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A NEW UNITED NATIONS STRUCTURE FOR GLOBAL ECONOMIC CO-OPERATION

**REPORT OF THE GROUP OF EXPERTS
ON THE
STRUCTURE OF THE UNITED NATIONS SYSTEM**



UNITED NATIONS
New York, 1975

NOTE

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LETTER OF TRANSMITTAL

20 May 1975

Dear Mr. Secretary-General,

We have the honour to transmit herewith our study containing proposals on structural changes within the United Nations system requested by the General Assembly in paragraph 5 of resolution 3343 (XXIX) of 17 December 1974.

The work of the Group was to be directed - in the words of the General Assembly - at making the system "fully capable of dealing with problems of international economic co-operation in a comprehensive manner". In the short time available, it was obviously not possible for the Group to deal with all aspects of the work of the United Nations relating to development and international economic co-operation in as comprehensive a manner as the above mandate might have suggested, or to develop detailed solutions to all of the major structural short-comings or needs which were identified in the course of our discussions

In the circumstances, our study seeks to provide - within the framework of a broad structural design - a set of first practical steps for consideration by the Preparatory Committee for the Special Session of the General Assembly Devoted to Development and International Economic Co-operation. The main focus of these measures is on the strengthening and improvement of the methods of work and functioning of the central institutions of the system. At the same time, we have also considered sectoral structures which were specifically referred to in paragraph 5 of General Assembly resolution 3343 (XXIX) and whose functioning is inevitably linked with the functioning of the central institutions.

In our report, we recognize that several of our proposals will require some time for their full discussion and implementation and we stress the need to ensure that the restructuring at the central and sectoral areas are mutually compatible and regarded as satisfactory by the entire membership. We, therefore, envisage a process of institutional restructuring unfolding over a transitional period. At the same time, we believe that some of our recommendations can be set in motion immediately and we hope, therefore, that the General Assembly will act on them at the forthcoming special session.

The members of the Group of Experts wish to point out that, in signing the report, they have done so in their individual capacities and that, therefore, their signatures do not commit the Governments of their respective countries. They have unanimously approved the report and its recommendations in the belief that their adoption and implementation would constitute a major step towards a stronger United Nations. At the same time, their signatures should not be interpreted as an endorsement of all the reasoning and points of views expressed.

In closing, we wish to express our deep appreciation for the exceptionally able and dedicated service of Dr. Uner Kirdar, the Secretary of the Group, ably assisted by Mr. Patrizio Civili, Mr. Robert Gruszka and Miss Aida Levin. Without their help, our work could not have been completed.

We also wish to express our deep appreciation for your confidence in appointing us to this Group and for the opportunity thus granted us to participate in the preparatory work leading to the holding of the special session of the General Assembly devoted to development and international economic co-operation.

Your address at the opening of our session has guided us through our deliberations.

Please, accept, Mr. Secretary-General, the expression of our highest consideration.

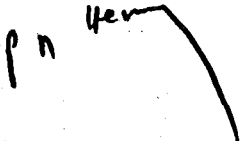

Abdel-Hamid ABDEL-GHANI



Richard N. GARDNER

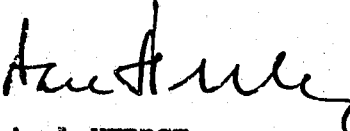

Adebayo ADEDEJI

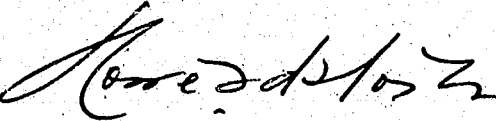

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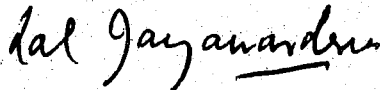

Abdelaziz BENNANI

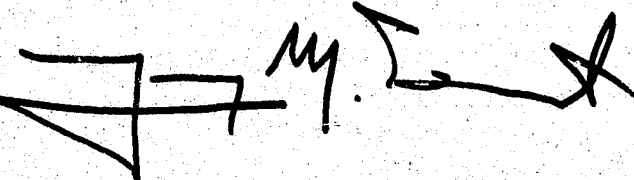

Paul-Marc HENRY

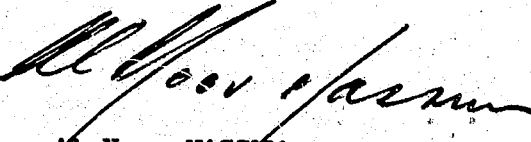

Wilmot BLYDEN III

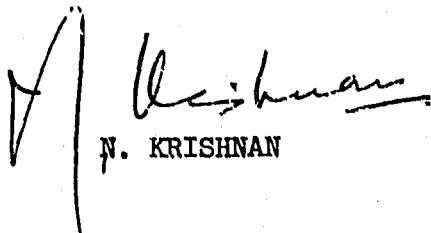

Axel HERBST

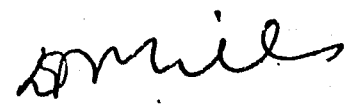

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Lal JAYAWARDENA

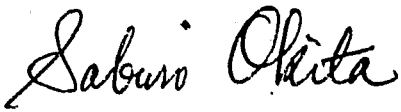

Juan M. FIGUERERO

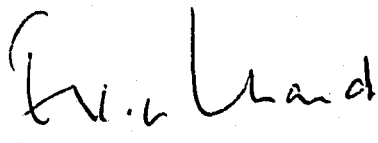

Al Noor KASSUM


N. KRISHNAN


Donald O. MILLS



Peki KANA KWALA

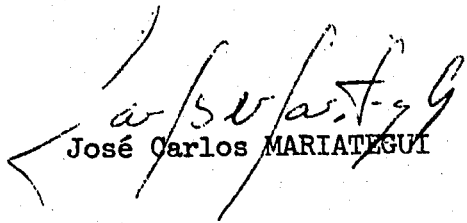

Saburo OKITA

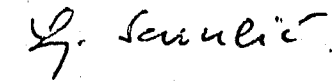

Evan T. LUARD

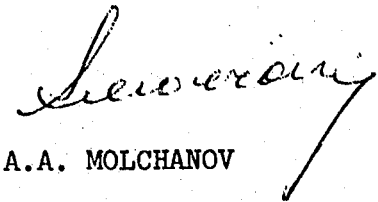

Manuel PEREZ GUERRERO

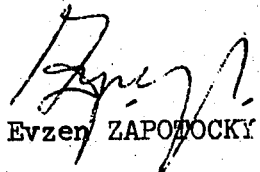

Akhtar MAHMOOD

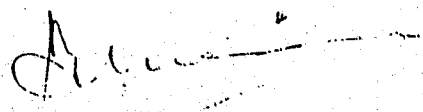

Majid RAHNEMA


José Carlos MARIATEGUI


Ljubomir SEKULIC


A.A. MOLCHANOV


Evzen ZAPODOCKY


Jan MEIJER

PREFACE

This report has been prepared in response to paragraph 5 of General Assembly resolution 3343 (XXIX) of 17 December 1974, entitled "Special session of the General Assembly devoted to development and international economic co-operation", which requested the Secretary-General,

"in effective and close consultation with Member States, to appoint immediately a small group of high-level experts, selected on a broad geographical basis and nominated by Governments, to submit to the Preparatory Committee for the Special Session of the General Assembly Devoted to Development and International Economic Co-operation at its second session a study containing proposals on structural changes within the United Nations system so as to make it fully capable of dealing with problems of international economic co-operation in a comprehensive manner".

In performing this task the Expert Group was to take into account,

"inter alia, developments in the fields of trade, financing, international monetary reform, agriculture and industrialization, and, bearing in mind, as appropriate, the relevant work already under way in reviewing the agreements between the United Nations and the specialized agencies and the International Atomic Energy Agency".

The Group consisted of the following 25 experts: Abdel-Hamid Abdel-Ghani (Egypt), Adebayo Adedeji (Nigeria), Abdelaziz Bennani (Morocco), Sergio Corrêa da Costa (Brazil), James Fawcett (United Kingdom of Great Britain and Northern Ireland), Juan M. Figuerero (Argentina) Richard N. Gardner (United States of America), Peter Hansen (Denmark), Paul-Marc Henry (France), Axel Herbst (Federal Republic of Germany), Lal Jayawardena (Sri Lanka), Al Noor Kassum (United Republic of Tanzania), N. Krishnan (India), Peki Kana Kwala (Zaire), Akhtar Mahmood (Pakistan), José Carlos Mariátegui (Peru), E. N. Makeyev (Union of Soviet Socialist Republics), Jan Meijer (Netherlands), Donald O. Mills (Jamaica), Valentine Nylander (Sierra Leone), Saburo Okita (Japan), Manuel Pérez Guerrero (Venezuela), Majid Rahnema (Iran), Ljubomir Sekulić (Yugoslavia) and Evzen Zápotocký (Czechoslovakia).

The first session of the Group was held at United Nations Headquarters from 24 to 28 February 1975.

Axel Herbst (Federal Republic of Germany), Sergio Corrêa da Costa (Brazil), Akhtar Mahmood (Pakistan) and Peki Kana Kwala (Zaire) were unable to participate in the first session of the Group.

The first meeting was opened with a welcoming statement by the Secretary-General (annex I). The Group unanimously elected Al Noor Kassum (United Republic of Tanzania) as Chairman and Richard N. Gardner (United States of America) as General Rapporteur. The first session was largely devoted to the identification of issues and organization of work. An illustrative list of topics was drawn up by

the Group, and its members, as well as other invited people, were asked to prepare contributions on the various topics included in the list or any other topic which they deemed appropriate.

In addition, a drafting group composed of 10 members was established consisting of Al Noor Kassum (Chairman), Adebayo Adedeji, Juan M. Figuerero, Richard N. Gardner, Peter Hansen, Lal Jayawardena, N. Krishnan, A. A. Molchanov, Donald O. Mills and Ljubamir Sekulić. It was also decided that the drafting group could be assisted in this task by any other member of the Group who wished to make available his services, should he be in New York at the time of the meetings of the drafting group.

The drafting group met from 7 to 18 April and from 5 to 7 May 1975 at United Nations Headquarters, in order to consider the topics outlined in the illustrative list, together with contributions submitted by the members of the Group and other invited people, and to work out a preliminary draft report for consideration by the Group as a whole.

The Group of Experts held its second session at United Nations Headquarters from 8 to 14 May 1975. Since James Fawcett (United Kingdom of Great Britain and Northern Ireland), E. N. Makeyev (Union of Soviet Socialist Republics) and Valentine Nylander (Sierra Leone) were only able to attend the first session, the Secretary-General appointed in their place Evan T. Luard (United Kingdom of Great Britain and Northern Ireland), A. A. Molchanov (Union of Soviet Socialist Republics) and Wilmot Blyden III (Sierra Leone), to serve as members of the Group for the second session. At the end of the session the Group unanimously approved the present report.

The Group was greatly assisted in its task by the informal exchanges that were held during its first plenary session when it heard the views, expressed in a personal capacity, of Philippe de Seynes, Martin Hill, Sir Robert Jackson, Gunnar Myrdal and Mahbub El-Haq.

The drafting group also benefited greatly from the views, expressed in a personal capacity, of Raúl Prebisch, Ismat Kittani and C. V. Narasimhan, whose invaluable assistance the Group wishes to acknowledge.

