, supported by others, favoured active measures by UNDP to assist the areas subject to colonial and alien rule and indicated that his own Government would continue its own efforts to help the nations and people concerned in their struggle for national independence and liberation. For a full account of the views of that delegation on the subject, see summary records in documents DP/SR.507, paragraphs 47 and 48, and DP/SR.508, paragraphs 12 and 31 to 35. For a full account of the views of some other delegations, see summary records in documents DP/SR.507, paragraphs 51 and 55 and DP/SR.508, paragraphs 3, 21 and 40.

262. The representative of WHO informed the Council that his organization was involved in the programme of assistance to national liberation movements. He stated that in addition to being an executing agency for a number of UNDP projects designed to help national liberation movements, WHO also had its own programme of assistance to national liberation movements and would continue to work closely with national liberation movements and OAU. He reported recent WHO activities in Angola, where, in co-operation with some Governments and agencies, WHO had been able to vaccinate a large number of the population against yellow fever. WHO had also co-operated with the new Government of Cape Verde in such key areas as drinking water, nutrition planning, public health organization, and training of health auxiliaries. In the Comoros, WHO was involved in assisting the Government in controlling communicable diseases, and in Mozambique in mass immunization of nearly 6 million people in three years. WHO was also co-operating with UNDP in assisting SWAPO.

263. The WHO representative expressed the hope that the current UNDP financial uncertainty would not halt the new dimension in technical co-operation that had recently begun with the generous UNDP contribution to health activities for national liberation movements.

Observations of the Administration

264. The Assistant Administrator and Regional Director for Africa again conveyed his appreciation to those members of the Council who had expressed support for the assistance programme of UNDP to colonial countries and peoples of Africa and urged the continuation of voluntary contributions to the relevant Trust Fund. He assured members that their remarks would be taken into account in administering aid to colonial countries and peoples, and referred in particular to the desire for more financial data on approved projects in future reports and for greater co-ordination between UNDP assistance and other multilateral and bilateral programmes of aid to the African liberation movements. The Assistant Administrator stated that in response to the appeal of UNDRRO regarding assistance to the Comoros, two countries had expressed their willingness to help. In conclusion, he reiterated his request to the Council that it give guidance with respect to the disposition of the Namibian IPF and to assistance to SWAPO, as well as to the measures to be taken in order to increase the Programme's resources for assistance to colonial countries and peoples.

Decision of the Governing Council

265. At its 512nd meeting, on 28 January 1976, the Governing Council:

(a) Took note with appreciation of the report of the Administrator (DP/163) and the additional information brought to its attention by the Assistant Administrator and Regional Director for Africa, and to the statements made by the President of the United Nations Council for Namibia and the United Nations Commissioner for Namibia;

(b) Took note also of the statements made by members of the Council and by the representatives of the liberation movements recognized by the Organization of African Unity who participated in the debate;

(c) Considered that UNDP should continue to support actively the humanitarian programmes of the African liberation movements recognized by the Organization of African Unity;

(d) Requested the Administrator to utilize the indicative planning figure for Namibia to finance requests submitted by the United Nations Commissioner for Namibia and to continue to respond to requests for assistance submitted by the South West Africa People's Organization by utilizing the resources available for programmes of humanitarian assistance to the African liberation movements recognized by the Organization of African Unity;

(e) Appealed to Member States, in order to enable the Administrator to increase the Programme's humanitarian assistance to the colonial countries and peoples of Africa and to their liberation movements recognized by the Organization of African Unity, to strengthen the action of UNDP by providing additional resources to the Fund established for this purpose or by increasing the general resources of UNDP in order to enable the Programme to discharge its obligations in that respect;

(f) Requested the Administrator to submit future reports on assistance to the colonial countries and peoples of Africa within the framework of his annual report, taking into account the information requested during consideration of the question during the twenty-first session.

VIII. COUNTRY AND INTERCOUNTRY PROGRAMMING AND PROJECTS 14/

266. Under item 4 of its agenda, the Governing Council had before it eight country programmes - for Costa Rica, Fiji, Guatemala, Mauritius, Nepal, Singapore, Solomon Islands and Tonga - as well as three projects (DP/PROJECTS/R.5 and Add.1-3) submitted to it for consideration and approval at the twenty-first session.

267. In addition, the Council had before it a report, prepared in response to a request made at the twentieth session of the Council, on ways and means of streamlining and simplifying the procedures for the consideration and approval of country programmes by the Governing Council (DP/157).

268. A further report, covering general and operational issues concerning the use of cost sharing in UNDP projects (DP/162), was referred for preliminary consideration to the Budgetary and Finance Committee (see paras. 442-456 below).

A. COUNTRY PROGRAMMES AND PROJECTS

Decisions of the Governing Council

269. Following a discussion of the individual country programmes and projects in private meetings, the Governing Council, at its 511th meeting, on 27 January 1976:

- (a) Approved the following projects:
 - (i) Research and training in the development of quality protein maize (Phase III) (GLO/75/007);
 - (ii) Investigation of nitrogen fixation by free-living bacteria in association with lowland rice (GLO/75/008);
 - (iii) Southern oceans fisheries survey programme (GLO/75/006);
- (b) Authorized the Administrator to make the appropriate arrangements for the execution of those projects. In the case of the southern oceans fisheries survey programme, such arrangements should be made in consultations with the signatories of the Antarctic Treaty.

270. At its 512th meeting, on 28 January 1976, the Governing Council:

- (a) Approved the proposed UNDP country programmes for Costa Rica, Fiji, Guatemala, Mauritius, Nepal, Singapore, Solomon Islands and Tonga within the limits of their approved indicative planning figures for 1972-1976 and their IPFs for 1977-1981, to be approved later, and for the duration of their respective programme periods;

14/ For the Council's consideration, under item 5 of its agenda, of the extension of the authority delegated to the Administrator to approve projects, see Chapter VI of this report.

(b) Authorized the Administrator to proceed with appraisal and approval action on requests for assistance falling within the outlines of the country programme, while ensuring, in accordance with the decision of the Governing Council at its eighteenth session, 15/ that expenditures were kept in reasonable conformity with the relevant IPFs and were contained within the financial resources available at any given time.

B. PROCEDURES FOR APPROVING COUNTRY PROGRAMMES

271. Introducing the report on the rationalization of procedures for the consideration and approval of country programmes, the Deputy Administrator (Programme) observed that, while the Administrator's examination of possible ways to rationalize those procedures had not produced revolutionary results, the review had focused on the following questions: (a) what documents the Council should consider and approve with respect to country programmes; (b) how this documentation should be considered by the Council; and (c) at what point in time during its session the Council should consider country programmes.

272. In discussing the alternatives set forth under (a), he advocated the continuation of the current practice of considering and approving country programmes on the basis of the country programme document, particularly since, in his view, the Council was an intergovernmental body concerned with consultation and negotiation and should therefore consider and approve a governmental document rather than a summary statement prepared by the Administrator. In that regard, reference was also made to the fact that under the new programme instructions the revised country programme document would be shorter in length and different in orientation from earlier programme documents, which tended to be portfolios of projects. He shared the hope that in future detailed information regarding individual projects would be kept to a minimum in the country programme document, which would chiefly be concerned with a description of the priorities of Governments and, in broad terms, the activities to be undertaken with UNDP assistance. That would represent, therefore, some savings in the translation and reproduction of country programme documentation. As to the second alternative advanced in the report, concerning the use of a revised note by the Administrator as the sole basis for the Council's approval of the relevant country programme, the Deputy Administrator acknowledged that, while that approach would achieve substantially greater savings both in time and in the cost of documentation, account should also be taken of the additional effort and time that would be required in the preparation by the Administration of an expanded note by the Administrator that would include relevant information of substantive importance to the Council on the country programme concerned.

273. Commenting on point (b), the Deputy Administrator supported the suggestion that the current procedure for the consideration of country programmes in private meetings and their subsequent approval in public meetings should be retained, recalling that at prior sessions some issues had arisen in the course of considering country programmes which had been more effectively dealt with in private meetings. Moreover, in that connexion, he wondered whether proposals made by some members for the establishment of an ad hoc or intersessional committee for

15/ See Official Records of the Economic and Social Council, Fifty-seventh Session, Supplement No. 2A, para. 31.

the purpose of examining country programmes would not diminish the seriousness of the Council's consideration of country programmes and might lead to duplication of discussion in plenary meetings.

274. With regard to the timing of the consideration and approval of country programmes during Council sessions, he favoured the holding of meetings devoted to country programme consideration and approval towards the end of each session, to allow more time for the preparation and translation of draft chapters of the Council's report on items requiring lengthier treatment of discussions than was the case with country programme consideration in private meetings.

275. In response to queries made earlier in the session, the Deputy Administrator assured the Council that in cases where Governments revised their country programmes after they had already been approved by the Council, the programmes would be re-submitted by the Administrator to the Council for consideration. In addition, he indicated that country programme management plans might be shared with the interested bilateral donors, provided the recipient country concerned agreed.

Summary of discussion

276. Members of the Council commented favourably on the usefulness of the report before it, which contained a number of reasonable suggestions for improving the procedures for the consideration and approval of country programmes, and provided a useful review of the experience gained to date with those procedures. They also noted with satisfaction that the new guidelines on country programming had significantly reduced the length of the country programme document, with savings of roughly \$260,000.

277. Some members, while commending the Administrator's efforts to economize and to enhance the effectiveness of the Council's work, expressed reservations with respect to some of the suggested solutions set forth in the report. Preference was clearly expressed by those members for retaining the current practice of considering and approving individual country programmes on the basis of the country programme document submitted by the Government concerned and the accompanying recommendation of the Administrator. In that regard, doubts were voiced over the alternative approach of using the Administrator's note alone as a basis for the Council's approval of country programmes and relegating the country programme document to the level of an internal working paper available in only one language. By the same token, they also conveyed their concern that such a procedure would impair the prerogatives and responsibility of the Council for an adequate and proper examination of the country programmes presented to it, which, in their view, was the fundamental function of the Governing Council.

278. In addition, the importance of the country programme document as a basis for expanding and improving the co-ordination of assistance efforts among all donors was strongly stressed, and Council members as well as contributing and recipient Governments should have wide access to the information in the country programme document in the working language of their choice. Mention was also made of the fact that some countries, in the process of obtaining voluntary contribution funds in parliamentary debate, were queried on the decision-making process of the Governing Council with respect to the flow of funds in the programming of assistance.

279. On the other hand, other members supported the suggestion that the note by the Administrator, properly expanded and revised, should serve in future as the sole basis for the Council's approval action, while the country programme would be reproduced in only one working language and made available, upon request, to Council members and, to a limited degree, to other legitimately interested parties. Proponents of that approach considered it particularly appropriate in the light of the current financial situation of UNDP and contended that such a procedure would help ensure that debates on country programmes would as far as possible focus on central issues. One member, although endorsing the position that the country programme document should be reproduced in one language only, nevertheless felt that the current wide distribution of the document should be maintained. He also urged in that connexion that the country programme document should remain a complete document, should incorporate a more detailed breakdown of project expenditures, either in the main body of the programme or in an annex, and should be revised at least once during the programming cycle.

280. Members of the Council agreed fully that the current procedures for the consideration of country programmes in private meetings of the Council should be maintained. They also concurred with the continuation of the practice of giving Council members an opportunity to comment on individual country programmes presented for approval. In addition, there was general support for the proposal to focus the discussion on country programmes on issues of broad significance, while technical, non-policy oriented matters, would be the subject of written comments by members. In that regard, the suggestion was put forward by one member that it would be helpful in the Council's deliberations if before each session the Administrator would prepare a document drawing attention to matters of a general policy nature which would enable the Council to have a structured and meaningful discussion. It was further proposed that, for the sake of continuity and in order to have an overview of the Programme's activities, it might be worthwhile for the Administrator to keep the Council abreast on a more regular basis than had so far been the case of the actual implementation of previously approved country programmes.

281. While some members endorsed the holding of meetings devoted to country programme consideration and approval at a fixed time towards the end of each session, in the judgement of a few such a procedure might result in country programmes being considered in a hasty or superficial manner, thus impairing the exercise by the Council of one of its main prerogatives, or cause the session to be extended beyond the scheduled closing date. The opinion was offered that it would seem inappropriate to relegate country programming, which was at the heart of UNDP assistance efforts, to a late position on the agenda, particularly in view of the fact that important policy issues customarily arose within the framework of country programme discussions which had implications for later items on the agenda; that would be increasingly so when a substantial number of country programmes were presented to the Council at one time.

Observations of the Administration

282. Responding to remarks made in the course of the discussion, the Deputy Administrator (Programme) observed that the Administration did not hold strong views with regard to the proposal to hold meetings devoted to the consideration and approval of country programmes towards the end of the Council's sessions. Such a

decision could, in fact, be made when the agenda was adopted for each session. Regarding the suggestion that the Administration provide a document outlining broad policy issues in relation to country programmes, he explained that the verbal presentations by the Assistant Administrators and Directors of the Regional Bureaux on the over-all developments and main features of the programme submissions in their regions served precisely the purpose of such a document, which would therefore appear unnecessary. In addition, he pointed out that the Resident Representatives had been informed that there should be a section in each country programme outlining the significant features which deserved particular attention. Finally, he advised members that the only substantive question on which they needed to reach a consensus was whether the document considered by the Council should be the country programme document translated into all languages or an elaborate note by the Administrator.

Decision of the Governing Council

283. At its 514th meeting, on 3 February 1976, the Governing Council:

- (a) Recalled its discussion on the experience in country programming at the twentieth session of the Governing Council;
- (b) Expressed the desire to continue the practice of giving members, if they wished, the opportunity to comment on any country programme submitted for approval;
- (c) Believed that the current procedure for the consideration of country programmes in private meetings of the Council was basically sound and should be continued;
- (d) Decided to retain for the time being as the basis for its consideration and approval the country programme documents supplemented by a note by the Administrator;
- (e) Reconfirmed that country programmes should be formulated according to the general principles of country programming as laid down in the Consensus of 1970; 16/
- (f) Recalled the general endorsement by the Governing Council at its twentieth session of the Administrator's suggestion that the country programme documents during the second cycle should identify technical co-operation requirements mainly in terms of objectives and activities, including the degree of project information endorsed by the twentieth session, the country programme documents thus being of limited volume;
- (g) Requested the Administrator in his accompanying note to provide a succinct and decision-focused presentation covering, inter alia, the following in order to provide the Governing Council with a policy-oriented basis for its considerations:
 - (i) Major aspects of the country development perspective;
 - (ii) Identification of the development objectives towards the achievement of which the Government wished to apply UNDP assistance;

16/ General Assembly resolution 2688 (XXV), annex.