Although the Group agreed to the desirability of having either informal hearings with executive heads or representatives of the agencies, or of arranging visits to their headquarters, it very much regretted that this was not possible in the short time available. The Group therefore did not have the benefit of their advice on substantive or institutional issues impinging on its mandate. However, the Group was greatly assisted by receiving access to an advance text of part II of the annual report of the Administrative Committee on Co-ordination (ACC) for 1974-1975 (E/5675 (part II)), containing the contributions of the specialized agencies and other members of ACC to the preparations for the special session of the General Assembly. The Group also benefited from supplementary material provided by a number of United Nations organizations.

Finally, in preparing its report, the Group had at its disposal all relevant background documentation, including the resolutions of the United Nations organs related to the subject and the interim report of the Policy and Programme

Co-ordination Committee of the Council (E/5633) on the review of the relationship agreements with the specialized agencies and the International Atomic Energy Agency.

* * *

The report consists of four chapters. The introductory chapter I examines the premises, guidelines and goals of the restructuring exercise, in the context of evolving changes in the configuration of international economic relations and of existing constraints on the capacity of the United Nations system to respond to new problems and needs.

Chapter II is devoted to an analysis of issues and proposals for structural changes concerning central structures for global policy-making, programming and planning and operational activities, namely (a) the General Assembly; (b) the Economic and Social Council; (c) secretariat support facilities; (d) consultative procedures; (e) planning, programming and budgeting; (f) operational activities; (g) regional structures; and (h) co-operation among developing countries.

Chapter III deals with the structures of the system relating to trade, international monetary reform, development financing, agriculture and food and industrialization - the five sectors specifically referred to in the Group's mandate under paragraph 5 of General Assembly resolution 3343 (XXIX). In the limited time available, however, the Group was not able to consider all these sectors in as detailed a manner as their complexity would have warranted or to deal, as it would have wished, with a number of other important sectoral activities of the system.

Finally, chapter IV elaborates recommendations on the means of implementation of the proposals contained in the report.

LIST OF MEMBERS OF THE GROUP OF EXPERTS ON THE STRUCTURE
OF THE UNITED NATIONS SYSTEM

Chairman

Al Noor KASSUM (United Republic of Tanzania)
Minister of Finance and Administration to the
East African Community

Rapporteur

Richard N. GARDNER (United States of America)
Professor of Law and International Organization
Columbia University

Abdel-Hamid ABDEL-GHANI (Egypt)
Ambassador
Ministry of Foreign Affairs

Axel HERBST (Federal Republic of Germany)
Ambassador
Permanent Representative to the
United Nations, Geneva

Adebayo ADEDEJI (Nigeria)
Federal Commission for Economic
Development and Reconstruction

Lal JAYAWARDENA (Sri Lanka)
Additional Secretary
Ministry of Planning and Economic Affairs

Abdelaziz BENNANI (Morocco)
Ambassador of Morocco to Poland

N. KRISHNAN (India)
Joint Secretary, Head of the United
Nations Division
Ministry of External Affairs

Wilmot BLYDEN III (Sierra Leone)
Ambassador
Permanent Representative to the
United Nations

Peki KANA KWALA (Zaire)
Chief of Division
Department of Economics

Sérgio CORREA DA COSTA (Brazil)
Ambassador
Permanent Representative to the
United Nations

Evan T. LUARD (United Kingdom of
Great Britain and Northern Ireland)
Member of Parliament
Fellow of St. Anthony's College, Oxford

Juan M. FIGUERERO (Argentina)
Ambassador
Ministry of External Relations

Akhtar MAHMOOD (Pakistan)
Additional Secretary to the Government
of Pakistan
Managing Director
Pakistan Tourism Development Corporation

Peter HANSEN (Denmark)
Senior Research Fellow
University of Aarhus

Paul-Marc HENRY (France)
President of the Development Centre
Organisation for Economic
Co-operation and Development

José Carlos MARIATEGUI (Peru)
Ambassador
Under-Secretary of Planning
Ministry of Foreign Affairs

Jan MEIJER (Netherlands)
Ambassador
Special Adviser to the Minister of
Foreign Affairs
Ministry of Foreign Affairs

Donald O. Mills (Jamaica)
Ambassador
Permanent Representative to the
United Nations

A. A. MOLCHANOV (Union of
Soviet Socialist Republics)
Minister Extraordinary and Plenipotentiary
Department of International Economic
Organization
Ministry of Foreign Affairs

Saburo OKITA (Japan)
President
Overseas Economic Co-operation
Fund of Japan

Manuel PEREZ GUERRERO (Venezuela)
Minister of State for
International Economic Affairs

Majid RAHNEMA (Iran)
Senior Adviser to the Imperial
Organization for Social Services
for Iran

Ljubomir SEKULIC (Yugoslavia)
Deputy Head of the Department for
International Organizations,
Federal Secretariat for Foreign Affairs

Evzen ZAFOTOCKY (Czechoslovakia)
Dean of the Faculty of Commerce
University of Economics, Prague

Secretariat of the Group

Secretary: Üner KIRDAR
Office for Inter-Agency Affairs and Co-ordination

Co-Secretaries: Patrizio M. CIVILI
Office for Inter-Agency Affairs and Co-ordination

Robert J. GRUSZKA
Department of Economic and Social Affairs

Aida Luisa LEVIN
United Nations Institute for Training and Research

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LIST OF ABBREVIATIONS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Co-ordination
CPC	Committee for Programme and Co-ordination
ECB	Environment Co-ordination Board
ESA	Department of Economic and Social Affairs
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
IACB	Inter-Agency Consultative Board
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
ILO	International Labour Organisation
IMF	International Monetary Fund
ITO	International Trade Organization
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
SDR	special drawing rights
UNCTAD	United Nations Conference on Trade and Development
UNDA	United Nations Development Authority
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
WFP	World Food Programme
WHO	World Health Organization

Chapter I

WHY RESTRUCTURING?

Introductory remarks

1. In its thirtieth anniversary year the United Nations has reached a turning point. In one direction lies the prospect of new capacity to cope with the central issues facing mankind in the decisive last quarter of the twentieth century. In the other direction lies the danger of a decline in the effectiveness of the United Nations. Which direction the Organization takes will be significantly influenced by the decisions on policy and structural questions which its Member States take in the months and years ahead. The proposals in this report are designed to assist in rectifying certain weaknesses in the United Nations structure which we sought to identify and which we believe are preventing it from becoming a more effective instrument for the promotion of international economic and social co-operation and development.
2. A world without a strong United Nations, in the opinion of our Group, is inconceivable. It is in the interest of every Member of the United Nations to make the Organization a more effective instrument for the strengthening of international peace and security and for international economic and social co-operation.
3. The founders of the United Nations, in the very first paragraph of Article 1 of the Charter, defined the first purpose of the United Nations as the maintenance of international peace and security. At the same time they recognized that peaceful and friendly relations among nations also require co-operation in the economic and social area. Thirty years after the Charter was signed at San Francisco, the intimate relationship between peace and security issues and economic and social issues is clearer than ever.
4. At least four fifths of the approximately \$1.5 billion now spent each year by the system, exclusive of its international financial institutions, is devoted to economic and social activity. In addition, the World Bank and the International Monetary Fund are currently making available over \$5 billion in medium- and long-term loans to Member countries. Yet the members of the Group recognize all too well that even this level of activity is not adequate to meet fully the challenges of our times.
5. Even more importantly, the United Nations system now has an impact on the world economic scene which cannot be measured merely in terms of financial expenditures. For years the work of the specialized agencies in health, agriculture, education, labour, communications and other fields has provided indispensable services to Member States and their citizens. Global conferences under United Nations auspices on the environment, population, food, trade and industrialization have influenced national policies by gathering scientific evidence, mobilizing public opinion, recommending lines of action and focusing the attention of political leaders on hitherto neglected national and international problems.

6. Recently the United Nations has become the centre of far-reaching debate, negotiations and decisions leading towards the establishment of a more rational and just international economic order. The sixth special session of the General Assembly and the forthcoming seventh special session, devoted to economic issues, represent the focal points in this process. The Declaration and Programme of Action on the Establishment of a New International Economic Order, the Charter of Economic Rights and Duties of States, and the International Development Strategy for the Second United Nations Development Decade constitute major attempts to fashion a new framework of international economic relations. Developing countries have made it clear that structural changes should be made in the international system so that it will become a supportive factor in their efforts to construct their own development models requiring control of their national resources and general policies of national self-reliance, including the mobilization of internal resources.

7. It is now widely accepted that the major challenges faced by the human race can only be met through multilateral action, and that a logical place for this action is the United Nations system. Yet it is a paradox that at the very moment when this recognition is becoming widespread there are growing doubts about the capacity of the United Nations system as an instrument to meet these challenges.

8. The concern to strengthen the capacity of the United Nations system to meet present and future challenges was reflected in the General Assembly's request in resolution 3343 (XXIX) for a "study containing proposals on structural changes within the United Nations system so as to make it fully capable of dealing with problems of international economic co-operation in a comprehensive manner".

9. Our Group has sought to comply with this request by offering a number of specific proposals for structural change. But we wish to emphasize at the outset that no amount of restructuring can replace the political will of Member States to discharge their obligations under Article 56 of the Charter to "take joint and separate action in co-operation with the Organization for the achievement of ... higher standards of living, full employment, and conditions of economic and social progress and development". In this connexion, the fact that United Nations decisions are not uniformly implemented is, in the view of many members of the Group, a factor leading to a lack of confidence in the effectiveness of the system.

10. We would also emphasize that most of the structural deficiencies of the United Nations system are the result of actions by its Member States, and the correction of these deficiencies will require action by the same States. Every serious reform proposal (as opposed to marginal proposals that amount to mere "tinkering") is bound to cut across someone's vested interest in the status quo. A meaningful reform of the system, to take account of new requirements and developments, may involve the forgoing of some short-term interests and entrenched habits in favour of long-term interests in a workable international economic order.

11. Our Group began its task with a shared recognition that institutions are not ends in themselves but only means to the fulfilment of human needs, and that there is no ideal institutional design for the United Nations. Our principal aim has not been organizational neatness or even the achievement of financial economies - although we believe the latter to be an important subsidiary purpose. Our principal criterion in evaluating proposals has been to enhance the effectiveness of the system in promoting the goals of "social progress and better standards of

life in larger freedom" mentioned in the Preamble to the United Nations Charter. Since the United Nations is not, and was not intended to be, a world government, the Organization can only seek those ends by promoting international economic co-operation. In evaluating structural proposals, therefore, we have placed particular emphasis on enhancing the effectiveness of the United Nations system in influencing its Members to undertake appropriate policies in development and international economic co-operation to enable the Organization, in the words of the Charter, "to be a centre for harmonizing the actions of nations in the attainment of these common ends".

12. The ability of mankind to master the awesome challenges confronting it depends largely on the political will of Member States. International institutions can be an important factor in mobilizing that political will. If the United Nations system is to play a central part in meeting the challenges of our time, it must reflect a number of realities in the present world situation - the trend towards relaxation of tensions and universality of participation in the international community, the growing interdependence between Member States, the increasing interrelationship between sectoral issues, the active discontent of a substantial segment of mankind with the present status of international economic relations and the fact that not only is the world now divided between developed and developing countries but that the composition of each of these groups reflects an increasingly variegated pattern of countries with different levels of wealth, development and technological capability and diverse social systems. It will also have to reflect the differences which exist among countries as to the degree of interest they have in different subjects.

13. We mentioned at the outset that four fifths of the \$1.5 billion a year spent by the United Nations system is devoted to economic and social activities. But it is useful to record that the expenditures of the United Nations system during the past three decades have amounted to only 0.4 per cent of the total gross national product of Member States in the single year of 1974 and that current United Nations expenditures barely equal the sum spent on armaments by Members in only 36 hours. The priorities of Members clearly need to be redirected towards development. Disarmament could provide additional resources for this purpose. Restructuring is of significance because a more efficient and effective United Nations system could be an important factor in redirecting priorities in favour of development and could attract additional financial support needed to build the economic foundations of world peace envisaged in the United Nations Charter.

14. Our proposals for structural change are designed to enable the United Nations system to:

- (a) Deal with international economic and social problems in a more effective and comprehensive manner, with better co-ordination throughout the United Nations system as a whole;
- (b) Harmonise, as far as possible, the views and approaches of Member countries towards these problems;
- (c) Contribute to a significant improvement in the transfer of real resources and technology to developing countries;
- (d) Promote economic co-operation between States, including those with different social systems;

(e) Increase the capacity of the United Nations system to provide essential services for all its Members;

(f) Improve the management of United Nations resources available for assistance to the developing countries so as to maximize the benefit to these countries;

(g) Respond effectively to new opportunities, problems and challenges arising from changing requirements of world economic co-operation;

(h) Foster better utilization of the capabilities of developing countries for economic and technical co-operation among themselves;

(i) Make the United Nations a more effective instrument for the establishment of a new, more rational and just international economic order.

15. While the members of our Group may place somewhat different emphasis on the factors mentioned below, we are in agreement that the following represent major problem areas where structural improvements will be necessary if the United Nations system is to realize its potentialities as an instrument for development and international economic co-operation.

1. Fragmentation of effort

16. During the past decade, hardly a year has gone by without the establishment of one or two new United Nations bodies. Today the United Nations system embraces 12 organizations and operational programmes, five regional commissions, 14 specialized agencies and the International Atomic Energy Agency, a multiplicity of special funds, and various semi-autonomous bodies within the central secretariat, not to mention several hundred intergovernmental committees, co-ordinating bodies and ad hoc groups. It must be recognized that the system is more a product of historical circumstances than of a rational design. The development of this very complex institutional system can be regarded as a sign of vitality and is the result of well-intended ad hoc actions to deal with growing problems of development and international economic co-operation. At the same time, the proliferation of intergovernmental bodies and secretariats represents an increasing burden on Governments in terms of both cost and physical capacity to participate. Moreover, the diffusion of responsibility among so many institutions, many of which are dealing with the same or related subjects, inevitably reduces the impact of all of them. We believe some regrouping and some consolidation of institutions should be possible which would both enhance the effectiveness and coherence of the system and preserve a degree of healthy institutional pluralism on the basis of recognized competence in specialized areas. Development is, after all, a comprehensive process encompassing economic, cultural, social, environmental, political and institutional elements which cannot successfully be tackled except through integrated treatment.

17. As will be elaborated later in this report, one of the main weaknesses of the system as it has developed over the years is the absence of an effective set of central institutions to shape the various elements affecting development into coherent global policies. As the Secretary-General himself recognized in his statement to the fifty-fifth session of the Economic and Social Council:

"Any dispassionate appraisal of the United Nations system must admit that we are today better equipped to deal with the parts than we are with the whole, and any comfort we derive from the knowledge that we dispose of unrivalled specialized expertise must be weighed against an acute awareness that we are in danger of losing our way through excessive fragmentation."

2. Decision making

18. The system of decision making of the United Nations on economic and social questions places insufficient emphasis on the search for consensus. As a result, it does not always produce the desired results. The Group of Experts was concerned about the need to provide within the United Nations for a system of meaningful negotiations to facilitate agreement on issues on which there is wide divergence of opinion and interest among Member States. The expansion of membership has made this problem more acute and urgent. The Group believes that the remedy may lie in new consultative procedures, consistent with the Charter of the United Nations, that permit small negotiating groups to work under a full-time chairman for specified periods during which interested parties would seek to reconcile their differences. The solutions agreed to by these groups could then be voted on by the Economic and Social Council and the General Assembly. Such a procedure would enhance the prospects of speedy implementation of United Nations decisions. At the same time, the Group believes that the distribution of voting rights under the weighted voting system in the World Bank and the International Monetary Fund (IMF) needs to be revised to reflect the new balance of economic power and the legitimate interests of developing countries in a greater voice in the operation of these institutions.

3. Methods of work

19. The Group recognizes that public debate in United Nations intergovernmental bodies is of great value in creating public awareness of important economic issues. It further recognizes the value of arrangements that permit all countries to participate in a universal process of decision making. At the same time, the negotiation of solutions on specific problems may require greater use of small negotiating groups which are reasonably representative of the membership as a whole and include an adequate representation of countries with a particular interest in the subject under consideration. It also requires that such groups be permitted to operate in closed session to facilitate negotiations, it being understood that the results of such negotiations should be submitted to the entire membership for decision.

4. Levels and types of representation

20. The experience of recent years suggests that international organizations work best, particularly in economic and technical fields, when they attract appropriate officials from capitals having the required expertise, flexible instructions and the capacity to follow up directly the implementation of the decisions that may be agreed upon. Governments should be encouraged to secure, to a greater extent than in the past, the participation of such representatives, including ministers where appropriate, in the deliberations of the United Nations.

5. Artificial separation of planning and operations

21. In the United Nations today there is little or no relationship between those institutions that are concerned with planning and those that are concerned with operations. To take the most obvious example, the Department of Economic and Social Affairs (ESA), which is supposed to function as the central "brain" for economic research and analysis and to provide support facilities for policy planning at the intergovernmental level, has very little practical impact on the administration of the principal operational programme run from the centre, the United Nations Development Programme (UNDP). In turn, the UNDP experience in operations rarely feeds back into the work of ESA. Some restructuring is clearly required to integrate planning and operations not only at the centre and in the regions but also between the centre and the various specialized organs.

6. Quality of the international staff

22. Throughout its history the United Nations has been served, and continues to be served, by individuals of extraordinary ability and dedication. Nevertheless, the work of certain portions of the Secretariat has on occasion been regarded by groups of Members as not reflecting adequately their concerns and priorities. The Charter requires that due regard be paid to the importance of recruiting the staff on as wide a geographical basis as possible. At the same time, the Charter demands the "highest standards of efficiency, competence and integrity" as the "paramount consideration" in the staffing of the international civil service. What is now required is a new commitment to excellence in the staffing of the international Secretariat both on the part of Member Governments and on the part of those who bear the principal responsibility for the management of the international civil service. The central Secretariat in particular must be restructured and strengthened so as to be able to provide intellectual direction on issues of system-wide concern.

7. Functions not yet adequately performed in the institutional structure

23. There are certain vital functions which are not now being performed adequately by any global economic agencies. While our Group has not had time to explore the whole range of international economic questions in detail, our work has already identified a number of obvious gaps in the institutional system. For example, there is the absence of an agreed system of balance-of-payments adjustment and international reserve creation. There is need for a more integrated system for the exchange of information so that investment decisions, particularly in industrial sectors, may be taken with greater knowledge of developments in other countries. There is need for improved institutions to provide greater price stability, access to markets and fair returns to the producers of primary commodities while assuring security of supply to the consumers of these commodities. There is also need for institutions to cope with various dimensions of the energy problem and issues of science and technology, particularly to assist countries to devise strategies and develop indigenous resources to achieve their economic and social objectives.

8. Problems of universality of membership

24. For historical reasons which are well known, there is less than universal participation in some of the global international economic institutions that are part of, or are associated with, the United Nations system. A number of countries do not participate in such specialized agencies as the World Bank, the International Monetary Fund and the Food and Agriculture Organization of the United Nations (FAO). In addition, the General Agreement on Tariffs and Trade (GATT), an agency with no formal links with the United Nations system, has far from universal participation. We do not underestimate the problems involved in moving towards the universal participation that was envisaged at the founding of the United Nations. Nevertheless, we believe that ways should be sought to promote truly universal participation in trade and monetary and development co-operation, and that further attention will be required on this important question.

9. Regional structures

25. On the question of decentralizing United Nations economic and social activities and strengthening the regional commissions, the following problems can be identified: inadequate implementation of United Nations resolutions on decentralization of economic and social activities; lack of adequate co-ordination at the regional level between policy formulation, planning and programming, on the one hand, and operational activities, on the other; insufficient co-ordination between the regional commissions and the regional offices of the specialized agencies and other organizations of the system; membership patterns in some regional commissions.

Concluding remarks

26. Our Group has had neither the time nor the resources to develop fully detailed answers to the nine basic structural problems identified above. What we have sought to do in this report is to provide, in broad outline, a picture of what a restructured United Nations system might look like, and a number of practical first steps to implement that institutional design. We have confined ourselves to recommending reforms that can be initiated by the General Assembly itself and which do not require amendment of the Charter. We recognize that many of the proposals made in this report will require some time for their full discussion and implementation, yet we believe that some of them can and should be set in motion by the General Assembly this year to provide a clear signal to the world that the urgently needed process of institutional revitalization has in fact begun. Without that, talk of structural reform will lack real credibility.

27. Our Group is proposing major changes in the central structures of the United Nations. Our proposals call for new approaches to the handling of economic items in the General Assembly, a major reform in the Economic and Social Council and its subsidiary bodies, and new consultative procedures to encourage agreed solutions leading to speedy implementation by Governments. They also call for the creation of the new post of Director-General for Development and International Economic Co-operation to provide leadership to the central Secretariat and the entire United Nations system, and for the consolidation of funds for technical co-operation and preinvestment activities in a United Nations Development Authority (UNDA), headed by an Administrator who would serve as a deputy to the Director-General.

28. In moving towards the institutional design put forward in this report, it will be essential to ensure that at every stage in the reform process the enlightened self-interest of Member States in development and international co-operation will be promoted rather than sacrificed. Decisions taken to strengthen the central institutions are inevitably linked to decisions in some key sectoral areas.