(iii) A summary of the significant features of the country programme, including the tables presently provided;

(h) Appealed to Council members to focus during the discussions on issues of broad significance raised by the country programmes;

(i) Requested the Administrator, when appropriate, to report to the Council on particular problems and trends of a general policy nature deriving from country programmes submitted for approval;

(j) Requested the Administrator to furnish the Council on a regular basis with information on the actual implementation of previously approved country programmes.

IX. TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES

284. Under item 6 of its agenda, the Governing Council had before it reports by the Administrator (DP/158) and by participating and executing agencies and regional economic commissions (DP/148 and Add.1-5), reviewing actions taken to implement the pertinent recommendations of the Working Group on Technical Co-operation among Developing Countries.

285. The item was referred for preliminary consideration to the Council's Committee on Technical Co-operation among Developing Countries, which met for the first time during the twenty-first session of the Governing Council.

Consideration by the Committee on Technical Co-operation among Developing Countries

286. Introducing item 6 in the Committee, the Assistant Administrator (Programme) said that technical co-operation among developing countries (TCDC) was not a substitute for any component of international co-operation for development, but an additional means of mobilizing the untapped resources and capacities of the developing world. He stressed that TCDC had taken on increasing significance in view of the soaring costs of traditional forms of technical co-operation. In addition, technologies, research capabilities and training programmes developed in developing countries could sometimes be the most appropriate forms of assistance for other developing countries. Due recognition of the advantages of TCDC would help to reduce the attitudinal barriers to TCDC which still existed in many developing countries. While much co-operation among developing countries was already taking place through bilateral and other exchanges, that co-operation could be considerably increased. The Assistant Administrator identified developing countries' lack of awareness of one another's capabilities as a chief constraint to the growth of TCDC, and mentioned several ways in which UNDP hoped to increase that awareness. The organization of regional meetings and the conference on TCDC would provide excellent opportunities for making the contacts that were required. Four regional meetings were to be held during 1976. The first, for Asia and the Pacific, would take place in Bangkok from 25 February to 2 March, followed by the meeting for Latin America and the Caribbean, which was scheduled to be held in Lima from 21 to 27 April. Regional meetings for Africa and for West Asia would be held during the second half of 1976, and their dates determined in the near future. After those meetings, UNDP would organize an intergovernmental conference on TCDC, to take place in 1977, Argentina acting as host.

287. UNDP would also assist developing countries in identifying each other's capabilities through the organization of an information referral system covering specific types of training institutions, research and development institutions, consultancy services, and sources of expertise, which it hoped to launch in the near future. While Governments would provide the information needed for the system, it was explained, UNDP was assuming the principal responsibility for setting up, developing and managing it. Two kinds of services would be provided: computer printouts of country and subject listings that would be regularly updated, and an inquiry service.

288. UNDP stood ready to further TCDC within its own programme. For that purpose, UNDP was prepared to consider proposals for projects designed to establish the administrative infrastructure for TCDC, and to provide limited supplementary inputs to TCDC projects arranged directly between two or more developing countries. It had also initiated measures to enlarge and integrate TCDC elements in its own programmes and projects. In the Administrator's report (DP/158), there were examples of projects designed to enable participants to share capacities and experience, or to develop the necessary infrastructure needed to make such sharing possible. Concluding, the Assistant Administrator said UNDP was endeavouring to make increased use of the capacities of developing countries in all of the projects which it supported, although information showed that the current utilization of the capacities of developing countries within the programme was not very impressive and there was considerable scope for additional effort in that field.

Summary of discussion

289. Support was expressed by all members for technical co-operation among developing countries and the measures UNDP had instituted to promote it.

290. It was generally agreed that TCDC had gained added significance as a result of recent resolutions approved by the General Assembly and by decisions taken in other international forums. It was also felt that TCDC was an important part of the emerging efforts of developing countries to co-operate among themselves and that great potential existed in developing countries for expanding TCDC and thus contributing to collective self-reliance. According to some members, there was a large scope for expanding TCDC, which would be largely self-generating. A number of members felt that the importance of TCDC had clearly emerged from the recent decisions of the General Assembly on the establishment of a new international economic order, including the Charter of Economic Rights and Duties of States, ^{17/} and from resolution 3362 (S-VII) adopted at the seventh special session. Several members felt that TCDC must respect the sovereignty of all States and derive from the will of the Governments concerned, thus leading to collective self-reliance. It was also felt that the current financial difficulties facing the United Nations development system brought out the importance of TCDC and underscored its role in providing additional development resources.

291. The documents submitted by UNDP for the consideration of the Council, and in particular document DP/158, which outlined the actions taken by UNDP in pursuance of its mandate, were generally noted with satisfaction.

292. General approval for the information system outlined in document DP/158 was expressed and the Administration was urged to make the system operational as soon as possible. In the discussion of the information referral system on the capacities of developing countries, the central role that developing countries should play in the system was emphasized. One member proposed that the criteria for guidance in the selection of the institutions to be covered by the system should be examined and approved by the Governing Council. Several members asked for additional information on the organization and coverage of the information referral system and proposed that the system should be discussed during the forthcoming regional meetings on TCDC. Other members were of the view that the information

^{17/} General Assembly resolution 3281 (XXIX).

system should be quickly put into effect even if it might not yet be perfect. As it was generally felt that the matter should properly be discussed at the regional meetings, the Administration was requested to provide information on the guidelines and operation of the information referral system to the developing countries, if possible before the regional meetings. Several members felt that the participating and executing agencies had extensive information on the capacities of developing countries and that that information would be very helpful in the development of the information system. Some members requested that the system should also attempt to cover information on equipment and supplies available from developing countries.

293. General satisfaction was expressed with the UNDP effort to organize and hold the regional meetings in the course of the year. The objectives outlined in document DP/158 were considered by a number of members to be well conceived and balanced, and it was felt that those meetings would deepen the understanding of TCDC and contribute to its growth. Several members were pleased that the provisional agenda for the meetings was drafted so as to take into account the latest decisions of the General Assembly and to ensure that they would be substantially identical for all meetings. A number of members indicated their interest in the meetings and their hopes to participate fully with a view to preparing adequately for the conference on TCDC.

294. The role of UNDP and of the specialized agencies was felt by one member to be particularly important in the promotion of TCDC and should consequently be emphasized in the meetings. An early distribution of the documentation for the regional meetings was considered particularly important by most members. Important suggestions on the role of the participating and executing agencies, which should prepare documentation for the meetings, and on financial arrangements for TCDC were stressed by several members.

295. Concerning document DP/148 and its addenda, it was generally felt that they reflected considerable progress on the part of the participating and executing agencies in their understanding of TCDC and also reflected the efforts they were making to carry out the recommendations of the Working Group on Technical Co-operation among Developing Countries and of the General Assembly. It was felt, however, that those efforts were not uniformly successful and that the participating and executing agencies should not only list the constraints that prevented utilization of the capacities of developing countries in their programmes and projects but should also propose remedies to overcome those constraints in order to implement the decisions on TCDC. It was also proposed that the United Nations system adopt a uniform and comprehensive reporting system on TCDC performance.

296. Representatives of two specialized agencies responded to some of the remarks made during the discussion. They drew attention to the actions being taken by their organizations on the recommendations of the Working Group and to the measures being instituted towards solving the difficulties in the full and effective utilization of the capacities of two developing countries. They assured the Committee that those efforts would be continued with all energy.

297. It was also felt that attitudinal barriers on the part of developing countries were exaggerated by the lack of information on available capacities in other developing countries. A number of members proposed that targets should be set on the increased utilization of inputs from developing countries, while other members felt that such targets or quotas would not be in the best interest of TCDC.

Additional suggestions were made by one member on preferential treatment and a kind of "right of first refusal", and that the granting of a certain percentage of price advantage for equipment and supplies and consulting services from developing countries, to be paid out of separate funds, should be given special consideration by UNDP. Some members felt that although such preferences should be studied with special care, not enough effort had been made by the specialized agencies in procuring specialized equipment which was available in developing countries. It was generally felt that special efforts on the part of UNDP and of the participating and executing agencies were needed to increase the use of equipment and supplies and of consulting services from developing countries. One member stated that the discussion of TCDC within the Committee had concentrated on the question of supplying experts, equipment and subcontractors from the developing countries to UNDP projects. He felt that that was only a part of the broader TCDC issue. Nevertheless, it was his opinion that many measures could be pursued within the United Nations development system to make better use of the capabilities of developing countries, without resorting to artificial targets.

298. There was general consensus on the importance of integrating TCDC within the United Nations development system. In that connexion, some members felt that developing countries should play a greater role in the identification and preparation of regional and interregional projects so as to ensure their compatibility with TCDC. At the same time a number of members suggested that it was also necessary to consider country programmes and the utilization of national IPFs for the promotion of TCDC, thus assuring fuller integration of TCDC in the United Nations development system. Regional co-operation was considered of primary importance in relation to the promotion of TCDC, as countries in the same region shared similar experience and common interest. In that connexion, several examples of successful economic and technical regional co-operation schemes were cited, such as the Organization of African Unity, the East African Community, the Colombo Plan, the Latin American Economic System (SELA), the Andean Pact and others. A member felt that the role of the resident representative should be limited with regard to TCDC, since decisions should primarily rest with the developing countries themselves. With regard to the implementation of TCDC, the decisions should primarily rest with the recipient developing countries themselves and for that purpose the resident representatives should provide them, in the "short lists", with information on experts, equipment, etc., so as to include all available capacities both from developed and developing countries. The role of national institutions in TCDC was stressed by several members, while others mentioned the need to strengthen regional institutions through TCDC as a means of establishing a skilled manpower pool to help alleviate the "brain drain".

299. One member felt that special efforts were needed to assist Governments of developing countries in organizing their focal points for TCDC and that the training of personnel related to TCDC should be organized by UNDP as soon as possible. The same member felt that pilot TCDC projects should be designed by UNDP to serve as models and to stimulate the initiative of the developing countries concerned. Similarly, that member felt that the Special Unit for TCDC should be reinforced to carry out its important functions and should co-ordinate its activities with the World Bank and the regional development banks. Further, the same member felt it was important that the role of women in development be explicitly integrated into the ongoing discussions on TCDC at Governing Council meetings, and more importantly, that that important subject be added to the agendas of the regional and global conferences on TCDC.

300. Members looked forward to the results of the regional meetings and to the preparatory role of those meetings in relation to the conference on TCDC. The linkage between technical and economic co-operation was stressed by several members, and, in the same context, the importance of transmitting the pertinent parts of the report of the fourth session of the United Nations Conference on Trade and Development (UNCTAD) dealing with economic co-operation among developing countries to the conference on TCDC. The importance of the contributions of the participating and executing agencies for the conference was also stressed. The representative of an observer State recommended that the conference direct its attention to possible mechanisms for financing TCDC, in which UNDP should also play a role.

301. The representative of the host country for the conference on TCDC indicated that his Government was considering the most appropriate date for the conference and that consideration was also being given to the possibility of holding an exhibition of technologies available in developing countries in conjunction with the conference. Concerning the agenda and the organization of the conference, the same member proposed that both questions should be examined by UNDP and brought to the attention of the Council at its twenty-second session. Similarly, consideration should be given to rules of procedure and to the urgent preparation of the necessary documentation for the conference. The Special Unit for TCDC should make that documentation available to all member Governments. The member suggested that the Governing Council Committee on Technical Co-operation among Developing Countries should discuss the preparation of the conference as well as its documentation, including the reports of the forthcoming meetings, together with the recommendations and conclusions to be considered at the conference. To that end, he proposed that the Committee meet during the twenty-second session of the Governing Council.

Decision of the Governing Council

302. At its 513th meeting, on 30 January 1976, on the recommendation of its Committee on Technical Co-operation among Developing Countries, the Governing Council adopted the following decision:

The Governing Council,

Recalling resolutions 3251 (XXIX) and 3461 (XXX) as well as other pertinent resolutions of the General Assembly,

Recalling further the relevant decisions adopted at its eighteenth, nineteenth and twentieth sessions,

(a) Took note of documents DP/148 and Add.1-5 and DP/158;

(b) Took note with appreciation of the introductory statement made on behalf of the Administrator and of the observations and positive suggestions made during the consideration of the item;

(c) Requested the Administrator to take all necessary measures for the prompt implementation of the pertinent parts of the resolutions of the General Assembly concerning technical co-operation among developing countries, including the decisions of the Governing Council on that item, in order to integrate those activities, through the work of the Special Unit for Technical Co-operation among Developing Countries, into the regular framework of UNDP, including the

activities and projects carried out by the organizations of the United Nations development system financed by the Programme;

(d) Requested the Administrator to promote the utilization of resources from intercountry indicative planning figures and, where appropriate, at the request of the Government concerned, of national indicative planning figures, for technical co-operation among developing countries, and for that purpose to ensure greater participation of the Governments of developing countries in the formulation, appraisal, planning and identification of intercountry projects;

(e) Requested further the participating and executing agencies to co-operate fully with the Administrator of UNDP for the purpose of achieving practical application of technical co-operation among developing countries, to ensure greater co-ordination and a more integrated approach to such co-operation and, to that end, to give special consideration to the recruitment of experts and consultants, the use of subcontractors, and the purchase of equipment and material from developing countries, as well as the placement of fellows in those countries;

(f) Recommended that the Administrator continue to move forward actively with the establishment of the information referral system and provide the Governments of developing countries, if possible before the regional meetings, with the questionnaire designed for the UNDP information referral system together with the information on the operations of the system and the guidelines for the selection of institutions, as well as take the necessary measures for an early inclusion in the most economic and effective manner of appropriate information on equipment producers from developing countries in the system;

(g) Reiterated the importance of the regional intergovernmental meetings as an important part of the preparations for the conference on technical co-operation among developing countries, which should, inter alia, consider the conclusions and recommendations reached at the regional meetings;

(h) Invited the Governments of member States to assist in covering the cost of the travel of the delegations of developing countries, which might have special difficulties in that respect, in order to enable them to participate in the regional intergovernmental meetings and in the conference on technical co-operation among developing countries;

(i) Requested the Administrator to prepare a document on the organizational and financial aspects of the conference on technical co-operation among developing countries in order to facilitate the discussions on that item at the twenty-second session of the Governing Council, with a view to making appropriate recommendations to the General Assembly at its thirty-first session, through the Economic and Social Council;

(j) Further requested the Administrator, in preparing the documentation for the conference, to give special attention to data on possible sources for the financing of technical co-operation among developing countries, including possible financial arrangements in the context of UNDP that would promote such co-operation;

(k) Invited all Governments of developing countries which have not already done so, to consider the organization of national focal points for technical co-operation among developing countries and urged the Administrator of UNDP to

assist those Governments of developing countries which so request to organize or to improve national focal points for technical co-operation among developing countries, including through the provision of training of their professional staff;

(1) Reiterated the importance of ensuring close and active collaboration between UNDP, through the Special Unit, and schemes of co-operation among developing countries that are taking place within and outside the United Nations development system;

(m) Decided to provide for meetings of the Committee on Technical Co-operation among Developing Countries at the twenty-second session of the Governing Council, if necessary.

X. BUDGETARY, FINANCIAL AND ADMINISTRATIVE MATTERS

303. At the twenty-first session, the following questions under item 9 of the Council's agenda were referred for preliminary consideration to the Budgetary and Finance Committee, which reported thereon to the Governing Council (DP/L.304 and Add.1-5).

- (a) Financial review of UNDP resources 1972-1976;
- (b) An International Telecommunication Union (ITU) request for overhead reimbursement;
- (c) Supplementary budget estimates for 1975;
- (d) UNDP budgetary requirements for 1976 and the general outline of budget estimates for 1977;
- (e) Cost measurement systems;
- (f) Short-term consultants;
- (g) Audit reports;
- (h) Revision of UNDP Financial Regulations and Rules.

304. The consideration of two further questions before the Budgetary and Finance Committee under item 9 - custodianship of UNDP funds and global procurement arrangements - was postponed until the Council's twenty-second session.

305. In addition to item 9, the Budgetary and Finance Committee considered, under item 17 of the Council's agenda, the standard cost of experts (see sect. I below); under item 4, the question of cost sharing (see sect. J below); and under item 10, the transfer of funds among sections of the UNFPA budget estimates for 1975 and the revision of UNFPA Financial Regulations and Rules (see chap. IV above).

A. FINANCIAL REVIEW OF UNDP RESOURCES AND PROGRAMME COSTS 1972-1976

306. Under agenda item 9 (a), the Budgetary and Finance Committee had for consideration document DP/155 and Corr.1, which contained the financial review of UNDP resources and Programme costs for 1972-1976 and, more specifically, information on expert standard costs, the financial situation, the liquidity position, the composition and level of the Operational Reserve, efforts to utilize non-convertible currencies, the status of unpaid contributions to the Programme as at 31 October 1975, and recommendations which the Administrator was submitting for the Council's consideration.

307. Introducing the item, the out-going Administrator expressed his thanks to members of the Committee for the support and constructive assistance given to UNDP

in the past four years, and covered in general the major issues confronting the Committee, which were: (a) the current financial difficulties; (b) the resource shortage; (c) how to avoid disruptive changes in the country programmes; and (d) how to ensure that those problems did not recur in the future. The Administrator summarized the reasons for the liquidity situation and the factors which had contributed to it as follows: (a) increased delivery of the programme from a projection made early in 1975 of an amount of \$380 million (see DP/130, table 1) to \$434 million now estimated for 1975, or an increase of \$54 million; (b) the reduction in the expected voluntary contribution from a major donor by \$42 million; (c) sizeable outstanding unpaid amounts due UNDP of approximately \$72 million at the end of October 1975 and \$44 million at the end of 1975; (d) \$31 million in non-convertible currencies held by UNDP which had accumulated over the years; and (e) inadequate reserves of only \$150 million.

308. The steps already taken to slow down 1976 programme delivery by about 20 per cent were explained to the Committee as well as the negative effects those steps might have on the development aspirations of recipient countries. To overcome the short-term liquidity problem, the Administrator suggested three possible solutions: (a) collection of one half of the past due receivables; (b) that Governments should make one half of the non-convertible currencies convertible; or (c) increased contributions for 1976 by as much as \$20 million. Since the largest component of the programme was expert cost, which covered about 55 per cent, the termination of the appointments of experts might become necessary in order to control the level of the programme. The Administrator drew the attention of the Committee to the fact that the funding concept contained in the Consensus required that all amounts be paid promptly during the year to which they applied and he also pointed out that, in establishing the level of IPFs, no reserve or contingency provision was set aside to cover the non-payment of amounts due to UNDP. He further stated that the contribution to UNDP of additional unusable currencies was not likely to be beneficial in achieving the development objectives and goals established by the Governing Council and appealed to the countries concerned to assist in that endeavour.

309. The Committee was requested to support the recommendations contained in paragraph 30 of document DP/155 and Corr.1 and was informed that suggestions were made in supplementary information submitted during the Council session for additional administrative savings of approximately \$2 million under the 1976 budget which the Administrator hoped to be able to make. Finally, the Committee was urged to consider granting authority to the Administrator covering short-term borrowing, and the Administrator reiterated his belief that UNDP should have custody of its own funds for the sake of greater efficiency and economy in its financial management.

1972-1976 Programme cost developments

310. A number of members of the Committee commented upon the developments with regard to resources and Programme costs for 1972-1976 and the adverse impact of inflation on Programme costs. Specific attention was drawn to the fact that, although resources had increased in a significant manner, Programme costs might have to be decreased in 1976. It was noted that agency overhead costs and UNDP

administrative and programme support costs had increased at a faster rate than other main cost elements.

311. Several members referred to the contents of paragraph 7 of document DP/155 and Corr.1, where some of the measures taken by the Administrator to control expenditures were spelled out. Comments were made that the measures taken were little more than the normal prudent type of measures which would lead to sound and proper administration. However, other comments on the same point emphasized that caution should be exercised in applying constraints to the programme and that it was the Governing Council itself which should prescribe those measures to be implemented, measures which would have to be fully consonant with the views and desires of recipient countries. In that connexion, some members stated that, in their view, developing countries at the upper level of the GNP scale would have to bear the brunt of the constraints that were to become necessary.

312. One member requested information on the current cash position of UNDP and suggested that, to illustrate the dynamism of the Programme, it would be useful for the Committee to have a detailed account of the number and value of projects brought forward on 1 January 1972, projects completed over the past four years, and the duration and cost of projects now being implemented.

313. The Deputy Administrator (Administrative), in response to comments made by members, gave an overview of the up-dated financial position of UNDP, enumerating the Governments which had paid their outstanding contributions since the informal session of the Council on 12 December 1975; he expressed his hope that Governments would continue that trend of timely payments. With regard to a suggestion for an improved management information system for a more speedy information and data flow between UNDP headquarters, agency headquarters and the office of the Resident Representative, the Deputy Administrator informed the Committee of the various steps already taken by UNDP, with the co-operation of executing agencies, to effect improvement in this area.

314. The Director, Division of Finance, also responded to several points raised. He informed the Committee about the indemnities that would have to be paid should a decision be taken to terminate the appointments of experts under contract on UNDP projects, and explained why short-term experts were more costly than the traditional long-term experts and the financial procedure applied in effecting interagency payments by the Resident Representative on behalf of the United Nations family of agencies. It was noted that it was most important that a decision be taken on the question of the retroactive increase in the level of standard costs for 1975 as proposed by the Administrator.

315. The Deputy Administrator (Programme) recognized that the impact of the reduction in programme activity would be serious. In addition to the reduction of 20 per cent in real terms in the contribution of UNDP itself, there would be indirect effects on developing countries as well as repercussions for the programme beyond 1976. In response to some of the queries made, he explained that:

(a) If the plans as earlier envisaged had been implemented, even with the indication of a much higher actual expert cost, programme expenditure would have

exceeded the IPF limits by some \$100 million instead of \$25 million and that would have caused a cash deficit of \$115 million in 1976 instead of the \$40 million shown in document DP/155 and Corr.1;

(b) The Administration did not regard the expert variance account as a means of cushioning inflation, and perhaps that point had been mis-stated in the documents;

(c) In making the necessary adjustments in programme expenditures, it had been intended to adopt, as far as possible, a global approach in the light of the existing financial situation;

(d) The inference that, despite the programme reduction in real terms, there would be a significant number of projects completed in 1976 was correct; and that the assumption that projects would be carried significantly forward was also correct.

316. Many members of the Committee stressed the adverse effects that a decrease in the programme in 1976 would have on the development efforts of the recipient countries. It was pointed out that in order to attain a 20 per cent average reduction over the year 1976, taking into account that the cut-back operation still had to get started, the programme volume at the end of the year would have to be reduced by at least 40 per cent of its current size. It was further pointed out that, apart from the problems that such a decrease would cause for the recipient countries, it might not be optimal from a financial point of view. A sharp slowing down and later accelerating of activities might in itself entail costs that exceeded those of possible interim measures that would permit a more gradual adaptation of the programme.

317. Some members attached great importance to the steady evolution of the Programme, and in the event that all other efforts to secure that evolution failed, those members believed that the possibility of allowing UNDP to raise short-term loans should be kept open and further studied at the Council's twenty-second session. Of major concern to most members was the sharp and alarming increase in the actual cost of experts which was explained in document DP/173 and Corr.1, to be considered by the Council under agenda item 17, but of considerable relevance to the deliberations under the item being discussed. It was noted that price increases and inflation were having an inordinate impact upon the cost of the field programme which could not but have an undesirable consequence for developing countries. The increase in the actual cost of expert services had led the Administrator to the proposals contained in the following section. Some members felt that the estimate of resources and programme costs should be expressed in real terms in order to determine the factual assessment of the level of assistance actually available to developing countries.

Developments in expert standard costs versus actual costs, 1975-1976

318. On the basis of the developments contained in document DP/155 and Corr.1, the Administrator felt compelled to propose that the standard costs for 1975 should be

increased retroactively to \$3,500 per month for 1975 and to \$4,000 per month for 1976.

319. That development was viewed with very serious concern by members of the Committee. The discussion that ensued revealed considerable divergence of views. Even though the Administrator had explained that the incurrence of 1975 expert costs was largely a fait accompli and that the existing data available revealed that the actual cost of expert services had slightly exceeded \$3,500 by the end of 1975, some members expressed the view that agencies were little inclined to economize on such costs under the current standard cost system. Concern was expressed that unless expert costs were controlled or in fact reduced, the current modalities for project execution following traditional procedures might well be called into question. It was also noted that UNDP should endeavour to ensure delivery of the programme in real terms.

320. The other point of view, namely acceptance of the Administrator's request to increase the 1975 and 1976 standard cost of experts, also received considerable support. Since the Council had expressed opposition on previous occasions to incurring a deficit in the expert variance account, some members felt the only way to prevent that from recurring in 1975 and 1976 was to accede to the Administrator's proposal and increase the standard cost as requested. The consequences of not charging IPFs for the full cost of experts in the past was thought to be a contributing factor leading to the current financial dilemma and would most likely, unless checked, lead to further complications in 1976, particularly with respect to the liquidity situation.

321. The view was expressed that in some countries experts serving on projects received, on the average, far less than the standard cost charged by agencies. During the discussion, reference was made also to the contention that experts from all participating countries were not fully integrated in the Programme.

UNDP financial situation

322. The members that reviewed the subject referred to the accounting methodology followed by UNDP and the composition and inadequacy of the Operational Reserve. One member stated that his Government attached great importance to UNDP and would therefore hope that the Committee could advance a long-term solution to the UNDP financial problems so as to avoid future recurrence. He stated that any reduction in the programme should be carefully planned, be kept at a minimum and be viewed on a global basis rather than by region or by country.

323. One member noted the decrease in percentage terms of the contributions covering 1972-1976 and urged other countries to increase their contributions to UNDP by 15 per cent per annum as suggested by the General Assembly. ^{18/} Other members supported the appeal of the Administrator to Governments to make additional contributions. It was stressed by those members that such an appeal should first

^{18/} Resolution 2973 (XXVII).

of all be addressed to the traditional donors whose contributions were lagging behind and to developing countries which were in a position to increase their contributions to the Programme. In summing up the feeling on the item, it was noted that the UNDP financial difficulties were real and that they might well continue into the next programme cycle.

324. Others opposed increased contributions as a means to resolve the UNDP financial situation and requested instead that UNDP should take specific measures, not only with respect to Programme cuts but measures to improve its information flow and managerial capabilities, before increased voluntary contributions could be expected. Several members expressed concern about certain administrative and managerial weaknesses in UNDP which they felt should be corrected. The rising administrative costs were cited by a number of members as a cause for concern.

325. An analysis of the financial situation was presented which stated that there was no crisis or possibility of imminent collapse of the Programme and went on to point out that resources had increased from \$300 million to \$494 million from 1972 to 1976, and that the problem which existed was in terms of lagging programme delivery. The same point could be highlighted by the fact that inefficient financial planning by the Administration had led to the current financial problem and it was strongly suggested that new and improved financial techniques and better qualified staff be utilized to forecast planned expenditures to match the actual inflow of resources with expenditure outflow. The difference between the planned programme figures and available resources was attributed to the chronic crisis phenomena which surrounded the operations of financial market economies.

326. The general view was expressed that the current financial problems of UNDP had far-reaching implications and, notwithstanding the short-term recovery made over the past weeks, it was felt that the future of the Programme could well be at risk unless certain major policy decisions were taken by the Council at its current session. Several members expressed their concern over the measures adopted by the Administrator to curtail expenditure by pointing out that a reduction in the programme would run contrary to resolution 3362 (S-VII), adopted by the General Assembly at its seventh special session, while other members felt that, under the circumstances, the Administrator would be well advised to continue his efforts to keep the 1976 level of expenditures within the limits of available resources since the possibility of additional contributions for 1976 was highly remote. Continuing on the subject of possible cut-backs in the programme for the year 1976, the views were expressed that, should a reduction in the programme become necessary, it could only be achieved through well-established criteria and after close consultation with recipient Governments.

327. Among some of the matters of general concern registered in the Committee were:

(a) The lack of timely information flow within the United Nations development system, which hampered its management processes;

(b) The need for closer and more frequent dialogue between the UNDP Administration and participating Governments;

(c) The immediate need for UNDP to take measures to reduce overhead and administrative costs;

(d) The need for closer links between the programming activities and the financial activities of UNDP.