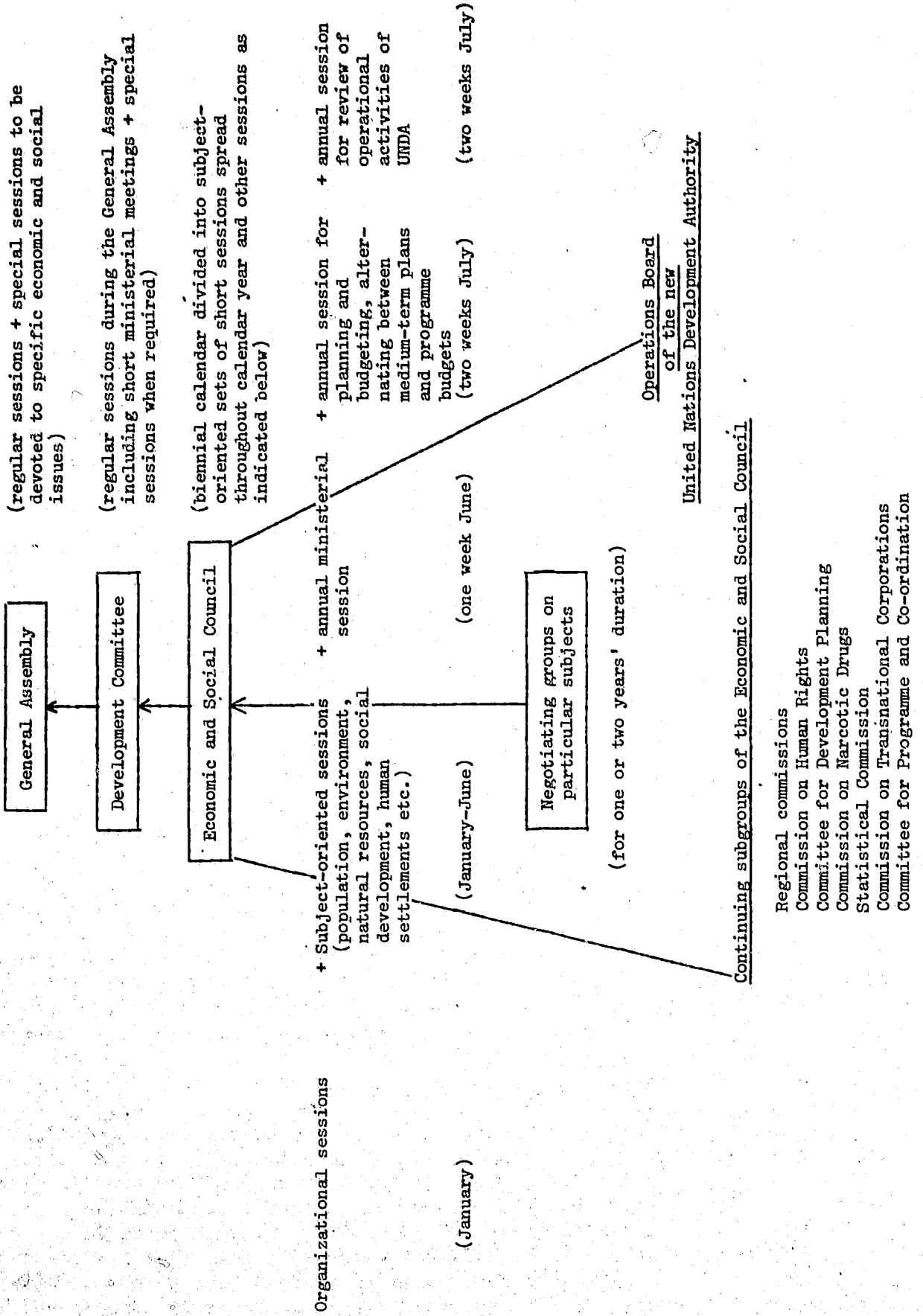
29. For example, some members of our Group feel that the appointment of a Director-General for Development and International Economic Co-operation, as envisaged in this report, and the agreement that he should be a national from a developing country when the Secretary-General is from a developed country, should be conditioned upon the gradual incorporation into the central Secretariat of those portions of the UNCTAD secretariat that are not dealing with sectoral trade questions. For other members of our Group, however, the creation of UNCTAD reflected the widespread feeling that the then existing structure of the Economic and Social Council was not serving the international community and especially the developing countries sufficiently well. These members feel that the incorporation into the central structure of those portions of the UNCTAD secretariat not dealing with trade questions, and especially those concerned with development financing and international monetary issues, should only take place when developing countries are satisfied that the new central structure is able to deal adequately with such questions. In their view, progress in the field of monetary reform, especially revisions in the distribution of voting rights under the weighted voting system of the World Bank and the International Monetary Fund, is an essential prerequisite. The same principle applies to the incorporation of the intergovernmental organs of UNCTAD into the revitalized central structure. These members feel, moreover, that pending the development of an adequate institutional framework for dealing comprehensively with trade questions - an International Trade Organization (ITO) or other device - it would not be realistic to expect any such incorporation of either the Secretariat or the intergovernmental components of UNCTAD into the central system.

30. To take account of the above concerns, the Group recommends that, in its first biennial period, the Economic and Social Council should not establish negotiating groups of the kind outlined in chapter II, section D below to deal with subjects under consideration in UNCTAD. At the end of this initial two-year period there should be a review to decide whether the central structures are working sufficiently well to warrant further progress in the direction of strengthening the central institutions. The Group further agrees that during this transitional period, the decision-making process of UNCTAD should be improved by the application of the consultative procedures proposed in this report.

31. Similarly, with respect to the subject of operational activities, in chapter II, section F below, some members of our Group feel that the eventual consolidation of various existing funds into the new UNDA and the designation of the Administrator of UNDA as deputy to the Director-General for Development and International Economic Co-operation must be dependent upon the negotiation of satisfactory arrangements regarding the composition of the new Operations Board and the division of responsibility between that Board and the Council and the UNDA Administrator, as well as a satisfactory definition of the status of the Administrator. The Group, therefore, recommends that these views be accepted as part of the general understanding governing the implementation of the proposals regarding the new UNDA, while noting its expectation that such concerns can be taken care of in negotiations within a two-year period.

32. The Group envisages a process of institutional restructuring which could be initiated immediately by the seventh special session of the General Assembly and unfold over a five-year transitional period, during which the many difficult questions involved could be resolved to the satisfaction of all the Members. At every stage during the five-year period the General Assembly could examine the measures needed to implement the restructuring with a view to ensuring a fair balance of advantages to different groups of Member States, and all the measures would be reviewed at the end of the five-year period to ensure that the restructuring in the centre and the sectoral areas was mutually compatible and regarded as satisfactory by the membership as a whole.

Figure I. New central structure for global economic co-operation



Chapter II

CENTRAL STRUCTURES FOR GLOBAL POLICY MAKING, PROGRAMMING, PLANNING AND OPERATIONAL ACTIVITIES

A. General Assembly

33. There is at present in the United Nations system a large number of bodies exercising, either de jure or de facto, global policy-making functions related to development and international economic co-operation. In addition to the Second and Third Committees of the General Assembly and the Economic and Social Council, among which there is at present duplication and overlapping of functions, reference may be made, for example, to the intergovernmental organs of UNCTAD, the United Nations Industrial Development Organization (UNIDO) and GATT, the Joint Ministerial Committee of the Board of Governors of IMF and the International Bank for Reconstruction and Development (IBRD) and the recently established World Food Council.

34. In addition to the global conferences on trade and industrialization, held at intervals of three or four years, it has become a recent practice of the United Nations to convene on an ad hoc basis world conferences to deal with global issues such as the environment, population, food, human settlements, International Women's Year, the world water problem and desertification.

35. While all of these mechanisms and initiatives are making available to the system a wealth of policy inputs, an unchecked proliferation of such initiatives may undermine their ability to attract world attention and lead to an excessive diffusion of responsibility for global policy-making, with a consequent loss of coherence. Furthermore, the fixed periodicity of conferences is not always conducive to good results in that it may prevent the United Nations system from responding in a flexible and effective manner to new developments and newly perceived interrelationships among development issues.

36. A major objective of the recommendations which follow is therefore to ensure a more flexible programming of conferences at the global policy-making level. In this connexion, the Group finds the new practice of convening special sessions of the General Assembly to deal with major economic problems a potentially very effective device - provided that such sessions are carefully planned and prepared - which should be further pursued in the future.

37. The Group therefore recommends that the General Assembly decide that:

(a) Whenever issues of global significance need urgent and separate consideration, special sessions of the General Assembly, on the pattern of the sixth and seventh special sessions, or special sessions of the proposed "Development Committee" (see para. 39 (a) below), should, after careful preparation, be convened rather than ad hoc world conferences; and

(b) There should not be a fixed periodicity for any global conferences; a decision as to the best timing and approach and the most suitable arrangements for

the consideration of a given issue should be taken by the Assembly, on a case-by-case basis, in the light of developments. For this purpose, the possibility of convening special sessions of the General Assembly or special sessions of the proposed Development Committee should be explored. 1/

38. The Group believes that the above measures would not only serve to introduce the necessary degree of flexibility in the functioning of the central organs but would also strengthen the role of the General Assembly under the Charter with respect to global policy making. To this end, however, a number of adjustments in the functioning and methods of work of the General Assembly and its Second and Third Committees are also required in order to:

(a) Raise the level of representation and enhance the authority of the Assembly's decisions; and

(b) Ensure a more integrated approach to the consideration of problems affecting development and international economic co-operation.

39. The Group, therefore, recommends that:

(a) The Second Committee of the General Assembly should be renamed the Committee on Development and International Economic Co-operation (to be known as the "Development Committee"). Consideration should be given to transferring from the Third Committee to the Second Committee, on a case-by-case basis, those items on social development that might more appropriately be dealt with in the Second Committee, bearing in mind the need to avoid overloading the Second Committee's agenda;

(b) The agenda of this Committee should be organized around meaningful cluster/ of issues (rather than be based on a mechanical consolidation of some of the items that traditionally appear on the agenda of the Second and Third Committees), reflecting an integrated approach to the economic and social aspects of development;

(c) Some days during the meeting of this Committee should be organized for discussions and decision making at senior or ministerial level on key issues that are ready for decision;

(d) The Economic and Social Council should be consulted in the elaboration of the Committee's agenda and should be asked to prepare its discussions and submit draft recommendations for action by the Committee;

(e) The Third Committee should be renamed the Committee on Social Problems, Human Rights and Humanitarian Activities.

40. The Group believes that the above arrangements will also help to clarify the respective roles of the Assembly and the Economic and Social Council. Without

1/ The above recommendations, of course, have to be read subject to the understanding mentioned in paras. 29 and 30 of chap I. It is understood that the fourth session of UNCTAD would take place as scheduled and that a decision on the fifth session would be made in connexion with the review of the transitional arrangements in the light of the effectiveness of the central institutions.

prejudice to the functions of the General Assembly under the Charter, the Group views these arrangements as ones whereby the Assembly establishes the over-all policy strategies and pronounces itself upon the negotiations to be carried on within the framework of the Council, where ways of implementing in practice the strategies formulated by the Assembly would be worked out. At the same time, the Council should identify major issues and policies requiring action at the General Assembly level, and act as the main preparatory body for the proposed Development Committee of the Assembly by laying the groundwork and conceptual framework for its discussions.

41. This approach is reflected in the recommendations relating to the functioning of the Council which are outlined in the following section.

B. Economic and Social Council

1. Revitalization of the Council

42. The revitalization of the Economic and Social Council, through far-reaching changes in its functioning and methods of work, was generally viewed by the Group as one of the conditions for strengthening the central structure of the system and enabling it to play an effective role in world economic affairs. The Group strongly believes that if the United Nations system is to contribute effectively to the solution of international economic problems there must be a central organ within the system where the inputs from the various United Nations bodies can be shaped into coherent policies for development and international economic co-operation, and where there can be a central review of the mutual consistency of actions taken sectorally, particularly of the interdependence of decisions on trade, monetary reform and development financing and of decisions taken in the fields of agriculture, industrialization and other areas. This objective and the recommendations that follow are to be read in conjunction with the understanding about the establishment of a transitional period, contained in paragraphs 29-32 in chapter I above.

43. The Council's decisions, at present, lack the necessary degree of authority. In spite of repeated reaffirmations of its role under the Charter, the Council has never been given adequate means to follow up and ensure the effective implementation of its recommendations. At the same time, the continued growth in the functions assigned to the Council, and the number of reports reviewed by it, prevent it from addressing itself in a selective manner to major developments in the economic sphere. The recent increase in its membership, however, has created the necessary preconditions for entrusting to the Council a strengthened role.

44. The Group recommends that the General Assembly at its forthcoming special session should reaffirm the Council's central role with respect to global policy formulation and implementation and the setting of priorities for the system as a whole.

45. The Council's ability to perform this role effectively entails, by necessity, significant changes in its structure and methods of work to enable it to concentrate on major policy issues and to encourage the effective implementation of its recommendations by both Governments and international institutions. In particular, the proposals that follow are designed to achieve three interrelated sets of objectives:

(a) Ensure a greater degree of flexibility in the functioning of the Council and, therefore, of the system as a whole - and bring about a considerable streamlining of the Council's subsidiary machinery, whose continuous growth has brought the amount of documentation and the number of items on the Council's agenda to unmanageable proportions and has diverted the Council's attention from more significant and urgent developments requiring action;

(b) Improve the level of representation in the Council and bring to it the appropriate officials from capitals, thus enhancing its decision-making capacity and increasing its influence on the policy of Member Governments; and

(c) Strengthen the ability of the Council to ensure system-wide implementation of its policy decisions, particularly their reflection in the programmes of work of the entire United Nations system and in the conduct of operational activities.