328. Some members noted that there was an urgent need for UNDP to strengthen its financial management procedures so as to effectively monitor the programme and to avoid future financial problems. In that connexion, one member requested that a report on the progress made in that area be submitted to the Governing Council at its twenty-second session. A number of members also made reference to the current UNDP policy whereby several programmes were approved in advance of resources and pointed out that the success of such a policy depended upon sound and precise forward planning. On the other hand, however, some members recognized the difficulties faced by the Administrator as a result of the policy guidelines established under the IPF system. Other members felt that the IPF system as established by the Consensus should be maintained.

The UNDP liquidity position

329. All members that spoke reviewed that point in their remarks. Some felt that the increased cash outflow of \$141.4 million in 1975 was in part due to increased administrative costs, certain inefficiencies in financial controls, and the granting of too many fringe benefits to short-term experts. Others viewed the increased cash flow as a positive factor, since the Governing Council had requested increased delivery of the programme during 1975.

330. In summarizing the conceptual framework for the discussion of the item as it appeared to most of the members, it was noted that it was separated into short-term and long-term components. On the short-term aspect, some countries favoured obtaining additional contributions to tide the Programme over until the end of the first cycle. Such additional contributions, it was added, might appropriately come first of all from traditional donors whose contributions were lagging behind and from developing countries in a position to contribute to the Programme. Many members called for the early payment of 1976 voluntary contributions and several countries called for establishing the end of the first quarter of 1976 as a deadline for the payment of pledges. Two members supported the utilization of all non-liquid assets currently included as part of the Operational Reserve in order to overcome the liquidity problem. More specifically, the assets referred to as a part of the Operational Reserve were the letters of credit and short-term interest-bearing notes.

331. Other solutions were suggested for solving the short-term problem, such as forgoing IPFs by the better-off recipient countries, assuming more of the cost of local offices and greater use of cost sharing wherever possible. Countries at the higher end of the per capita GNP scale were urged to maximize their efforts to reach the net contributor status, thus forgoing their respective IPFs, which would in turn increase available resources. One member felt that the Council should have been provided with a report on the short-term liquidity position so that the Committee could have been better informed as to the steps to be taken by the Administrator in coping with the matter.

332. While all members agreed that resolving the short-term and possibly the long-term financial difficulties of UNDP was necessary, a few members raised objections to the suggestion that those countries nearing net contributor status should make a special effort to reach that status in view of the liquidity problem. Those members felt that such a request could be interpreted as calling into question the voluntary nature of the Programme.

333. However, most members felt that for 1976, UNDP and the agencies would have to live within the means and resources available. A number of members suggested that savings in overhead and administrative costs should receive first priority before programme costs were reduced.

The composition and the level of the Operational Reserve

334. The concept underlying the Operational Reserve and the definition of the Reserve was provided to the Committee by the Director of the Division of Finance. He explained that it was an assignment of assets which were contained in the balance sheet for the purposes of the Reserve, and which were not to be used for working capital purposes; the composition of the Reserve was subject to change from time to time.

335. A number of members suggested that the liquid and non-liquid portions of the Operational Reserve could be used up for programme delivery purposes and/or for covering the short-term deficit forecast. Some members were opposed to an increase in the Operational Reserve but urged that it should be made liquid. It was felt that the first task was to bring the Reserve back up to its \$150 million level, exclusive of non-liquid assets, before further increases in the Reserve were discussed. One member also suggested that, in addition to building up the liquid portion of the Operational Reserve, further obligatory reserves should be included in each country programme as was suggested in the Jackson report. ^{19/} Most members were opposed to an increase in the current level of the Operational Reserve or did not see the need to go as high as the \$400 million level proposed by the end of the second development cycle, 1977-1981, as recommended by the Administrator. Several members questioned the inclusion of non-convertible currency in the Operational Reserve.

336. The Assistant Administrator, Operations and Procurement, referred to the discussions in the Council, going back to about 1970, concerning the composition of the Operational Reserve and stated that, following the adoption of the Consensus, ^{20/} discussions had been held with one donor Government whereby it had been agreed to include a portion of the Government's pledge which was in non-convertible currency as part of the Operational Reserve. The Assistant Administrator went on to state that the non-liquid portion of the Operational Reserve, which members were requesting should be available to be used in the Programme, was not a readily usable source of funds for UNDP operations.

^{19/} A Study of the Capacity of the United Nations Development System (United Nations publication, Sales No. E.70.I.10).

^{20/} General Assembly resolution 2688 (XXV), annex.

337. Paragraph 28 of the Consensus was noted, which required that all financial resources of the Programme were to be available at all times to the maximum possible extent for programme purposes. The Committee was urged to take a decision on the subject which would require the full utilization of all not readily usable currencies made available to the Programme. It was emphasized that the matter was of paramount importance before deciding upon the level of the programme to be carried out in 1976. In the absence of a solution to the problem, the Committee would be merely passing the dilemma on to the plenary meeting of the Council without making a proper recommendation. Opposition was expressed to the fact that non-convertible currencies should form part of the Operational Reserve and it was stated that steps should be taken to ensure that no such funds were transferred in the future to the Operational Reserve, which was indispensable for the financial integrity of the Programme in accordance with paragraphs 28 and 29 of the Consensus.

338. It was urged that the not readily usable currencies currently forming part of the Operational Reserve be transferred to the Programme's working capital by the Council in order to meet its operational needs over the next 12 months.

339. The ramifications on the Programme of reversing or calling upon UNDP to ignore the decision of the Administrative Committee on Co-ordination on the new system of the currency of salary payments were requested.

340. The representative of UNDP stated that moving not readily usable currencies into working capital from the Operational Reserve would not, on its own, solve the problem confronting UNDP. Such a move would only represent a shift in assets through a book-keeping entry by UNDP unless the assets were definitely convertible into liquid form.

Utilization of certain non-convertible currencies

341. Most members agreed with the out-going Administrator's efforts to utilize the accumulated non-convertible currencies. A number of members urged those countries which were providing most of the non-convertible currencies to UNDP to further assist the Administration in utilizing those currencies, possibly by providing other currencies in exchange for their national currencies from any excess they might have of the currency of a developing country. It was also suggested that at least 50 per cent of the accumulated non-convertible amounts cited in table 5 of document DP/155 and Corr.1 should be made convertible as suggested in the Administrator's opening statement.

342. Several members saw no reason to allow the full conversion of their national currencies but stated that they would work closely with UNDP to obtain greater utilization of the \$31 million accumulated non-convertible currencies. Some members strongly opposed the labelling of non-convertible currencies as difficult to use, and stated that the Administrator was not making enough of an effort to utilize the national currencies which had been contributed for technical assistance. Objections were stated to connecting non-convertible currencies with the UNDP liquidity problem, since non-convertible currencies had the same real value as other currencies being held by UNDP and all currencies should be utilized in the same manner. The same point was endorsed by several other members whose currencies were also part of the accumulated non-convertible currency holding of UNDP shown in table 5 of document DP/155 and Corr.1.

343. In discussing the possible methods of utilizing non-convertible currencies, the Assistant Administrator, Operations and Procurement, briefly summarized the special efforts made in the past to utilize the contributions of those countries whose currencies were non-convertible, and he explained the limited results achieved.

344. A number of members urged the countries providing non-convertible currencies to continue to co-operate and assist UNDP to utilize available funds. It was noted that UNDP provided development and technical assistance and should not be used to sell the goods and services of donor countries. Additional comments were made that one possible way of utilizing more non-convertible currencies would be to use the funds to provide technical co-operation among developing countries. Others suggested that the universality of the Programme should not be jeopardized because pledges were made in non-convertible currencies, and thus conversion privileges should be provided to UNDP by those countries. One member noted that expending hard currencies solely for the purpose of utilizing non-convertible currencies should be avoided. Another member noted that the objective was not to use such currencies at any price but only when they would not compromise the efficiency of the Programme or short-circuit the normal procurement mechanism and standards. Another point noted in the discussion was that in all the UNDP efforts to use more non-convertible currencies, the implication was that in some cases, the recipient countries were not aware of the additional technical assistance available through the use of non-convertible currencies. The member urged all recipient countries to accept more projects where the utilization of non-convertible currencies was possible. In commenting upon that subject, one member felt that the utilization of non-convertible currencies was an administrative matter, and did not constitute the kind of problem that the Administration was trying to convey. The member went on to say that UNDP should continue to abide by the decision of the Governing Council at its twentieth session,^{21/} and that no further time be devoted to this matter. One member commented that the formula adopted by a developing socialist country offered such flexibility and advantage, in that contributions in its national currency were readily converted to any other required currencies where usage of its services and supplies involved expenditures in those countries.

345. In replying to additional questions on the subject, the Assistant Administrator advised members that the acceptance of non-convertible currencies was not strictly within the Financial Regulations and Rules of UNDP. He referred to Regulation 6.4, which stated that voluntary contributions should be provided in readily usable or convertible currencies. He recognized that the rule had not been applied rigidly, but stated that it might become necessary to do so, which would lead to the exclusion of sizable voluntary contributions. He also reiterated the Administrator's view that the best solution to the problem would be to return to the system of reversion. He also pointed out that UNDP found that all special arrangements to increase the use of roubles were costly, inconvenient and time-consuming. Several members stated that due to the voluntary character of UNDP, they had the right to make their pledges in their national currencies. One member said that the statement of the Assistant Administrator in connexion with his understanding of Regulation 6.4 and his allegations that arrangements for using non-convertible currencies were costly and time-consuming might discriminate against a large group of countries.

^{21/} See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A, para. 361.

346. Many members endorsed the Administrator's request to call upon Governments having non-convertible currencies to allow UNDP full reconversion privileges for all amounts of national currency purchased for programme purposes, in those cases when the recipient country's pledge was received after UNDP had purchased that country's currency for use in its country programme. The Director of Finance assured the Committee that UNDP would continue to discuss the matter with the countries involved.

Unpaid contributions as at 31 October 1975

347. All countries strongly supported the early payment of all outstanding obligations, and agreed that the erratic nature of payments to UNDP contributed to a large extent to the short-term and long-term financial difficulties of UNDP. Members appeared divided on the suggestion that the President of the Governing Council, assisted by a small group of representatives from other Governments, be requested to undertake special efforts to collect outstanding receivables. Some members indicated that they could support such a proposal, especially if it was enlarged to cover other related matters, including steps to initiate negotiations between member Governments with a view to establishing the total amount of financial resources to be placed at the disposal of UNDP and the distribution of that amount among the various member countries.

Oral report by the Chairman of the Committee

348. Following the conclusion of the discussion on agenda item 9 (a) in the Budgetary and Finance Committee, the Chairman of the Committee was requested to report orally to the Council in plenary and to summarize the views expressed in the Committee, so as to facilitate consideration of agenda item 17, which was closely related to agenda item 9 (a) (see chap. VI above).

Decision of the Governing Council

349. At its 515th meeting, on 4 February 1976, on the recommendation of its Budgetary and Finance Committee, the Governing Council adopted the following decision on item 9 (a):

The Governing Council,

Mindful of the financial situation of UNDP,

Bearing in mind the need to institute administrative economies as a means of providing the maximum volume of funds for the field programme,

(a) Requested the Administrator to take appropriate action to reduce the top-heaviness of the UNDP management structure at headquarters and, in view of the current financial restraints on the Programme, to limit promotions to the most deserving cases and to reclassify posts during 1976 only on a highly selective basis and to stabilize the number of positions occupied during 1976 at the number occupied on 1 January 1976;

(b) Requested the Administrator to ensure that all travel by UNDP headquarters and field staff would be limited strictly to that essential for the effective and efficient operation of the Programme and to further ensure that proper over-all control over travel was exerted within UNDP headquarters and, at the same time, requested the Administrator to seek the co-operation of the agencies to ensure that all travel, but particularly official travel and mission area travel, by their project staff was substantially reduced;

(c) Requested the Administrator to be guided by the provisions of General Assembly resolution 3198 (XXVIII) regarding standards of accommodation for official travel of United Nations staff;

(d) Requested further that the Administrator hold discussions with the agencies with a view to establishing a mechanism whereby resident representatives might exert greater control over the travel of all project staff in their areas.

B. ITU REQUEST FOR SPECIAL OVERHEAD REIMBURSEMENT

350. The Budgetary and Finance Committee, in considering agenda item 9, had before it document DP/165, which contained the background and circumstances resulting in the request by ITU for additional overhead reimbursements totalling \$369,000 for the years 1973 and 1974.

351. The Assistant Administrator, Operations and Procurement, informed the Committee that the Administrator had been able to give his early and personal attention to the matter. He was of the opinion that the impressive performance of ITU in implementing programmes and projects deserved special consideration. He therefore recommended that the Committee view the request favourably.

Summary of discussion in the Committee

352. During the discussion, a number of members felt that the ITU request should not be considered as a precedent for future similar submissions by other agencies. Some members felt that the Joint Inspection Unit report on the ITU financial situation should have been provided to the Council, and others felt that the Advisory Committee on Administrative and Budgetary Questions (ACABQ) should be requested to comment on the matter. Several members pointed out that UNDP should scrutinize more carefully the administrative budgets of agencies which received special overhead amounts.

353. Most members felt that since ITU expenditures for the year 1973 were less than the \$10 million considered by the Council as the expenditure ceiling for the smaller agencies, the adjustment requested for 1973 could be granted. The Committee postponed action on the request for the year 1974 pending receipt of the views of ACABQ and decided to re-examine the criteria relating to the reimbursement of overheads to smaller agencies.

Decision of the Governing Council

354. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Authorized the Administrator to make a special overhead reimbursement of \$232,194 to the International Telecommunication Union in respect of the request relating to 1973;

(b) Decided to consider the request relating to 1974 at its twenty-second session in the light of a review to be undertaken by the Advisory Committee on Administrative and Budgetary Questions and to re-examine the criteria relating to overhead arrangements for smaller agencies.

C. UNDP SUPPLEMENTARY BUDGET ESTIMATES FOR THE YEAR 1975

355. During its consideration of agenda item 9 (b), the Budgetary and Finance Committee had before it the Administrator's supplementary budget estimates for administrative and programme support services for UNDP for the year 1975 (DP/150), and the related comments of ACABQ (DP/169).

356. In introducing the item in the Committee, the Director, Division of Finance, recalled the Administrator's opening statement in which he referred to the supplementary budget estimates and the reasons they were needed. The Director also referred to the 1976 budget estimates (DP/125 and Corr.1) which were before the Council at the twentieth session and which had indicated that certain other increases amounting to some \$2.1 million had become or were expected to become effective before the end of 1975. The Committee was informed that the information on which that estimate was based was already lagging by some months and that had contributed to the discrepancy between the originally estimated amount and the \$2.9 million now requested. He also stated that amendment of the Financial Rule on the submission of supplementary estimates had been sought at the twentieth session. The Council had then taken note of the requested amendment to permit submission of supplementary estimates at any session of the Council and decided to re-examine the question at its twenty-first session.

357. The Director, Division of Finance, stated that the major items included in the request for a supplementary allocation were explained in paragraphs 7 to 12 of document DP/150 and particularly mentioned that salary items such as post adjustment classifications, New York General Service salary rates and the locally recruited field staff salary rates were all of a mandatory nature.

358. He then referred to travel on appointment, reassignment and separation, for which a supplementary allocation of \$895,000 was requested. The Administration had explored the item in considerable depth to find out just what had occurred. The 1975 estimates were prepared early in 1974 for submission to the eighteenth session of the Council. At the time of preparation, the final accounts for 1973 were unavailable and the amount requested was largely based on costs and movements for a period when the decentralization process was beginning to accelerate, and in the absence of indicators from the 1973 expenditures the estimates did not take into account the larger number of transfers then occurring. With hindsight, and after the in-depth investigation of the causes, it was plain under-budgeting, which was illustrated by the fact that the 1974 budget for the item was \$1.5 million, and, with the supplementary allocation now requested, about the same figure for 1975.

359. He stated that, although the accounts for 1975 were not yet fully closed, preliminary figures gave firm indications that the amount requested had been incurred. The appointment and reassignment travel was considered important and necessary, but the need for additional control and the exercise of particular prudence in that area of expenditure had been underscored. Assurances were given that the control system would be very carefully reviewed to ensure that future expenditures were contained within the approved level.

Summary of discussion in the Committee

360. Members identified the two separate questions requiring consideration as, first, the budget process and the amendment of Financial Rule 111.8 and, second, the approval of the 1975 supplementary budget estimates. Regarding the amendment to the Financial Rule, members expressed the view that the practice of submitting supplementary requests for expenditure already incurred was not a proper procedure. They were also concerned at continued increases over the approved levels and a possible loss of control by the Governing Council were the Financial Rule to be amended. It was stated that the approved estimates could, as had been done in the past, be adjusted in June of the current year for known or then anticipated changes. In that connexion, concern was expressed at the number of times the budget estimates for the same year were considered by the Council: June for the following year, January for the current year, June on a supplementary basis for the current year and yet again in January but as ex post facto for the preceding year.

361. With respect to the 1975 supplementary estimates, the point was made that under the circumstances members were presented with a fait accompli and had little choice but to approve the request. However, opinions were expressed that the Administrator should remain within the approved budget, that expenditure on travel should have been related to the level approved for it, and that much stricter controls were necessary. The financial difficulties which UNDP was experiencing must have been known to the Administrator and yet expenditure on trips and overhead costs were increased when, instead, savings should have been realized.

Observations of the Administration in the Committee

362. Responding to the comments made in the Committee, the Director, Division of Finance, stated that it was the feeling of the Administration that the Committee should take a decision on the proposed change in Financial Rule 111.8, while fully recognizing the difficulties it caused. He mentioned also that the application and interpretation of rules was flexible in special circumstances; he certainly would not rely on the fact that it had happened before as a precedent, but UNDP had been faced by circumstances beyond its control, additional to those approved by the General Assembly, namely the New York General Service salary rate increases and increases to UNDP locally recruited field staff.

363. The Director assured members that the views of members regarding budget containment would be taken very seriously indeed and that the Administrator would do his best to live within the approved budgets. Since it appeared that the preference of members was to leave the Financial Rule unamended, he asked the Committee to consider the request for a supplementary 1975 appropriation as an exception to the Financial Rule.

Decision of the Governing Council

364. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council adopted the following decision:

The Governing Council,

After considering the report of the Administrator (DP/150) and the related report of the Advisory Committee on Administrative and Budgetary Questions (DP/169) on the supplementary estimates for the year 1975, in particular paragraph 6, in

which the Advisory Committee stated that it trusted that future estimates for travel on appointment, reassignment and separation of staff would be based on a careful assessment of requirements and that the necessary internal procedures would be established to ensure that the approved credits were not overspent,

(a) Decided to maintain UNDP Financial Rule 111.8;

(b) Decided to approve as an exception to UNDP Financial Rule 111.8 the 1975 supplementary budget estimates of \$2,956,000 (net) for administrative and programme support services of UNDP, as contained in document DP/150 bringing the total amount approved for 1975 to \$52,429,300 (net) under the following appropriation sections:

	<u>Amounts appropriated at the eighteenth and nineteenth sessions</u>	<u>Increase (Decrease)</u>	<u>Revised appropriations</u>
	\$US	\$US	\$US
Section 1 - Salaries and wages	36,023,900	940,500	36,964,400
Section 2 - Common staff costs	13,382,600	1,557,700	14,940,300
Section 3 - Travel and transportation	1,603,100	40,000	1,643,100
Section 4 - Permanent equipment	785,900	-	785,900
Section 5 - Other general expenses	5,324,300	137,400	5,461,700
Section 6 - Special expenses	1,792,000	-	1,792,000
<u>Total gross</u>	<u>58,911,800</u>	<u>2,675,600</u>	<u>61,587,400</u>
<u>Less:</u>			
Section 7 - Estimated income	9,438,500	(280,400)	9,158,100
<u>Total net</u>	<u>49,473,300</u>	<u>2,956,000</u>	<u>52,429,300</u>

(c) Authorized an additional allocation of \$2,956,000 (net) from the resources of UNDP to finance those supplementary estimates.

D. UNDP BUDGETARY REQUIREMENTS FOR 1976 AND GENERAL OUTLINE OF BUDGET ESTIMATES FOR 1977

365. Agenda items 9 (c) and (d) were considered together in the Budgetary and Finance Committee, which had before it the Administrator's report on the budget estimates and staffing requirements for administrative and programme support services for 1976 (DP/149), the general outline of the budget estimates for administrative and programme support services for 1977 (DP/160), with an addendum relating to the United Nations Volunteers (DP/160/Add.1) and supplementary information presented during the Council's session on measures to reduce UNDP administrative and programme support services costs in 1976 and 1977.

366. The Deputy Administrator (Administrative) introduced those budgetary items by referring first to document DP/149, submitted in response to the request of the

Council at its twentieth session 22/ that the Administrator report to the Council at its twenty-first session regarding reductions in posts for 1976 and postponements of the reclassifications as announced at the twentieth session.

367. The Deputy Administrator explained that the distribution of the reductions announced at the twentieth session had been identified, as were an additional seven posts, which number the Administrator had since reduced; they were detailed in document DP/149 along with the distribution of the postponed reclassifications. He explained that the reduction of some \$250,000 recorded in the decision of the Council was not a larger amount due to the fact that the original estimates in document DP/125 and Corr.1 had envisaged phased recruitment during the year, as the posts had not been budgeted for the full year.

368. Regarding the general outline of the 1977 budget estimates (DP/160), he drew attention to the difficulties in estimating for a period 12 to 24 months in advance, due particularly to the problems of the effects of inflation, currency fluctuations and mandatory increases. Although the effects of inflation had been estimated for budgetary purposes at some 7 to 8 per cent in 1976, no definite rate had yet emerged. It was currently felt that the rate might be somewhat less. He noted the studies of the Fifth Committee of the General Assembly on the effects of inflation, which UNDP would follow closely. He confirmed that no increase in the 1977 administrative costs had been calculated in substance.

369. The Deputy Administrator referred to the supplementary information provided on measures to reduce administrative and programme support services costs, in which savings of \$2 million for 1976 and \$4 million for 1977 were specified. Those measures represented a first response to the general concern expressed at the informal meeting of the Governing Council on 11 December 1975. They would have the effect of reducing the 1976 budget to some \$56 million for 1976 and \$58 million for 1977. The Deputy Administrator emphasized that the reductions did not reflect a surplus of staff but were an extreme measure to effect economies in a difficult situation. He assured the Council that the UNDP capacity to support and monitor the projected level of the field programme would not be adversely affected, at least in the short term. The time frame to reach full implementation of having 60 internationally recruited posts vacant, approximately 10 per cent of the total international posts, was given as the 18-month period up to mid-1977.

370. Reference was made to the filling of vacant posts wherever possible by redeployment of existing staff, and the planned reduction of annual reassignments to 120, which was considered the minimum for an organization with 400 international professional posts in the field. The Deputy Administrator informed the Committee of the Administrator's plan to submit for consideration of the Council at its twenty-second session a report on the role and financing of senior advisers. He also reported that special efforts had started and would be continued to obtain increased contributions from Governments towards local office costs. The Administration would welcome a decision in principle on a formula to limit local office costs, since potential savings of some \$3 million annually had been calculated by applying the criteria of a GNP of more than \$500 and 10 per cent of the annual IPF for the next cycle as the maximum local office cost. The Administrator would also report to the twenty-second session on the possibility of charging for services rendered to other organizations.

22/ Ibid., para. 393 (d).

371. The Deputy Administrator referred to the report of the 25 members of the Group of Experts on the Structure of the United Nations System, 23/ which had recognized the Resident Representative's key role as a co-ordinator at the country level. UNDP had over 100 field offices, the average cost of which was \$400,000. It might be possible to reduce the number of field offices by consolidating offices on a regional or subregional basis, but even if 10 offices were closed, the savings generated would not be more than in the order of \$2 million. Some work would have to be distributed to neighbouring offices, which might require strengthening and consequently reduce the over-all savings to an extent. Other possibilities would be to concentrate on fewer and larger projects, eliminate functions, accelerate where human resources and capacity were available the transfer of some functions to the counterpart Government agency and/or the further transfer of certain headquarters' functions to the field, with some concomitant improvement in the use of personnel and reductions in costs.

372. The Deputy Administrator appealed to the Committee to give the new Administrator time to consider fully the measures he would like to take. It would be valuable for the Committee to indicate guidelines for the further work to be undertaken in reducing the administrative and programme support services costs.

373. The Co-ordinator of the United Nations Volunteers (UNV) programme introduced document DP/160/Add.1 by stating that, due to the current financial situation, UNV found itself in a difficult position in placing volunteers in the least developed countries. Since the UNV programme's inception, various measures had been taken to fund intercountry costs of volunteers, but to date no adequate solution had been found to meeting those costs in the least developed countries. Currently, the Programme Reserve was being used, but as explained in document DP/166, it was not felt that that was an appropriate long-term source.

374. The problem had been raised at the twentieth session of the Governing Council, where funding the in-country costs either from the IPFs or from a special budget drawn from UNDP general funds was considered. No decision was taken, on the understanding that the 1976 costs could continue to be met from the Programme Reserve.

375. The current financial situation of UNDP was such that only \$1 million would be available from the Programme Reserve to cover the in-country costs in 1976. At the current average cost of \$7,000 per year per volunteer, that would not even cover those volunteers already in the field in the least developed countries. Given the Council's target of 500 volunteers in the field, with a concentration on least developed countries, and given that during the current financial situation an increasing number of volunteers were being sought by the least developed countries to maintain ongoing projects, the Administrator was requesting the Council's agreement to the use of the UNV Special Voluntary Fund to cover those in-country costs in least developed countries which could not be met from the Programme Reserve.

376. During the past few years, UNV had been able to build up a small reserve in the fund and that, coupled with expected 1976 contributions, would permit the

23/ A New United Nations Structure for Global Economic Co-operation
(United Nations publication, Sales No. E.75.II.A.7).

continuation of a normal programme of placement in 1976, including the recruitment of some 50 per cent of the volunteers from developing countries.

377. In the meantime, discussions were continuing with a number of delegations on the preparation of a proposal for long-run funding which would be submitted to the Governing Council at its twenty-second session. It was stated that the terms of reference of the Special Voluntary Fund would permit that action to be taken by administrative decision. However, as it had become established practice to use the bulk of the fund for recruitment in developing countries and many countries had made donations on the understanding that funds would be used for that purpose, it was felt that the question should be put to the Council.

378. The Administrator thus asked that the short-term proposal be accepted, pending the discussion of a long-term solution in June.

Summary of discussion in the Committee

379. In the extensive discussions which followed, many members commented on the fact that the original documentation had been overtaken by events. Many noted with satisfaction the efforts already taken to secure economies and the serious consideration already given to find ways to achieve that without harmful effects to the quality of the Programme and without impairment of efficiency. A number of members saw the supplementary information provided during the session as a first step only and looked forward to a report at the twenty-second session on further reductions. Mention was made by several members of the 20 per cent cut in programme; while recognizing the difficulty of cutting administrative costs by the same 20 per cent and still maintaining the capacity and efficiency of the Programme, they looked forward to further reductions, taking into account the financial situation and the need to find savings in all parts of the budget. Several members stated that they could agree to the reductions in administrative costs proposed by the Administrator as long as the efficiency of UNDP was not impaired.

380. Views were expressed on a number of specific items, particularly international travel, which must not again be the subject of a request for a supplementary allocation. It was hoped that the contacts of Resident Representatives with executing agencies would not suffer too much and that much more international travel in connexion with reassignments would be coupled with home leave travel.

381. Concerning the transfer of some functions from field offices to counterpart agencies of Governments, it was noted that not all countries had the available human resources and that consideration should be given to the implications on increased local costs to Governments. UNDP should explore the question of the transfer of functions, but full weight must be given to the efficiency of the Programme.

382. On the question of inflation, it was noted that the Fifth Committee had requested the Secretary-General to provide the General Assembly at its thirty-second session with a report on a common methodology to determine the impact of inflation on programme budgets. Pending receipt of that report, it was suggested that the Administrator be allowed to determine the inflation rate. From 1978 onwards, the Administrator should be guided by the study.

383. There was considerable discussion on UNDP local staff salaries in many field offices, which were stated by members to be much higher than salaries paid by the private/public sectors to personnel with similar qualifications and experience. The question should be considered carefully by the Administrator and efforts be made to bring the emoluments of local staff into line with the local practices. Under the current stringent financial circumstances, UNDP need not pay the best prevailing rate, but pay the average rate, particularly as UNDP should not disrupt the salary structure in the area.