2. The Council's calendar and programme of work

46. As a first step towards achieving these objectives, the Group recommends that the Council organize its programme on a biennial basis, with its calendar subdivided into frequent subject-oriented sets of short sessions spread throughout the calendar year (except during the General Assembly period). These sessions would take place in New York, Geneva or in other cities, such as Nairobi, depending on the subject-matter and the location of the relevant secretariat units. A typical calendar of the Council under these arrangements would be as follows:

(a) An initial substantive session (presumably in January of the first year) devoted to the identification, in the light of the General Assembly's debates and decisions and an analysis and assessment of the economic and social situation, of the themes and issue areas to be included in the Council's programme of work and the preparation on that basis of the Council's calendar. A degree of flexibility would, however, have to be maintained in this calendar in order to enable the Council to tackle at any point in time any major emerging development requiring its attention;

(b) Short subject-oriented sessions devoted to policy making in respect of the major issue areas identified as requiring policy decision would then follow throughout the two years; the programme for these sessions should be set so as to ensure that all sectors at present covered by the Council's subsidiary machinery, such as population, environment, natural resources, science and technology, social development, human settlements etc., would all be discussed, either in their present form or in some appropriate regrouping, over the two-year cycle;

(c) The calendar would also include, every year, a one-week ministerial session (which might be held during the last week of June) devoted to an over-all policy review, focusing mainly on world economic questions, including trade, monetary and financing issues related to development, and to the preparation, on the basis of the results of the preceding meetings, of a policy statement to be submitted to the General Assembly for its consideration and adoption;

(d) This ministerial session would be followed each year by two sessions of about two weeks each, to be held preferably during the month of July, to carry out in succession:

- (i) A review, in alternate years, of programme budgets and medium-term plans, respectively, of the entire United Nations system, 2/ and
- (ii) A review of the operational activities of the system, including, in particular, the activities of the United Nations Development Authority proposed below. 3/

47. While co-ordination should progressively become, under these arrangements, a built-in aspect of the review of substantive activities, the Council's session devoted to programming and planning would also provide the forum for the discharge by the Council of its over-all responsibilities for interagency co-ordination under the Charter. As far as the second two-week session is concerned, its main objective would be to provide general policy guidelines for operational activities (a function now diffused among the governing bodies of the existing programmes and funds) and ensure that the Council's policy recommendations find an adequate reflection in the conduct of such operations. 4/

48. The Group believes that this new pattern of meetings would enable the Council to devote the necessary attention to the most significant developments of international concern and to exercise, with much greater effectiveness, the leadership and co-ordination responsibilities that devolve upon it.

3. Negotiating groups

49. Another important innovation which the Group recommends in the functioning of the Council is the establishment by the Council of small negotiating groups to deal with key economic issues identified by it as requiring further negotiations with a view to bringing about agreed solutions. The rationale underlying this recommendation and the procedures under which these groups would function are set out in detail in section D below. It might be added here that one of the main tasks of the initial substantive session of the Council referred to above would be to identify those issues requiring agreed solutions and take the necessary steps for setting up the relevant negotiating groups to deal with them. While it would be necessary for the Council to be kept informed of the progress being made by these groups and to discuss the subjects being considered by them, the groups would be given the necessary time and means to carry out their tasks effectively, and would be permitted one to two years to seek agreed solutions. During the one- to two-year period, the General Assembly and the Council would be free to vote resolutions on these subjects but, in addressing themselves to these questions,

2/ As explained in sect. E below on Planning, programming and budgeting, the Council's review of the programme budget and medium-term plan of the United Nations proper would be undertaken with a view to adopting decisions thereon, whereas the Council's review of the plans, programmes and budgets of the specialized agencies would be for the purpose of co-ordination, bearing in mind the constitutional autonomy of the agencies.

3/ See sect. F below.

4/ The specific functions to be performed by the Council at these two sessions are described in greater detail in sects. E and F below.

the Assembly and the Council would presumably take into account the progress of the negotiations within the respective groups. It should be understood, of course, that the Assembly and the Council could not be expected to postpone taking decisions if there were an excessively large number of negotiating groups which were all active at the same time. The proposed procedures for the functioning of these groups further provide that, during the one- to two-year period, proposals emanating from the groups which do not appear acceptable to the Council's membership would be referred back to the groups with new guidelines.

4. Type and level of representation

50. A major aim and, it is hoped, one of the main results of this new pattern of meetings is the attendance at the Council's sessions of higher-level and more specialized government representatives. Indeed, such representation is a necessary prerequisite to ensure that the arrangements referred to above result in a substantial enhancement of the Council's effectiveness. A typical session on any given subject in line with the pattern of meetings outlined above would be rather short, possibly of one week's duration. Furthermore, in contrast with the existing situation, the above arrangements would enable senior and specialized government officials to know the precise dates on which a subject of special interest to them would be discussed. The system should thus greatly facilitate the required changes in the type and level of representation. In addition, since, as will be seen below, the new structure proposed by the Group envisages the merger of several functional bodies into the Council, it should be possible for the United Nations, utilizing the resulting savings, to provide travel expenses for a number of delegates from capitals to meetings of the Council. The Group therefore recommends the adoption of this practice, along the lines of the present practices in respect of the General Assembly and the meetings of the functional commissions of the Council.

51. In view of the special importance it attaches to the question of the level and type of representation in the Council, the Group suggests that the adoption of the above measures be accompanied by a recommendation by the General Assembly to Member States to take all the steps necessary to ensure the systematic attendance of higher-level and more specialized government representatives at the Council's meetings, it being understood that the composition of such delegations would be governed by the specific subject-matter to be considered at any given session.

52. Equally important is to ensure that the Council be able, as the Charter lays down, to co-ordinate the work of the specialized agencies more effectively than it has in the past. ^{5/} One way of assisting the Council to achieve this would be to provide for the agencies to take a more active part in the Council's meetings on a regular basis so that its decisions would carry greater weight than they do at present. For this purpose, the executive heads of the specialized agencies and programmes concerned should be urged to participate as actively as possible in the Council's review of issues impinging upon their fields of responsibility. This would encourage a more meaningful dialogue between the Council and the heads of the specialized agencies and programmes than is possible at present. The inputs that the latter bring will be indispensable for policy formulation and implementation by the Council on a system-wide basis.

^{5/} On this subject, see, for example, Economic and Social Council resolution 1771 (LIV) of 18 May 1973, entitled "Joint meetings of the Committee for Programme and Co-ordination and the Administrative Committee on Co-ordination".

5. The Council's subsidiary machinery

53. The other underlying rationale of the new pattern of meetings proposed for the Council is to avoid unnecessary duplication of effort by having the Council itself perform the functions at present carried out by its subsidiary organs. Experience clearly suggests that the present structure has not resulted in a real delegation of responsibilities and that the Council, at the time it considers the reports of its subsidiary organs, reviews once again the whole range of questions discussed by such bodies. Moreover, inasmuch as the meetings of all these organs must be scheduled long in advance, their agenda and documentation are often out of date when the meetings are held and, more importantly, their reports are often overtaken by events by the time they are reviewed by the Council. As a result, these bodies, as well as the Council itself, are often prevented from discussing issues of actual significance and interest.

54. For all these reasons, the Group recommends that the Council assume direct responsibility for the work now performed by its existing subsidiary bodies. As a result, the permanent commissions and committees of the Council would be discontinued, except for the following bodies: the regional commissions; the Statistical Commission; the Commission on Narcotic Drugs; the Committee for Development Planning; the Commission on Transnational Corporations; and the Commission on Human Rights (see in this connexion, para. 62 below). The Group, in making the above exceptions, has in mind the need to preserve: (a) expert bodies that perform highly technical work that cannot be performed by the Council; (b) bodies whose work warrants separate consideration; and (c) regional economic structures. The Council should, over a two-year cycle, address itself to all of the sectors now covered by its subsidiary machinery, either in their present form or in some appropriate regrouping.

55. The Council should also be assisted, in connexion with its responsibility with regard to the programme budgets and medium-term plans of organizations and their co-ordination, by a subsidiary body whose functions and responsibilities are described in section E below.

56. In recommending the discontinuance of these bodies, the Group of Experts does not wish to impede in any way the necessary dialogue between the United Nations and specialized "constituencies" at the national level. This dialogue has proved to be of great value to both Governments and the United Nations and should be maintained. The proposed arrangements would ensure this and, in addition, raise the level at which such dialogue takes place.

57. The Group recognizes that the discontinuance of a number of subsidiary bodies dealing with sectoral areas could create considerably greater pressure for representation in the Council. One means of dealing with this problem, on which the Group agreed, would be that, as already provided for in the Council's rules of procedure, any country not a member of the Council which was especially interested in a particular sectoral issue would be permitted to participate in the relevant discussion, with all the rights of membership except the right to vote. The Group recognizes, however, that this device may not be fully adequate to resolve the problem satisfactorily. The Group believes that the revitalized Council will be able to perform its function only if it is adequately representative of all regions and interests.

58. Several suggestions were put to the Group to meet the above problem:

(a) In order to ensure that the views of observers are given due consideration in the decision making of the Council, even though they do not have the right to vote, a consultative arrangement could be established for consideration of a matter on the Council's agenda through the device of convening meetings which would include members of the Council and observers. Under this procedure, the Council would, while negotiating a resolution and before adopting a decision, take into account the views of the observers. Such an arrangement would only call for a change in the Council's rules of procedure;

(b) Regions or subregions or groups of countries could be invited to consider the possibility of assuming joint representation in the Council by mutual agreement among themselves so that meetings could be attended by the member country most interested in the subject under consideration. This would necessitate an amendment to the Charter. Unlike the other suggestions advanced in this paragraph, this proposal would be applicable to all meetings of the Council and not just to those on sectoral questions;

(c) After the Council has established its biennial programme of meetings, all States Members of the United Nations would be invited in advance of each session dealing with sectoral issues, to indicate their interest in participation. The membership for each session would thus be determined according to the replies received. This would mean that the membership would not necessarily be the same for these sessions as the Council membership of 54 and that it could vary from one session to another. An amendment to the Charter would be required for this purpose;

(d) Provision would be made for the addition of up to 10 members to include countries with special interests that are not already represented in the current membership of the Council. The Director-General for Development and International Economic Co-operation (see para. 71 below) would propose for each session devoted to a particular sector a list of such additional invitees for approval by the Council at its organizational session. This provision would also involve a Charter amendment and result in an expansion of the membership of the Council beyond 54, to a possible maximum of 64.

59. The Group was not in a position to make any specific recommendations on this subject but suggests that these and other possibilities could be considered by the Council and the General Assembly with a view to adopting appropriate arrangements.

60. The Group further recommends that, with respect to the Council's negotiating groups, described in section D below, countries not members of the Council be eligible to participate in them with the same rights as members.

61. In summary, the Group recommends that the following changes be made with respect to the Council's subsidiary machinery and the other bodies related to the Council:

(a) The Council should assume direct responsibility for the work now performed by the Committee on Natural Resources, the Committee on Science and Technology for Development, the Committee on Review and Appraisal, the Committee on Crime Prevention and Control, the Population Commission, the Commission for Social Development, the Commission on the Status of Women, and the Committee on Housing, Building and Planning, all of which would cease to exist;

(b) The Committee on the Application of Science and Technology to Development should cease to exist. Instead, to provide the United Nations in general and the Economic and Social Council in particular with ready access to the resources of the world scientific community, the Group recommends that small ad hoc groups of scientists be convened on a case-by-case basis to study specific problems and formulate recommendations which would then be taken into account by the Council in the formulation of relevant policies. ^{6/} The establishment of such groups, which would be based on rosters of scientists representing a wide range of scientific disciplines, would provide the Council with the necessary flexibility to deal, as appropriate, with diverse and constantly changing issues. The Group further recommends the appointment of a science adviser to the Secretary-General, who should be an individual of international eminence and recognized competence, to serve as a link between the Secretary-General and the world scientific community. His main function would be to provide timely advice to the Secretary-General to help him anticipate the impact of advances in science and technology and identify the options that their application presents, especially for the benefit of the developing countries;

(c) The Group recommends that the Council should assume direct responsibility, through the device of subject-oriented sessions as described above, for the policy functions in respect of environmental issues at present being carried out by the Governing Council of the United Nations Environment Programme (UNEP). Inasmuch as responsibility for managing the UNEP Fund would be assumed by the proposed Operations Board responsible for all pre-investment funds, as recommended in section F below, the Governing Council of UNEP would be discontinued. The environment secretariat would remain in Nairobi, subject to the authority of the Director-General for Development and International Economic Co-operation.

62. With respect to the structural arrangements of the United Nations in the field of human rights, some members of the Group are of the view that a Council on Human Rights should be created to replace the Trusteeship Council and serve as a principal organ of the Organization, discharging all the functions in the field of human rights that are now the responsibility of the Economic and Social Council and the Commission on Human Rights and, perhaps, also the functions of the Commission on the Status of Women. In addition, this new Council could perform the tasks that the entry into force of the Covenants on Human Rights will entail. It was recognized that the implementation of this idea would require an amendment to the Charter. Other members of the Group feel that the Commission on Human Rights should be maintained but that the Council should simply transmit the Commission's reports to the General Assembly without debate.

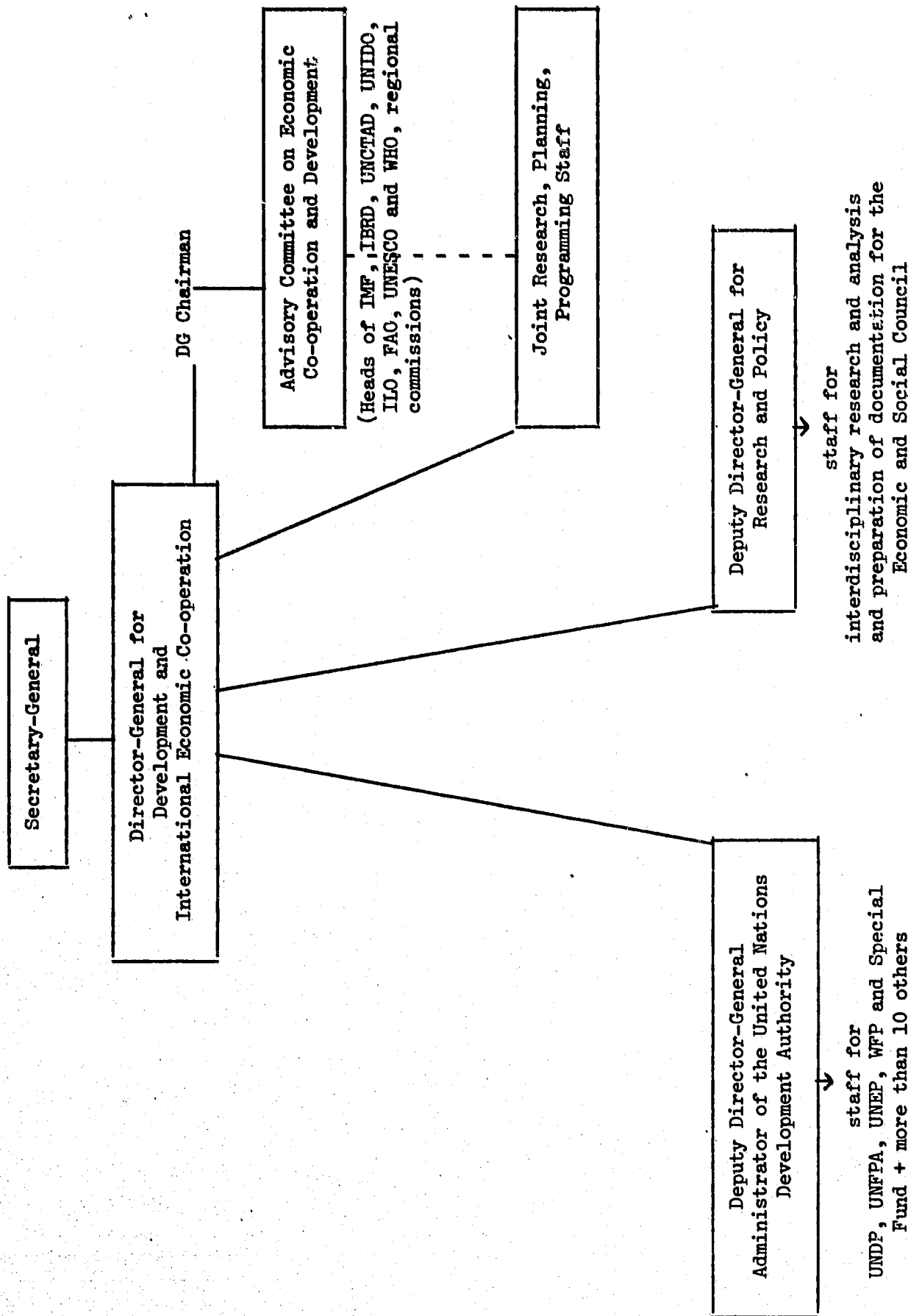
C. Secretariat support facilities

1. Objectives

63. The Group strongly believes that the increasing recognition of the interdependence of economic issues, and the resulting changes in the responsibilities of the central organs, require that the Secretariat's capacity for intersectoral analysis and synthesis of policy options be greatly strengthened.

^{6/} The United Nations Scientific Committee on the Effects of Atomic Radiation, being a subsidiary body of the General Assembly, would not be affected. On the other hand, the United Nations Scientific Advisory Committee would be discontinued.

Figure II. New United Nations secretariat structure for global economic co-operation



64. The inability, so far, of the present Secretariat structures to perform the foregoing functions effectively must be attributed to a number of factors, particularly the sectoral fragmentation of the Department of Economic and Social Affairs and the concentration of the efforts of many of its sectoral units on their operational responsibilities at the expense of policy support for the Council.

65. Similarly, the Department's work in the field of development planning has, so far, been somewhat narrowly approached and has not generally resulted in as wide a range of options as would be necessary for effective policy making. Moreover, the small unit in charge of providing direct Secretariat support to the Council has purely servicing rather than substantive support functions.

66. Furthermore, the present relationship between the work of the Department and that of the United Nations Development Programme reflects the absence of an organic link between research, economic and social planning and policy analysis, on the one hand, and the planning of operational activities, on the other, except for a cursory review each year by the Council of the report of the UNDP Governing Council. The problems raised by this situation are described at some length in section F below on operational activities.

67. Finally, care should be taken not to overburden the central Secretariat with unnecessary tasks, and to ensure that there is greater communication between the Secretariat and the centres of professional and scientific expertise that exist throughout the world in Governments, universities and the private sector generally.

68. In the circumstances, a critical prerequisite for improvement is a substantial reform of existing Secretariat structures with the aim of:

(a) Ensuring an appropriate link at the Secretariat level between research and analysis, on the one hand, and the programming of operational activities, on the other hand;

(b) Strengthening the Secretariat's capacity for in-depth intersectoral analysis of economic issues;

(c) Improving the Secretariat's ability to draw, on a continuing basis, upon the inputs and accumulated experience of all parts of the system and to ensure the systematic and coherent implementation of decisions throughout the system; and

(d) Developing closer links between the Secretariat and outside institutions, and encouraging the "contracting out" to such institutions of appropriate research assignments.

These are the main objectives which the following recommendations are designed to achieve.

69. It should be added that, in recommending the following changes in the central Secretariat, the Group of Experts anticipates that there would be no increase in staffing costs; indeed, these changes may result in substantial savings that could be utilized for operational activities.

2. Reorientation of the functions of the Department of Economic and Social Affairs

70. In the view of the Group, a first necessary step towards strengthening the analytical capabilities of the Secretariat and enabling it to concentrate its efforts on the task of providing support, on an interdisciplinary basis, for the policy-making function of the Council, is to divest the Department of Economic and Social Affairs of its sectoral technical functions in the economic and social field and, particularly, of its sectoral operational responsibilities. The implications of this measure are dealt with at some length in section F below, which deals with operational activities. It should be stressed here, however, that this step would not only permit the relevant parts of the United Nations Secretariat to concentrate their energies on the task of providing substantive support to the Council and the General Assembly but would enable the Secretariat to perform its co-ordination responsibilities with a greater degree of objectivity than is the case at present. In particular, this measure, by removing the existing element of competition between the Organization and the specialized agencies with respect to the execution of operational activities, will greatly assist the United Nations to obtain the necessary support and co-operation from the other organizations of the system.

3. Director-General for Development and International Economic Co-operation

71. The increasing complexity and importance of development and international economic co-operation in the United Nations system today requires, in the view of the Group, a far-reaching reform of the relevant Secretariat structures in the United Nations and the appointment of a new official to assist the Secretary-General in the task of providing effective leadership to the various components of the system involved in economic and social affairs. In particular, the Group recommends the establishment, within the Secretariat, of a new post of Director-General for Development and International Economic Co-operation. This official would be directly responsible to the Secretary-General, would serve as primus inter pares among the heads of United Nations organizations and agencies dealing with economic and social affairs and would be in charge of directing all activities at present being carried out by the Department of Economic and Social Affairs and the various United Nations offices and programmes with respect to research, policy-making support, interagency co-ordination and operational activities. The autonomous position of the specialized agencies would, of course, not be affected, but the new Director-General would seek to promote improved system-wide co-operation. He would chair the proposed Advisory Committee on Economic Co-operation and Development, mentioned in the following subsection. He would need to be assisted in this task by two Deputy Directors-General, one for Research and Policy, and the other to serve as Administrator of the new United Nations Development Authority. Under these arrangements, the existing post of Under-Secretary-General for Economic and Social Affairs would cease to exist.

72. The Group believes that this structure offers the best possibility of establishing an effective link at the secretariat level between the research functions at present being carried out by the Department of Economic and Social Affairs and the existing operational responsibilities of UNDP, thereby achieving the necessary unity of policy direction and enabling each to become a source of strength for the other.

73. The practical effectiveness of this measure, from both a managerial and a political point of view, would, of course, greatly depend in the final analysis on the personality and capacity of the individual chosen to occupy the new position. For these reasons, and in view of the special importance that the responsibilities to be assigned to the new Director-General would have for the entire membership of the United Nations, the Group recommends that his appointment on the part of the Secretary-General be confirmed by the General Assembly. Careful procedures would need to be established for the process of selection of the candidate, to ensure that the individual chosen enjoys the confidence of all groups of countries. The implementation of this and related proposals should be carried out in a manner that ensures the fullest understanding and co-operation of the specialized agencies as this is a necessary basis for the successful operation of the system envisaged here.