384. Sectoral support was a subject which drew comments from many members, who recalled that it previously had been discussed at great length in the Council. It was considered an important question of principle which should be the subject of further consultations by UNDP, not only with the United Nations Industrial Development Organization (UNIDO) and the Food and Agriculture Organization of the United Nations (FAO), but also with the larger agencies such as the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the International Labour Organisation (ILO). In the light of the new circumstances of UNIDO and views recently expressed in the FAO Conference, it was reasonable to review the financing of the sectoral advisers. Members stressed the need for full documentation on the role and purpose of sectoral support for consideration at the twenty-second session of the Council.

385. The representative of the Universal Postal Union (UPU) stated that his agency was one of the smaller agencies and requested that special consideration be given to the smaller agencies so that their role was not overlooked. He felt that the size of certain countries precluded large postal projects, and it was the hope of UPU that that would not preclude them from continuing to give assistance as requested by all countries, particularly the smaller and the least developed countries.

386. On local office costs, there was general agreement that that was an area which could offer some relief to the UNDP administrative and programme support services budget. It was thought quite logical for countries at the upper end of the GNP scale to pay more of the local office costs. Whether the country's share should be related to the IPF or placed on a percentage cost basis was still a question; in any event, it should be subject to negotiations with concerned countries and might be varied with the capacity to pay. It was suggested that the functions should be looked into very carefully; there were certain functions where a regional or subregional approach might be appropriate. If those countries would voluntarily take on more costs during the current year and pending the outcome of the more protracted negotiations, much needed savings for the 1976 budget could be achieved.

387. Concerning reimbursement for services rendered, it was agreed that that was an area which should be given attention. The magnitude of the sums involved was not yet available and that information was needed to decide whether or not the full costs should be charged to agencies.

388. The role of the Resident Representative, recognized by the Group of Experts as leader of the team, was also stressed.

389. There was a consensus that the new Administrator's hands should not be tied; he should be given the opportunity to take a close look at the whole administrative

set-up and to determine for himself what was currently needed and left with the options as to what cuts he should make. Members looked forward to the report to the Council at its twenty-second session, which should indicate the Administrator's detailed recommendation for the organizational structure of UNDP with a view to decreasing costs in the light of the comments in the Governing Council and in the Committee. Several members commented on the top-heaviness of UNDP as currently constituted and saw the advantage of more lower-grade professional personnel, balanced by a limited number of senior staff. A number of members pointed out that a concentrated effort was required in the co-ordination of more effective financial and programme planning, monitoring and reporting, and sought an assurance, which was given, that the current cuts would not affect those activities

390. As to staff requirements, it was agreed that that subject would be under the particularly close scrutiny of the new Administrator. Members commented on the need to redeploy and make the most efficient use of existing staff resources and on the inadequacy of the current documentation and the need to identify price and volume increases in the budget estimates for the following year and to express movements in relative percentage terms. More needed to be done to make the budget serve as a planning management tool. Several members sought a long-term perspective of staff requirements for the second IPF cycle as a whole. It was stressed that any staff reductions should be realistic and not at the expense of the Programme. Several members suggested a freeze on recruitment, but that was not insisted upon, as the Administrator's report to the Council at its twenty-second session would be largely built around the personnel needs of UNDP and would be framed in the light of comments of members both in the Governing Council and in the Committee. Members also noted with satisfaction the moves towards the replacement of international by local staff, particularly as in many countries the local experience was growing in areas such as programme planning and monitoring. It was thought that both the Administrator and the Resident Representative could benefit from that process.

391. During the discussion on UNV, a number of members supported the proposal made in document DP/160/Add.1 as an interim measure. Several suggested that in the longer term in-country costs of volunteers should be met from the IPFs.

392. During the discussions, the representative of the Netherlands announced a contribution of \$125,000 to the United Nations Volunteers Special Voluntary Fund for 1976, of which \$100,000 was to finance the recruitment of volunteers from developing countries to work in least developed countries, and \$25,000 for experimental youth projects.

393. One member requested an over-all report on the role of young men and women in UNDP-financed projects and asked that discussions on the financing of UNV at the twenty-second session of the Governing Council take place in the context of an examination of the roles of volunteers and associate experts.

394. Another member made the point that countries should not be forced to take volunteers.

Observations of the Administration in the Committee

395. In reply to the several comments by members that the documentation was outdated and inadequate, the Deputy Administrator (Administrative) stated that the

supplementary information presented during the session, agreed to by both the out-going and the new Administrator, represented only the first efforts of the Administrator to respond to the views expressed at the informal meeting of members of the Governing Council on 11 December 1975. The report on the general outline of the 1977 budget estimates was very brief because the out-going Administrator wished to give the new Administrator maximum flexibility in meeting his responsibilities.

396. Regarding the level of local salaries, the Administration would probably be in a position to make a first report in June on the effort to produce a workable solution of some of the problems referred to by some members. The average cost per local staff member was approximately \$3,000; therefore, the average cost ratio for professional to local staff was 1:15.

397. The Management Review and Audit Division had reviewed about 40 per cent of the field offices over the last three years, and as a result local staff posts had been reduced in many of them. The trend to replace international staff with national professional staff was welcomed, as was the use of junior professional officers, at no cost to UNDP. The numbers of junior professional officers would be increased by about 30 in 1976 and that would be the peak as national professional officers gradually took on their duties. The Administrator initiated some time ago a programme to reduce the number of cars and drivers as a cost control measure.

398. Commenting on the possibility of reducing the UNDP administrative and programme support services budget to 11.5 per cent of the programme, the Deputy Administrator noted that many members had said that 1976, and perhaps 1977 too, were not the years to achieve that, but nevertheless that percentage or better should be the target over a period of time. It would be a matter of concern even at 11.5 per cent, that 11 cents of every dollar was used for administrative costs, but strenuous efforts had and would continue to be made to reduce administrative and programme support services costs for the years 1976 and 1977. Most members agreed that heavy reductions in the UNDP field staff, if implemented over the next six months, would be disruptive in recipient countries. That would be particularly true because of the heavy workload consequent on the rephasing of the projects and programmes during that period. Stronger cost containment measures could, however, be taken later when the liquidity position and programme delivery were better balanced.

399. When making staff reductions, the Deputy Administrator stated that efforts would be made to reduce more at headquarters than in the field. The plan would be to include annual reports to the Governing Council of savings and increased effectiveness as part of the budget documentation, which would also include information on increases/reductions in quantity and prices, expressed numerically and in percentages. The Administrator would report extensively on cost containment measures at the twenty-second session of the Council. The reduction in international travel would undoubtedly have some effect on the Resident Representatives' contacts with the executing agencies. In the short term, over the next 18 to 24 months, it was thought that those measures would be possible without harmful effects on the organization. Attempts would also be made to the extent possible to soften the impact of those measures on the field offices.

400. In connexion with the expressions of concern about the ability of Governments to take over some of the existing UNDP field office functions, the Deputy Administrator stated that that would be attempted only in the more developed of

the recipient developing countries and only after full consultations with the Governments concerned, with full regard to the infrastructure and human resource availability.

401. It was agreed by the Administration that it was important to co-ordinate programme and financial planning and control, as had been stated by many members. The Administrator had been working continuously to improve that aspect of UNDP's work, to simplify it and reduce costs wherever possible. Improvement in the information system would continue to be an area to which the Administrator would accord highest priority.

402. Regarding sectoral support, the Deputy Administrator referred to the interventions of several members who had recalled the lengthy discussions over a number of Council sessions on that issue. As requested, the Administrator would continue the dialogue initiated with UNIDO, would have discussions with FAO on the shared costs, and would also consult with UNESCO and ILO. A report in much more detail would be made to the Council at its twenty-second session. In response to the observations of the representative of UPU, the Deputy Administrator gave an assurance that the situation of the smaller agencies was recognized.

403. Referring to the suggestion for an absolute freeze on reclassifications in 1976, that question would be considered and possibly commented on by the Administration at a later meeting of the Committee or the Council. The Deputy Administrator was in agreement with the several members who had expressed the view that a freeze on promotions, particularly at the lower levels, would be unfortunate, but the views of the Committee and the Council would be reflected in attempts to keep promotions to the minimum. A ceiling had also been placed on the number of permanent contracts.

404. The Deputy Administrator referred to efforts being made to increase the number of women in professional posts and stated that 20 per cent of the new international professional appointees in 1975 were women. He mentioned also moves to increase the number of women as Resident Representatives or Deputy Resident Representatives. Gratitude was also expressed for some support given to the upgrading of the Staff Council post.

405. An assurance was given by the Director, Division of Finance, that the United Nations Volunteers Co-ordinator and his staff, the secretariat of the United Nations Capital Development Fund and the Special Unit for Technical Co-operation among Developing Countries would be presented differently in the 1977 budget. Those would continue to be shown separately under other activities as part of the UNDP administrative and programme support services budget, but the summaries and annexes containing the staffing proposals would also have a separate section including details on the above-mentioned secretariats and the Office for Projects Execution, with information details on the secretariat for the United Nations Revolving Fund for Natural Resources Exploration. It was also stated that the staffing strength of UNV, the United Nations Capital Development Fund, the Special Unit for Technical Co-operation among Developing Countries and the Office for Projects Execution might also be subject to some reductions.

406. In his reply to points raised in the discussion, the United Nations Volunteers Co-ordinator thanked members for their suggestions and undertook to prepare material on the role of young people in UNDP-financed projects as a background to the

discussion of long-term financing at the twenty-second session of the Governing Council. He assured the Committee that volunteers were placed only at the specific request of Governments.

Decisions of the Governing Council

407. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council adopted the following decisions:

I

The Governing Council,

After considering document DP/149 on the 1976 budget estimates for administrative and support services and supplementary information provided to the Council on measures to reduce UNDP administrative and programme services costs;

Requested the Administrator to submit to the Council at its twenty-second session a reduced 1976 budget for administrative and programme support services, taking into account the views and observations expressed in the Budgetary and Finance Committee during the twenty-first session of the Council.

II

The Governing Council,

After considering document DP/160 on the general outline of the budget estimates for administrative and programme support services for the year 1977 and supplementary information provided to the Council on measures to reduce UNDP administrative and programme support services costs,

Requested the Administrator to submit to the Council at its twenty-second session a 1977 budget for administrative and programme support services costs including an outline of the long-term staffing proposals for the second IPF cycle, taking into account the views and observations expressed in the Budgetary and Finance Committee during the twenty-first session of the Council.

III

The Governing Council

(a) Decided to approve, as an interim measure, the use of the United Nations Volunteers Special Voluntary Fund to finance the in-country costs of volunteers in least developed countries, pending approval of a permanent solution by the Governing Council;

(b) Requested the Administrator to submit a proposal on the long-term funding of in-country costs of the United Nations Volunteers programme to the Governing Council at its twenty-second session.

E. COST MEASUREMENT SYSTEMS

408. Under agenda item 9 (i), the Budgetary and Finance Committee had before it documents DP/152 and Add.1, which were introduced by the Deputy Director, Division of Finance. Outlining recent developments in the matter, he drew attention to some of the Joint Inspection Unit recommendations aimed at using cost measurement systems as a general management tool and measuring effective outputs of the services provided by the agencies. He also drew attention to comments by the Administrative Committee on Co-ordination, which had cautioned against costly and over-elaborate systems and had acknowledged that the different methods in use by various agencies might not produce over-all comparability.

409. The Deputy Director mentioned the UNDP Working Group which had analysed methodology, time scales and workload elements with respect to recruitment and procurement in a number of agencies and stressed the intention of UNDP to continue its own cost measurement work, with particular reference to the important workload in field offices not connected with UNDP-sponsored projects. In that respect, UNDP would be using simplified methods, based on sampling and the use of cost centres and accounting data.

410. With respect to the meeting of the Task Force of the Consultative Committee on Administrative Questions in November 1975, the Deputy Director reported that both larger and smaller agencies would produce some cost measurement data in 1976, but based on simpler methods than used in previous exercises. In that connexion, the Committee was informed that UNDP had reminded the Task Force of the Governing Council's requirements for the Administrator's report to the Council at its twenty-fourth session and the implications thereof on the agencies' cost measurement work in 1976.

Summary of discussion in the Committee

411. During the discussion which followed, several members of the Committee stated that the previous year's decision increasing overhead reimbursements to 14 per cent had been a temporary solution. Still, it had contributed to the liquidity crisis as it had meant a considerable rise in the Programme's administrative expenditures. Members had been able to go along with the increase, however, since the decision was accompanied by the important recommendation that agencies should continue cost measurement studies in order to find a better reimbursement formula, reduce overhead costs and increase efficiency. As the current flat rate reimbursement formula was not adequate, it would be necessary to have background data from a cost measurement study, and members deplored the apparent decline of interest in the agencies, since Governments should be entitled to some proof in the form of data on actual costs which could be supplied also to national audit authorities.

412. The same members also interpreted the temporary nature of the current 14 per cent reimbursement rate to mean that if a new formula were not adopted in 1977, a return in 1978 to the 13 per cent rate seemed to be the only alternative. These members attached much importance to the use of cost measurement as a tool to reduce overhead costs and increase efficiency since in the current circumstances they were reluctant to accept a continued rise in administrative costs. Agencies were consequently urged to introduce or continue to apply the cost measurement system.

413. One member expressed his desire to see the study on overhead expenses completed as early as possible and further expressed the view that overhead expenses should be reduced to a minimum and that agencies should be fully compensated by UNDP for those expenses.

414. The representative of UNESCO informed the Committee that UNESCO was starting to use the cost measurement system in 1976.

415. A number of members echoed or supported the statements summarized above.

Observations of the Administration in the Committee

416. The Deputy Administrator (Administrative) indicated that good note had been taken of the statements made during the discussion, which would be brought to the attention of the Programme Working Group meeting to be held during the first week of February. He felt that UNDP had been helped by the constructive statements of members.

417. The Deputy Administrator stressed the two functions of cost measurement studies: (a) as a management tool to increase efficiency by output-oriented studies and (b) as a basis for determining the rate of overhead reimbursement. In that connexion, he recalled his statement to the agencies in October 1975 alerting them to the fact that, while cost measurement decisions were up to the agencies themselves, the Governing Council would take a more negative view about future overhead reimbursements if meaningful cost measurement studies were not continued in some form.