74. The Group recommends that the post of Director-General should be assigned to a national of a developing country, at least during those years when the post of Secretary-General is occupied by a national of a developed country. If the post of Secretary-General were occupied by a national of a developing country, this arrangement would have to be reviewed. (It should be understood that the reference to developed and developing countries is to be interpreted as embracing countries with different social systems.) The post of Administrator of the new United Nations Development Authority and that of Deputy Director-General for Research and Policy could then be allocated, respectively, to a national of a developed country and a national of a developing country. The Group further recommends that the Director-General be elected for his five-year term at the same time as the Secretary-General is elected for his five-year term. It also recommends, however, that if the proposals in this report are accepted, the Director-General could be appointed on an interim basis in time for his appointment to be confirmed by the General Assembly at its thirtieth session.

75. As noted above, a major function of the new Director-General and his staff should be to assist the central organs of the United Nations in the development of global policies, the formulation of system-wide decisions and priorities and the overview of the implementation of such decisions by the various components of the system. As it builds its capacity for global intersectoral analysis, this secretariat should progressively be able to function as an early-warning system geared to providing timely and effective advice to the intergovernmental organs on major emerging developments in the economic sphere requiring their urgent action. In order to play this role effectively, the secretariat should have at its disposal a flexible mechanism for drawing upon the expertise and knowledge of existing international organizations, national Governments and the private sector generally.

4. Advisory Committee on Economic Co-operation and Development

76. During the past three decades, the programmes, organizations and agencies of the United Nations system dealing with economic, social and financial questions have acquired substantial experience and carried out extensive research in the field of development. At present, however, although there is wide realization of the need for an integrated and multidisciplinary approach to development, there are no joint mechanisms for effectively pooling the results of this work.

77. The Group believes that one effective measure to this end would be the establishment of a new interagency mechanism, to be known as the Advisory Committee

on Economic Co-operation and Development, under the chairmanship of the new Director-General for Development and International Economic Co-operation. The Managing Director of IMF, the President of the World Bank, the Secretary-General of UNCTAD, the Executive Director of UNIDO, the Directors-General of the ILO, FAO, UNESCO and WHO, the Executive Secretaries of the regional commissions, the Deputy Director-General for Research and Policy and the Administrator of the new United Nations Development Authority would be ex officio members of this Committee. The Director-General of GATT would also be invited to join the Committee, 7/ and the executive heads of other United Nations agencies and programmes would be invited, as necessary, to attend.

78. The main task of the Committee would be to review the world economic and social situation and bring to the attention of high-level meetings of the Economic and Social Council, together with its own assessment and recommendations, all issues which, in its view, require international decisions and actions. Whenever possible, alternative policy options should be developed for submission to the Council, either by the Committee as a whole or by any of its members.

5. Joint research, planning and programming staff

79. Another condition for the effective functioning of the new secretariat structure, as regards both its ability for in-depth intersectoral analysis of development issues and its capacity to ensure coherent implementation of decisions, is the development of built-in mechanisms whereby the expertise and experience of the specialized agencies would be available to the central Secretariat on a continuing basis.

80. To this end, the Group recommends the establishment of a small "joint unit" within the new Director-General's Office to be composed of high-level staff seconded by the various organizations of the system - for a longer or shorter duration depending on central requirements - and such other highly qualified officials as may be required by the Director-General.

81. As regards the functioning of this joint staff; the Group believes that the seconded officials should bring to the central office the expertise and perspective of their organizations, but should be responsible to the new Director-General and would not, therefore, formally represent the agencies to which they belong.

82. The functions of this joint staff would be:

(a) To serve as a centre for global policy analysis and assessment, in support of the work of the Advisory Committee and the Economic and Social Council; and

(b) To serve as a system-wide planning bureau for the elaboration, on the basis of general policies and priorities laid down by the Council, of short-

7/ In chap. III, sect. A, below, the Group recommends that GATT and the United Nations enter into a mutually satisfactory agreement providing for a formal relationship, including exchange of information and closer administrative collaboration.

and medium-term plans to serve as guidelines for the programmes of individual organizations. It would also develop budgetary proposals for joint programmes in close collaboration and consultation with the Department of Administration and Management of the United Nations Secretariat and the relevant organs and offices of the specialized agencies.

6. Functions of the Director-General's staff

(a) Deputy Director-General for Research and Policy

83. The staff under the Deputy Director-General for Research and Policy should be structured along intersectoral lines and should be so organized as to ensure that expertise on major aspects of development and international economic co-operation is available to it. This staff would have the responsibility of digesting and analysing material and inputs coming to the centre from the various sectoral components of the system and of preparing on that basis concise documentation for action by the Economic and Social Council. Flexibility in the methods of work and the composition of this staff would be essential, as the staff would have to adapt its work and contributions to the changing requirements of the Council.

(b) Administrator of the United Nations Development Authority

84. The Group believes that, in order to ensure harmony between planning and operations, it would be useful to establish a post of Administrator of the United Nations Development Authority, who would be responsible for the functions now being carried out by the Administrator of UNDP and the executive heads of other United Nations voluntary programmes and funds for technical assistance and preinvestment activities (excluding, for the time being, the Executive Director of the United Nations Children's Fund (UNICEF), as specified in paragraph 141 below). In addition, this official would also serve as a Deputy to the Director-General for Development and International Economic Co-operation. At the same time, the Group recognizes that the eventual consolidation of United Nations funds in the new UNDA and the designation of the Administrator of UNDA as Deputy to the Director-General for Development and International Economic Co-operation must be dependent on the negotiation of satisfactory arrangements regarding the composition of the new Operations Board and the division of responsibility between the Board and the Economic and Social Council and the Administrator of UNDA, as well as a satisfactory definition of the status of the Administrator. It is the Group's expectation that these negotiations could be concluded within a two-year period.

7. Co-ordination arrangements

85. The main function of the central Secretariat in the field of co-ordination 8/

8/ While the existing Office for Inter-Agency Affairs and Co-ordination would become a part of the new Director-General's Office, it would have to continue to maintain direct contacts with other sectors of the United Nations Secretariat to ensure interagency co-ordination in their spheres of interest. For questions arising in these areas, it would continue to be directly responsible to the Secretary-General.

should be to act as a bridge between the policy-making organs of the United Nations and the various organizations of the system, by assisting the Council and the General Assembly in the formulation of policies and system-wide priorities and ensuring the effective implementation of their decisions within the system. The above arrangements should thus lead to a progressive reorientation of co-ordination activities towards the harmonization and integration of programmes at the planning stage.

86. These considerations and the structural changes proposed above have, of course, also implications for the functioning of the co-ordination machinery at the intersecretariat level.

87. In addition to the Administrative Committee for Co-ordination, there are at present two other interagency co-ordinating bodies attended by the executive heads of the United Nations agencies and programmes: the Inter-Agency Consultative Board (IACB) of UNDP, chaired by the Administrator, which has no formal relationship to ACC although its meetings are usually held in conjunction with those of ACC; and the Environment Co-ordination Board (ECB), which is chaired by the Executive Director of UNEP and has been established "within the framework of ACC". The Group believes that a merger of these two bodies with ACC would not only bring about a needed measure of streamlining in the structure of the co-ordination machinery, but would also serve to promote the establishment of a closer link between research and operational functions - an objective to which several of the foregoing recommendations have been addressed.

88. At the same time, the Group believes that there would be merit in maintaining the two subsidiary bodies which now back up IACB and ECB at the working level, namely, the Programme Working Group and the Meeting of Environmental "Focal Points", which would function as two subsidiary bodies of ACC.

89. As regards the functioning of ACC and the Preparatory Committee, the growth of the United Nations system has meant that their membership has, in recent years, become too large and disparate for the expeditious conduct of business and for in-depth discussion of key issues. As may be seen from ACC's annual reports to the Council, there has been a tendency in ACC to deal procedurally rather than substantively with the many items before it, including some of the most important ones. Specifically, there has seldom been adequate consideration of the over-all approach towards development assistance. The Group believes that the recommendations concerning the mandate and membership of the new Advisory Committee on Economic Co-operation and Development would deal effectively with these shortcomings and would fill a gap which is depriving the Council of effective support in a key aspect of its work. In order to avoid duplication, however, ACC would have to be kept regularly informed of the work of the Advisory Committee.

90. Much of the detailed co-ordination of programmes in other sectors which involve a number of agencies, such as natural resources, population and science and technology, is carried out by intersecretariat sub-committees which report to ACC through its Preparatory Committee. The Group understands that the reports of these subsidiary organs are acted upon in most cases not by ACC itself but by the Preparatory Committee on its behalf. Because many functions have been delegated to it, the Preparatory Committee has a potentially important role which it has never been able to carry out effectively because it is composed mainly of

officials who have neither the necessary rank nor substantive responsibilities. The Group recommends, therefore, that the executive heads of agencies should be invited either to carry out these responsibilities themselves, or if those responsibilities have to be delegated to another body, that they be represented on that body by their deputies who would have full authority to act on their behalf.

91. Finally, the Group recommends that steps be taken for a progressive reorientation of the work of the subsidiary bodies of ACC towards joint programming and planning. The progress made in this direction, and the obstacles faced, should be regularly and fully reported to the intergovernmental organs concerned.

8. Personnel practices and policies

92. Structural changes in the Secretariat will not suffice to enable it to perform effectively the support functions required by the central intergovernmental institutions and to discharge satisfactorily the new and expanded tasks envisaged in this report. A major effort is also needed to improve personnel policies and practices with a view to making the Secretariat staff a top-quality service dedicated to international co-operation.

93. The Charter of the United Nations requires that due regard be paid to the importance of recruiting the staff on as wide a geographical basis as possible. At the same time, Article 101 demands that the "paramount consideration" in the employment of staff should be "the necessity of securing the highest standards of efficiency, competence, and integrity". Accordingly, the Group of Experts recommends that:

(a) Member States and those who bear the principal responsibility for the management of the international civil service should rededicate themselves to the Charter requirements concerning the recruitment of staff;

(b) Competitive examinations for United Nations service should be held and recruitment requirements with regard to academic and other formal qualifications should reflect the diversity of cultural and socio-economic settings in the different regions of the world. Countries in a subregion or region should be permitted, on the basis of mutual agreement, to pool the number of secretariat posts allocated to them for purposes of satisfying the requirements of equitable geographical distribution;

(c) A programme of "pre-recruitment training" should be undertaken to assist developing countries, particularly the least developed among them, in the training of candidates for posts subject to geographical distribution. While the main purpose of such an operation should be to train candidates for United Nations service, the programme should also envisage training for national civil service since developing countries, especially the least developed, cannot be expected to send their best technicians unless the programme, at the same time that it provides training for service in the United Nations system, helps to satisfy national needs for skilled personnel; 9/

9/ See "Report of the Joint Inspection Unit on personnel problems in the United Nations" (A/8454 (Part I), paras. 210-229).

(d) Steps should be taken to increase the proportion of women in the professional category, especially at the senior level;

(e) A United Nations Fellows Programme should be established to bring to the United Nations system young people of superior ability from all regions of the world.