418. As past studies had shown an average of 23.2 per cent in overhead costs in 1973, with wide variations among agencies, and taking inflationary trends into consideration as well, the Deputy Administrator underlined the further importance of receiving data on 1976 costs for the Administrator's report to the Governing Council at its twenty-fourth session, in which he would endeavour to present a more refined reimbursement formula than the current flat rate.

Decision of the Governing Council

419. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of the progress report of the Administrator on cost measurement (DP/152 and Add.1);

(b) Requested the agencies to study the continued use of the cost measurement system;

(c) Urged the Administrator to prepare, in consultation with the agencies concerned, detailed cost measurement studies to be submitted to the Council at its twenty-fourth session together with his recommendation regarding reimbursement of overhead costs after 1977.

F. SHORT-TERM CONSULTANTS

420. In introducing the item, the Assistant Administrator, Operations and Procurement, recalled that the initial reaction of the Governing Council to the Administrator's proposal a year ago, had been mixed. A year of experience indicated that that facility, while useful in the view of some Resident Representatives, did not seem to have established itself as an indispensable tool. In the light of the difficult financial situation, and in order to relieve the Programme from additional expenditure, the Administrator would accept the Committee's view if it should decide that the one year of experimentation was sufficient and that the scheme should not continue.

Summary of discussion in the Committee

421. In the discussion that followed, members drew attention to the comments made by the agencies. Others pointed to the results obtained, as reported by the Administrator. One member reiterated his delegation's view that granting authority to Resident Representatives to engage short-term consultants would duplicate agencies' work. Other members felt that the modality could continue but that in every case the Government should be consulted prior to the hiring of such consultants. Some members, while noting the Administration's willingness to discontinue the experimental scheme, expressed the view that the experience acquired so far did not seem to be sufficient and felt that the scheme should continue on a limited scale for at least one more year. Other members proposed that any consultants should be hired in consultation with the Government and with the appropriate executing agency.

422. The Assistant Administrator indicated agreement to continue the experiment for one more year on a more selective basis to respond to those cases where particularly important need was evident.

Decision of the Governing Council

423. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council, after having considered the report of the Administrator on short-term consultants (DP/159) and the views and observations expressed in the Budgetary and Finance Committee during the twenty-first session:

(a) Authorized the Administrator to continue to use short-term consultants, in consultation with the specialized agencies and the Governments involved, on a limited basis within a total annual expenditure ceiling of \$50,000;

(b) Requested the Administrator to submit a further report on the use of short-term consultants to the Council at its twenty-third session, with his recommendations as to the advisability of continuing that facility.

G. AUDIT REPORTS (UNDP AND UNFPA)

424. The Deputy Director, Division of Finance, introduced the item and stated that the UNDP accounts for the year ended 31 December 1974 had been prepared in the

format approved by the Governing Council at its nineteenth session and submitted to the General Assembly at its thirtieth session. The accounts were contained in documents A/10007/Add.1 and 7. 24/ Documents DP/143 and Add.1, and Add.1/Corr.1, DP/144 and Add.1 and Add.1/Corr.1 contained the accounts of the participating and executing agencies for the year ended 31 December 1974 for UNDP and UNFPA and were submitted to the Council as required under the pertinent financial regulations.

Summary of discussion in the Committee

425. In the discussion that followed, some members drew attention to the comments of the Advisory Committee on Administrative and Budgetary Questions on the lack of agreement which had existed in reconciling allocations and in the shortfalls in project delivery. Another member commented that the Governing Council did not receive the response by the Administration to the comments of the External Auditors until almost two years after the accounts had been published.

Observations of the Administration in the Committee

426. In response, the representative of the Administrator confirmed that the reconciliation referred to by the External Auditors had now been completed. He reassured the representatives that commencing in 1975 the Administrator's response to the External Auditors' report would be presented with the accounts for that year.

Decision of the Governing Council

427. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of documents A/10007/Add.1 and 7 of the General Assembly 24/ and of documents DP/143 and Add.1 and Add.1/Corr.1, DP/144 and Add.1 and Add.1/Corr.1 containing the audit reports of the participating and executing agencies of UNDP and UNFPA accounts as at 31 December 1974, and of the comments and observations expressed by the Committee thereon;

(b) Approved the accounts and audit reports as contained in the documents referred to above.

H. REVISION OF UNDP FINANCIAL REGULATIONS AND RULES

428. The Deputy Director, Division of Finance, introduced the item and stated that the Governing Council at its nineteenth session had approved amendments to

24/ Official Records of the General Assembly, Thirtieth Session, Supplement No. 7A and Supplement No. 7G.

the Financial Regulations and Rules ^{25/} concerning the submission of the accounts as a consequence of the preparation of those accounts in one document to be submitted to the General Assembly and the Governing Council. That change required modification of some of the Regulations in article 15 covering the audit of these accounts.

Summary of discussion in the Committee

429. In the discussion that followed, most members expressed agreement with the Administrator's proposed changes to the Financial Regulations and Rules. One member requested an assurance that those changes would not reduce the extent of the reporting to the Council or the scope of the audit. That assurance was given.

Decision of the Governing Council

430. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of document DP/145 containing certain modifications in the UNDP Financial Regulations and Rules;

(b) Approved the modifications to the UNDP Financial Regulations and Rules as contained in the document referred to above.

I. STANDARD COST OF EXPERTS

431. Under item 17 of the Council's agenda, the Budgetary and Finance Committee had before it document DP/173 and Corr.1, which contained a comprehensive analysis of the expert standard cost concept, including a definition of the concept and a description as to how the system had operated in the past. The document also listed, with explanation, the cost elements charged to the expert cost incurred account, comparisons of average costs of experts by agency and by elements within total costs, information on the number and grade level of experts employed by executing agencies and a description of plans for further review of the standard cost system on an interagency basis.

432. The question was introduced by the Deputy Administrator (Administrative), who elaborated on some of the main features of the standard cost system as applied in modern management enterprises. He explained that in the United Nations family a standard cost system was very difficult to operate in view of the complications involved in United Nations activities. He enumerated some of the advantages gained from the utilization of standard costs and expressed the hope that the Committee would give favourable consideration to the Administrator's proposal for a retroactive increase in the standard cost to \$3,500 per man-month for the year 1975 and \$4,000 per man-month for the year 1976, pending the outcome

^{25/} Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2, para. 332.

of the comprehensive review of the system to be undertaken in February 1976. The Deputy Administrator also urged the Committee not to lose sight of the fact that UNDP was obliged to reimburse to the agencies the actual cost of experts regardless of the standard rate used for planning; that was one of the factors which led to the increased expenditure figure for 1975. He further stated that similar circumstances might well occur in 1976 with too low a standard cost figure.

Summary of discussion in the Committee

433. During the discussion, concern was unanimously expressed at the rapidly escalating cost of expert services. Some members inquired whether it would not be more feasible to employ experts from developing countries. Several members felt that decisions regarding the increases in the standard cost of experts should be postponed until the twenty-second session of the Council when the report of the interagency working group, which would study the matter in February 1976, would be available.

434. Some members emphasized that a further increase in the standard cost would adversely affect the IPFs, thus affording considerably fewer units of assistance than envisaged in the countries' original over-all plans. The view was also expressed that the galloping increase in the expert standard cost could well be due in part to the practice of executing agencies of indiscriminately charging miscellaneous costs to the expert cost incurred account. In that connexion, one member proposed that UNDP develop more stringent guidelines as to the types of expenses that should be charged to the expert component with a view to eliminating items such as travel costs, which were too imprecise to be standardized. He further proposed that cost incurred accounts in the agencies should be subjected to periodic review by UNDP and to regular scrutiny by agency external auditors, whose report should be submitted to the Governing Council along with the UNDP annual accounts.

435. Some members requested further explanations covering the various elements included in the expert standard cost. Several members noted that experts in their respective countries were not in receipt of such high basic salaries as reflected in the standard cost element. It was requested that the proposed task force study the expert standard cost system, and also consider the feasibility of multitiered standard cost, reflecting differing expert grade levels. Concern was also expressed at the variations in expert costs as between executing agencies.

436. A number of members felt that in view of the fact that document DP/173 and Corr.1 clearly explained that the Administrator had already disbursed the expert costs for 1975, it would be prudent for the Council to authorize the 1975 increase so as to avoid further accumulation of the variance deficit, although a decision on the 1976 increase could be postponed until the twenty-second session if so desired.

Observations of the Administration in the Committee

437. The Deputy Administrator (Programme), in responding to the various views expressed, appealed to the Committee to give serious consideration to the increases as requested by the Administrator since that decision was necessary for further

planning of the level of programme implementation for 1976. He further explained that without a decision, the Administrator would not be able to keep within the expenditure ceiling established for 1976, and that situation would adversely affect the forecast for the second IPF cycle.

438. The Director, Division of Finance, replied to a number of queries raised in the Committee and emphasized the need for an urgent decision to be taken on the increase in the standard cost as requested by the Administrator in document DP/155 and Corr.1, paragraph 30. He explained that the prototype of experts had changed over the years, since recipient countries were now inclined to request more short-term, high-level experts as opposed to the traditional long-term experts.

439. On a specific question as to what was included in other costs listed in the cost element, the Director explained that, for example, items such as cables, publications, gasoline coupons and furniture were included for one agency. He informed the Committee of the additional special benefits for experts agreed upon in recent years, including rest and recuperation leave, housing subsidy, and assignment allowance. The Director further elaborated on the broad outline of the terms of reference of the proposed interagency working group as contained in paragraph 18 of document DP/173 and Corr.1.

440. One agency representative pointed out that his agency had noted the marked increase in the level of their experts, which was purely in response to the expressed requirement of recipient countries. In addition, he stated that short-term experts were more and more favoured by recipient countries. He considered that those factors, plus General Assembly resolution 3358 (XXIX) authorizing a salary increase with effect from 1 January 1975, general inflation, and UNDP liberalization of incentives, had all contributed to the escalation of expert costs.

Oral report by the Chairman of the Committee

441. Following the conclusion of the discussion in the Committee on agenda item 9 (a) as well as that part of item 17 referred to the Budgetary and Finance Committee by the Council, the Chairman of the Committee was requested to report orally to the Council in plenary and to summarize the views expressed in the Committee, so as to facilitate consideration of agenda item 17 which was closely related to agenda item 9 (a).

J. COST SHARING

442. For its consideration of cost sharing under item 4 of the Council's agenda, the Budgetary and Finance Committee had before it document DP/162.

443. Introducing the topic, the Deputy Director, Division of Finance, outlined the salient features of cost sharing arrangements. He stated that the operational characteristics of cost sharing projects were the same as those for all other UNDP-financed projects and that cost sharing projects followed existing rules and procedures as to planning, formulation, approval and implementation. The Committee was informed that cost sharing expenditures currently accounted for approximately 2 per cent of all operational programme costs, and that use of the modality had been slowly increasing both in size and scope.

444. The Deputy Director noted that the use of standard cost instead of actual costs of experts in cost sharing projects resulted in UNDP resources absorbing the difference between the standard cost and the actual cost when the standard cost was lower than the actual cost. If the standard cost was established at a level close to actual costs, the problem would be solved. The Deputy Director suggested that if the standard cost for experts which the Council approved for 1976 and future years should not be equal to or greater than the anticipated actual cost, the Administrator would consider using actual costs for experts in cost sharing projects.

445. A further point raised related to the method of collection of cost sharing payments. Currently, payments for cost sharing projects were to be made annually, in advance of the year in which expenditures were incurred. The Deputy Director stated that the current mode of payments led to the collection of the agreed-upon amounts often not being effected when due. It was suggested that the Committee might want to look into the possibility of deciding that cost sharing contributions should be paid in their totality before such projects became operational.

Summary of discussion in the Committee

446. The discussions indicated that there was wide agreement on the main issues presented in document DP/162. Members indicated that cost sharing arrangements served a useful and meaningful purpose. All felt there was merit in maintaining the practice of cost sharing and that it was a desirable way of increasing the amount of technical assistance provided by UNDP.

447. Some members expressed the view that cost sharing, as an important new feature of UNDP, should be encouraged and stimulated, thus allowing a larger number of projects in the recipient country to benefit from UNDP assistance. A few members, however, while favouring an increase in the amount of cost sharing in UNDP projects, emphasized that they did not want the expansion of cost sharing to work counter to the regular goals of UNDP. Several of those members said that cost sharing growth should be allowed to follow a normal pattern, without any form of limitations being imposed. Some members felt the cost sharing arrangements should not be further stimulated, but maintained within acceptable proportions and limits. Some members considered that some limits on the extent of cost sharing should be imposed in relation to the size of a country's IPF. One member, in more general terms, felt that the Administrator should be able to fix the upper limits on the amount of cost sharing either on a country-wise or on a project-wise basis to whatever extent he felt necessary. One member expressed the view that limits of any sort on cost sharing arrangements should only be imposed if it were found that those arrangements conflicted with voluntary contributions to the general resources of UNDP. Other members stated that they were not in favour of the imposition of limits as the totality of the cost sharing components of projects - i.e., actual expert costs, overhead costs, headquarters administrative costs, and Resident Representative office costs - were to be paid for in full by the recipient countries. Another member considered that cost sharing in any particular country should only be allowed to extend beyond approximately 50 or 75 per cent of that country's IPF if the country would first cover its nominal IPF costs with voluntary contributions to the general resources of UNDP.

448. Members expressed concern lest the growth of cost sharing contributions earmarked for specific UNDP projects in particular countries could possibly develop at the expense of the growth of voluntary contributions to the UNDP central resources. Several members further stated that whereas conventional cost sharing arrangements, those which were made by Governments in support of UNDP projects within their own countries, would not represent any diversion of resources from UNDP, third-party cost sharing presented a potential for the diversion of such resources. It was felt that cost sharing could thus very well shift the pattern of UNDP activities to developing countries at the upper end of the income scale if it remained unchecked.

449. On the same subject, members were opposed to any distortion whatsoever in the pattern of IPF resource distribution as well as to any shifting of contributions from the central resources of the Programme to specific projects. One member emphasized the fact that earmarking of contributions would definitely work to the detriment of UNDP. In the light of the possibility that cost sharing arrangements could lead to a distortion in the basic goals and activities of UNDP, all members urged that cost sharing be monitored and kept under close scrutiny and, accordingly, that regular reports from the Administrator be submitted to the Governing Council. It was suggested by some members that, in those reports, special attention be given to the matter of possible existing or future diversion of inputs away from developing countries at the lower end of the GNP scale.

450. Some members wanted caution exercised regarding possible uncontrolled growth of third-party cost sharing. One member suggested that some type of discretion or control be used so that third-party cost sharing projects be approved only if, for example, a project were multisectoral in nature and were one which the country could not undertake on its own without the help of UNDP.

451. There was agreement by all members of the Budgetary and Finance Committee that cost sharing should not be subsidized in any form. In particular, it was felt that actual, not standard, costs of experts should be charged to cost sharing projects. They stressed the fact that they wanted full costs of experts met by the cost sharing contributor. Furthermore, members stated that all other costs incurred because of cost sharing projects, in particular the possible supplementary costs in Resident Representatives' offices, agency overhead costs and UNDP administrative costs, should be charged to those projects. Accordingly, the view was expressed by some members that careful cost calculation of services rendered to projects financed under cost sharing arrangements should be undertaken so that the recipient country could be debited for the full amount of costs incurred by UNDP.

452. Some members felt that cost sharing obligations should be paid in their entirety before the project was under way. On that point, one member stated that full payment in advance was especially important in the light of the current liquidity situation of UNDP. Other members, however, felt that it would not be acceptable to make a country pay in full for its cost sharing before the start of its cost sharing projects, as projects usually were implemented during a period of several years and it was unfair and undesirable to require payment to be made in totality at one time. Those members favoured the existing system of payment in yearly instalments, the amount paid annually to be equal to the amount to be expended in the coming year.

453. A few members recommended that countries at the upper end of the GNP scale use cost sharing as a means to become net contributors. It was felt that those countries should be stimulated in such a way as to encourage growth of their voluntary contributions.

454. Another point raised concerned local currency. Explaining both how a great many projects costs were paid in local currency and how many countries were in somewhat unfavourable balance-of-payments positions, one member suggested that it should be possible to contribute part of the cost sharing contributions in local currency. Another member agreed with and expanded on that point, suggesting that Governments using cost sharing be allowed to contribute their cost sharing contributions in kind, in particular in locally made equipment, in local expertise, and in local training.

455. One member expressed the opinion that cost sharing should be expanded to cover both regional and interregional projects. He felt that that would be fully in keeping with the "new dimensions" and would be in the best interests of developing countries.

Decision of the Governing Council

456. At its 515th meeting, on 4 February 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of the report of the Administrator on the use of cost sharing in UNDP projects (DP/162);

(b) Authorized the Administrator to continue for the time being the practice of cost sharing arrangements, including those involving third parties, taking into account the comments and suggestions expressed in the Budgetary and Finance Committee during the twenty-first session;

(c) Confirmed that contributions made available by one country to another under a cost sharing arrangement should not be considered by the contributing Government as part of its pledged contribution to the general resources of UNDP;

(d) Requested Governments participating in cost sharing arrangements, especially third parties thereto, to ensure that cost sharing contributions did not jeopardize their contributions to UNDP general resources;

(e) Requested Governments participating in cost sharing arrangements to pay in advance their agreed share of the costs in accordance with the agreed schedule and to reimburse UNDP for the additional administrative costs involved in implementing these arrangements;

(f) Approved the steps taken by the Administrator effective the beginning of 1976 to charge the actual cost of experts providing services against cost sharing contributions;

(g) Requested the Administrator to submit to the Council at its twenty-second session a report on cost sharing arrangements and proposals for further activities in that field.

XI. ACTION TAKEN IN 1975 BY ORGANS OF THE UNITED NATIONS
AND RELATED AGENCIES

457. Under item 12 of its agenda, the Governing Council had before it a note by the Administrator on actions taken in 1975 by organs of the United Nations and related agencies which were of interest to UNDP, including resolutions requiring action by the Governing Council (DP/167 and Add.1-3).

458. In introducing the item, the Assistant Administrator (Programme) described briefly the Administration's response to decisions of the General Assembly at its thirtieth session relating to observance of International Women's Year in 1975. Among the efforts recently undertaken in that respect were a progress report on women's participation in country and intercountry programmes to be submitted to the Council at its next session and UNDP participation in the Advisory Committee on Co-ordination discussions on a medium-term programme for the integration of women in development for 1976-1980, a subject specifically referred to in the omnibus resolution on the World Conference of the International Women's Year (General Assembly resolution 3520 (XXX)). In addition, the new UNDP Policies and Procedures Manual contained specific instructions on the subject of women's integration in development, and more detailed instructions were included in the guidelines on project formulation which accompanied the manual. In an effort to broaden the participation of women in the UNDP secretariat, a Special Committee on Equal Opportunities for Women within UNDP had been established to assist the Administrator in determining appropriate policies.

459. In drawing attention to resolution 3362 (S-VII) adopted by the General Assembly at its seventh special session on development and international economic co-operation, the Assistant Administrator observed that the principal contribution of UNDP to that session had been the decision adopted by the Governing Council at its twentieth session on new dimensions in technical co-operation. ^{26/} He noted in that connexion that some of the important ideas underlying the "new dimensions" concept had been reflected in the resolution adopted at the seventh special session as well as in the report of the Group of Experts on the Structure of the United Nations System. ^{27/} Further, follow-up action by UNDP since that session included the setting-up of internal working groups to undertake a detailed examination of the Assembly's decisions and their implications for the Programme. The fields covered by those groups included international trade, science and technology, the proposed international energy institute, the exchange of technological information, industrialization, food and agriculture, and technical co-operation among developing countries.

460. Lastly, he informed the Council that UNDP had undertaken a detailed analysis of those recommendations contained in the report of the Group of Experts which had implications for UNDP. The Administrator's position on the report would be given in an address at the second session of the General Assembly's Ad Hoc Committee on the Restructuring of the Economic and Social Sectors of the United Nations System.

^{26/} Ibid., Supplement No. 2 A, para. 54.

^{27/} A New United Nations Structure for Global Economic Co-operation (United Nations publication, Sales No.: E.75.II.A.7).

Summary of discussion

461. Some members suggested that, in view of the work of the United Nations Institute for Training and Research in the sphere of economic and social training and research, reference to General Assembly resolution 3403 (XXX) should be added to documents DP/167 and Add.1-3. One member wondered what action had been taken by UNDP to ensure greater participation by women in development activities, and what relationship there was between UNDP and the Voluntary Fund for International Women's Year. He requested the Administration to submit a report on the matter to the Council at its twenty-second session. A third member wished to have more information on the role of the World Bank within the framework of UNDP activities. In his delegation's view, the actions of the World Bank were not always favourable to the cause of development since it pursued its own interest, and its activities in UNDP should be limited. However, another member stated that the World Bank played a vital role in the field of technical assistance and that it was an effective institution of immense benefit to UNDP. That fact was endorsed at the World Food Conference, in respect of the agricultural sector, and more recently at the seventh special session of the General Assembly.

Observations of the Administration

462. The Assistant Administrator (Programme), in replying to questions raised in the course of the discussion, stated that UNDP had the same type of dialogue and arrangements with the World Bank as with its other executing agencies. He referred, in this connexion, to the initiatives taken with respect to the possible establishment of consultative machinery for research and development in non-food agricultural commodities. Since the World Bank was one of the sponsors of the consultative group on agricultural research, it was considered appropriate to allow it to participate, together with other agencies, in consultations on the prospects for non-food commodities.

463. On the subject of women, he pointed out that the Administration had issued guidelines to all UNDP field offices regarding the need to design projects to ensure greater participation by women, and the Council would be kept informed on this matter. The Administrator would also prepare a report on the relationship between UNDP and the Voluntary Fund for International Women's Year.

Decision of the Governing Council

464. At its 512th meeting, on 28 January 1976, the Governing Council:

(a) Noted the information provided on action taken by the United Nations and related agencies in 1975 and of the views expressed during the consideration of that item;

(b) Requested the Secretariat to issue a corrigendum to document DP/167 to include General Assembly resolution 3403 (XXX) on the United Nations Institute for Training and Research.

XII. ARRANGEMENTS FOR THE TWENTY-SECOND SESSION OF
THE GOVERNING COUNCIL

465. At its 513th meeting, under item 15 of its agenda, the Governing Council agreed on the following provisional agenda for its twenty-second session:

1. Opening of the session
2. Adoption of the agenda
3. Country and intercountry programming and projects
4. Report of the Administrator for 1975
5. Programme resources and indicative planning figures for 1977-1981
6. Financial situation of UNDP and related programme matters
7. United Nations Volunteers
8. United Nations Capital Development Fund
9. United Nations Revolving Fund for Natural Resources Exploration 28/
10. Budgetary, financial, and administrative matters:
 - (a) Financial review for 1976 and outlook for 1977-1981 with comprehensive report on financial activities during 1975
 - (b) Report on the question of the use of the standard cost procedure
 - (c) Custodianship of UNDP funds
 - (d) Budget estimates for 1977
 - (e) Global procurement
 - (f) Other matters
11. Technical co-operation among developing countries
12. United Nations Fund for Population Activities:
 - (a) Annual report of the Executive Director for 1975 and proposed revised work plan for 1976-1979
 - (b) Report on the implementation of UNFPA projects
 - (c) Report on the allocation of UNFPA resources
 - (d) Proposed projects and country agreements

28/ This item is to be retained on the provisional agenda of the twenty-second session only if projects are submitted for the consideration and approval of the Governing Council.

- (e) Approval authority for 1977
- (f) Report on the status of UNFPA country agreements
- (g) Administrative budget for 1977

13. United Nations technical co-operation activities
14. Information on the regular programmes of technical assistance of the specialized agencies and the International Atomic Energy Agency in 1975
15. Revision of the rules of procedure of the Governing Council
16. Other matters
17. Date and provisional agenda for the twenty-third session of the Governing Council
18. Draft report of the Governing Council to the Economic and Social Council at its sixty-first session.

466. The Council decided to take up at its twenty-second session the question of when to resume its consideration of the draft Statute for the Programme and the Standard Basic Agreement with Governments.

467. Under item 13 of the agenda, the Council considered the organization of work of the session. It was agreed that, in accordance with the practice followed at the twenty-first session, meetings of the Budgetary and Finance Committee and of the Committee on Technical Co-operation among Developing Countries should not be held simultaneously, and that neither Committee should meet when the Council considered the important questions relating to the financial situation of UNDP and programme resources for the next cycle.

468. Under item 15 of its agenda, the Governing Council considered an invitation extended to it by the Government of the Republic of Cuba to hold its twenty-second session in June 1976 in Havana. The representative of Cuba informed the Council that, in view of the recent decision of the Economic and Social Council to convene its summer session in the Ivory Coast on 1 July 1976 and the need to facilitate the participation of members of the Governing Council at that meeting, her Government would be willing to extend its invitation to the twenty-third session of the Council in January 1977, should the Council so decide. She suggested, therefore, that consultations among members of the Council continue with a view to deciding before the twenty-second session on the most favourable date to hold its session in Havana.

469. Many members of the Council indicated their deep appreciation for the invitation of Cuba and welcomed the opportunity to meet in that developing country. Gratitude was also expressed for the generous offer to hold either the June 1976 or January 1977 session of the Council in Cuba.

Decision of the Governing Council

470. At its 513th meeting, on 30 January 1976, the Governing Council:

(a) Took note of the recommendation of the Committee on Conferences approved by the General Assembly in its resolution 3491 (XXX) by which the Assembly decided that the twenty-second session of the Council would be held in June 1976 at Geneva "or in a developing country from which an invitation had been received";

(b) Took note of the invitation extended by the Government of the Republic of Cuba to hold the twenty-second session of the Council in Havana and of the spirit of co-operation it demonstrated in stating its willingness to be host to the Council in June 1976 or January 1977;

(c) Took note of the statements expressing gratitude made in the Council and in the General Assembly;

(d) Took note also of the fact that during the period May-July several meetings of United Nations organs, including a meeting of the Economic and Social Council beginning on 1 July in Abidjan, Ivory Coast, would be held;

(e) Considered it desirable to continue consultations on the subject among the members of the Council, bearing in mind the need to facilitate the participation of delegations in the aforementioned meetings;

(f) Decided, in consequence, to await the result of those consultations and to make a decision on the venue for the twenty-second session during the interval between the twenty-first and twenty-second sessions of the Council.

ANNEX

REPRESENTATION AT THE TWENTY-FIRST SESSION

Members of the Governing Council

Argentina, Austria, Belgium, Benin, Brazil, Bulgaria, Canada, Central African Republic, Chad, China, Colombia, Cuba, Denmark, Finland, France, Germany (Federal Republic of), Ghana, Guyana, Hungary, India, Indonesia, Iran, Italy, Japan, Kuwait, Lesotho, Malawi, Mali, Malta, Mexico, Netherlands, New Zealand, Niger, Norway, Pakistan, Peru, Philippines, Poland, Sierra Leone, Somalia, Sri Lanka, Sweden, Switzerland, Tunisia, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yemen.

States represented by observers

Algeria, Australia, Barbados, Bhutan, Bolivia, Chile, Czechoslovakia, Dominican Republic, Ecuador, Egypt, El Salvador, Gambia, German Democratic Republic, Guatemala, Guinea-Bissau, Iraq, Israel, Lao People's Democratic Republic, Madagascar, Mauritius, Mongolia, Morocco, Paraguay, Portugal, Romania, Thailand, Turkey, Swaziland, Ukrainian Soviet Socialist Republic, Yugoslavia.

United Nations and related bodies

United Nations, United Nations Children's Fund, United Nations Commissioner for Namibia, United Nations Conference on Trade and Development, United Nations Council for Namibia, United Nations Development Programme, United Nations Environment Programme, United Nations Fund for Population Activities, United Nations High Commissioner for Refugees, United Nations Industrial Development Organization, United Nations Institute for Training and Research, United Nations Volunteers.

Specialized agencies and International Atomic Energy Agency

International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, World Health Organization, World Bank, Universal Postal Union, International Telecommunication Union, World Meteorological Organization, Inter-Governmental Maritime Consultative Organization, World Intellectual Property Organization.

* * *

International Atomic Energy Agency

Other intergovernmental organizations

African Development Bank, Asian Development Bank, European Economic Community, Inter-American Development Bank, Organization of American States.

Non-governmental organizations

International Council of Voluntary Agencies.

African national liberation movements

African National Congress (ANC South Africa), African National Council (ANC Zimbabwe), Front de libération de la Côte des Somalis (FLCS), Mouvement de libération de Djibouti (MLD), Pan Africanist Congress (PAC South Africa), South West Africa People's Organization (SWAPO).

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