94. The Group of Experts believes that measures should be taken to upgrade the skills of United Nations staff members, bring them up to date on new developments in their fields, improve their morale and enhance prospects for career development. Accordingly, the Group recommends that:

(a) Consideration should be given to reviving the Staff College project as part of the development of new and improved training facilities. The Staff College would not only provide common training to officials coming from different agencies but would also give them the opportunity to exchange experiences and establish personal relationships of lasting professional value once they return to their respective posts throughout the United Nations system. It would thus help generate a system-wide sense of common identity that would make a singular contribution to the cohesion of the United Nations family of agencies;

(b) In view of the rapid pace of change in the various areas of United Nations interest and action, staff members should be encouraged to take sabbaticals in universities or institutes of advanced study to refresh and enhance their knowledge and skills;

(c) Staff rules concerning retirement should be applied more rigorously;

(d) Personnel rules and practices, particularly in respect of language allowances for professional staff pursuant to General Assembly resolution 2480 B (XXIII) of 21 December 1968, should be so set and applied as to avoid any discrimination against staff whose mother language is not one of the official languages of the United Nations;

(e) Measures should be taken to improve the United Nations system of career development, including greater staff mobility within and between different United Nations agencies;

(f) The promotion process should do more to reward ability and initiative, and administrators should show more willingness to eliminate unproductive staff;

(g) There should be better and more frequent communication between high-level and lower-level staff since the latter are often not adequately informed about the work of the Organization and this adversely affects their morale.

95. The United Nations agencies should move towards a unified personnel system, including a unified system of salaries, grading, conditions of service and recruitment. The General Assembly has taken a step in this direction by establishing an International Civil Service Commission for the whole United Nations system. The Group of Experts, however, noted that in its present form the Commission has rather limited mandate and powers. Accordingly, the Group of Experts recommends that the International Civil Service Commission be given additional powers and responsibilities to enable it to achieve the objective of a unified personnel system as stated above.

96. Given the fact that economic issues require specialized multidisciplinary and up-to-date expertise on a number of subjects (trade, monetary reform, financing of economic development, agriculture and food, industrialization, energy and resources etc.), the Organization needs to recruit staff members competent in rather technical and fast-changing areas of knowledge. In the light of this, the Group of Experts recommends that:

(a) In order for the United Nations to be able to secure the services of highly skilled specialists, it should have the flexibility to resort to fixed-term appointments as necessary;

(b) The search for talent should not be limited to foreign ministries and United Nations missions. An effort should also be made to recruit outstandingly qualified persons from the academic and scientific communities and from private corporations or State enterprises;

(c) Careful balance should be achieved in recruitment policy between the requirements for specialists in their respective fields and the employment of high-level generalists with particular experience in field activity who are in a position to understand the multidisciplinary and intersectoral aspects of development and international economic co-operation.

D. Consultative procedures

97. The Group has given consideration to a new system of consultative procedures which might encourage the more timely and effective implementation of United Nations decisions. We wish to emphasize at the outset that these new procedures do not involve any change whatsoever in the voting procedures of the General Assembly and the Economic and Social Council, nor do they limit in any way the right of those bodies to debate and vote resolutions. On the contrary, the procedures are designed to enhance the authority of the Assembly and the Council by making it more likely that their decisions bring concrete results through appropriate changes in the policy of Member countries.

98. The consultative procedures here proposed are designed to promote agreement on major policy issues where agreement might otherwise be unobtainable. With this end in view, the procedures would normally be initiated at an early stage in the discussion of a given subject and before the stage of the passing of resolutions, but the procedures could also be initiated at the end of a process of debate or even after a decision where this seemed to be appropriate. It would be for the Economic and Social Council, if the recommendations in this section were accepted, to work out these consultative arrangements in appropriate rules of procedure which would specify, among other things, the kinds of subjects on which consultative procedures could take place.

99. In recommending these consultative procedures, the Group has carefully considered the experience of UNCTAD in employing the conciliation procedure provided in General Assembly resolution 1995 (XIX) of 30 December 1964. The Group recognized, however, that the UNCTAD procedure would need to be changed in major respects to make it appropriate for use in the Council. In particular, the provision in the UNCTAD conciliation procedure postponing for a fixed period the voting of disagreed resolutions was not regarded by our Group as acceptable. We also felt that the Council would have to redefine, in ways appropriate to its own responsibilities, the kinds of subjects with respect to which consultative procedures could be invoked. On the other hand, our Group felt that some of the procedural innovations in the UNCTAD conciliation formula might usefully be drawn upon with respect to the methods of invoking the process of consultation.

100. Consultative groups would be so composed as to be representative of the United Nations membership, including countries with a particular interest in the subject-matter. The groups would be given from one to two years, as the case might be, to bring in agreed recommendations. Each group would be served by a full-time chairman with the responsibility of defining issues for consideration, structuring the discussion and generally working with the parties in the search for an agreed solution. The work of Mr. Jeremy Morse, Chairman of the Committee of Twenty on the Reform of the International Monetary System, was regarded by our Group as an example of the kind of service that could be performed in the context of the Council under the procedures here proposed.

101. In view of the novelty of consultative procedures in the context of the Council, our Group believes that they should be initiated on an experimental basis, with no more than three consultative groups to operate simultaneously in the first biennial Council period. This would reassure members that the new procedure was not being abused and that a large administrative structure was not being created.

102. The consultative procedures would also be applied in UNCTAD organs with a view to enhancing its capacity under the terms of the mandate given to UNCTAD by General Assembly resolution 1995 (XIX). It would be understood that consultative groups dealing with intersectoral issues under the Council would be directly serviced, depending on the subject-matter, by appropriate Secretariat bodies, including the UNCTAD secretariat.

103. The Group therefore recommends the following arrangements for a system of negotiating groups under the restructured General Assembly and Economic and Social Council:

(a) At the request of the General Assembly or the Economic and Social Council, or upon the motion of one tenth of the members of either body, a small negotiating group would be constituted by the Council to seek agreement on a specific action proposal or related action proposals in the field of development and international economic co-operation. 10/ Negotiating groups would be of manageable size, normally between 10 and 30, 11/ and would include countries principally interested in the subject-matter whether or not they were members of the Council. During the initial two-year period, negotiating groups would only be constituted by majority vote of the General Assembly or the Council;

(b) Negotiating groups would normally be created at the beginning of the Council's biennial calendar, although they could be created at other times when the need arises. These groups would operate for periods of one or two years, subject to renewal as determined by the Assembly or the Council. The Council would be kept informed by the negotiating groups of the progress being made by them. During the two-year period, the General Assembly and the Council would be free to consider subjects under discussion in the groups and to vote resolutions thereon, but in deciding upon whether to vote a particular resolution, the General Assembly and the Council would take into account the progress of the negotiations;

(c) Each negotiating group would function under the guidance of a full-time chairman with the assistance, as necessary, of a small representative bureau of vice-chairmen, all of whom would be proposed by the Secretary-General and confirmed by the General Assembly or the Council, depending on where the proposal for the group originated. The full-time chairman would serve for the duration of the group;

(d) Each negotiating group would operate on the basis of unanimity. When a negotiating group reached agreement, it would report to the Council, which would adopt the agreement, refer the matter back to the negotiating group for further

10/ This follows the UNCTAD formula, and would require a minimum of 14 countries in the present General Assembly or six in the present Council. The precise definition of the type of proposals subject to consultative procedures would be defined by the Council in an appropriate rule of procedure.

11/ The group could be smaller than 10, of course, if the majority of members of the General Assembly or the Council so desired. Each group would be open to all countries with an interest in the subject-matter. However, in case the size of the group became unmanageable, it would be open to the Council to select the participants with a view to making the group as representative as possible and promoting agreement in the Council and the General Assembly.

consideration, or take such other action as it deemed appropriate. Upon approval by the Council, the agreement would be passed to the General Assembly, which could approve the agreement, refer the matter back to the group, or take some other action;

(e) The Council should consider possible arrangements designed to ensure the implementation of policy decisions taken by the General Assembly or the Council after use of the consultative procedures. The aim of these arrangements would be to promote the necessary action by United Nations Members within the time horizon required. Action would include the negotiation of formal international agreements, where appropriate, and consideration should be given to instituting arrangements to ensure that such agreements are effectively implemented.

E. Planning, programming and budgeting

104. Planning, programming and budgeting constitute the processes through which the broad goals defined in the Charter are translated into more specific targets, priorities are defined and financial resources are allocated among the various activities to be undertaken to implement the Organization's policies. The importance of this aspect of the structures and procedures of the United Nations is therefore obvious.

105. The annual expenditures of the United Nations system are approaching \$1.5 billion a year. Something under one quarter of this total is accounted for by the United Nations regular budget. Another one quarter of this total is accounted for by the 15 specialized agencies, each of whose budgets is drawn up by a separate secretariat and approved by a separate set of intergovernmental organs. Still another one quarter is accounted for by UNDP which has its own executive staff and governing body. Finally, there are a number of largely independent special-purpose programmes financed by voluntary contributions, ranging from such long-established operations as the United Nations Children's Fund and the United Nations Relief and Works Agency to the relatively new programmes concerned with population, drug abuse, and the human environment. These special-purpose programmes are growing at a faster rate than the other parts of the budget of the United Nations system and will soon represent about one quarter of the total.

106. There is an urgent need for over-all policy direction not only between these four main components of the United Nations system but within the very first component itself. The United Nations regular budget is put together in a piecemeal way as a result of independent decisions taken by various units within the Secretariat and the several dozen boards, commissions and committees to which they are responsible, such as the functional organizations like UNCTAD and UNIDO, subordinate organs of the Economic and Social Council like the Committee on Natural Resources and the regional commissions. It is a budget, in short, that is put together from the bottom up, rather than from the top down, an aggregation of demands from specialized constituencies without any systematic evaluation of their relative importance and without any over-all conception of the purposes for which the regular budget should be spent.

107. Recognition of the deficiencies of the programming and financial system of the United Nations family of agencies led in 1965 to the creation of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the

Specialized Agencies (Committee of 14). In 1966, the Ad Hoc Committee issued a report containing various constructive suggestions regarding, inter alia, methods of budget preparation and presentation and the development of long-term planning, programming and budgeting. 12/

108. Since the report of the Ad Hoc Committee was issued, progress has been made towards more rational programming and budgeting processes through reforms generally aimed at:

- (a) A clearer identification of agency goals;
- (b) Relating goals to medium-term plans and to programmes;
- (c) Broadening the range of alternatives considered for achieving these goals;
- (d) Formulating programmes in the light of these considerations;
- (e) Relating programmes to budgets;
- (f) Evaluating the effectiveness of programmes in terms of stated objectives; and
- (g) Feeding this information back into the decision-making process.

109. More recently, the General Assembly established a Working Group on United Nations Programme and Budget Machinery to recommend further improvements. The recommendations that follow for changes in the programming and budgeting structures at the interagency, intergovernmental and secretariat levels should be considered in conjunction with the recommendations of the Working Group.

110. One of the most important aspects of introducing new systems for planning and financial management is the assignment of priorities to programmes relative to the objectives they are designed to achieve. The issue of priority setting can be approached from several angles. The first is to design lists of criteria which can help in determining the priorities which draft programmes and project proposals are to be assigned in the programme budget. A second is to face the political problems involved in priority setting more directly by determining what "areas of activity" or what "themes" should be given highest priority in the work programme of the Organization. This second approach deals with priorities in terms of what programme has the first claim on resources on the basis of its importance in relation to the themes which are singled out. A third approach deals with priorities through the allocation of increments to the budget. Under this third approach, priorities are assigned to programmes, or rather, to organizational units, on the basis of larger or smaller increments (or reductions) to the existing level of resources.

111. Each of these approaches has its advantages and drawbacks. The third, or incremental approach, is easier to handle from a managerial point of view since programmes are by and large identical with organizational units and programme

12/ "Second report of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies" (A/6343, 19 July 1966).

managers are ensured a relatively stable resource base. It also facilitates policy-making decisions on allocations since these are reduced to questions of relatively modest increments. Its main drawback is that it is primarily designed to emphasize relative weights of programmes as a whole, but does not provide any criterion by which to compare relative priorities to be assigned to components within the various programmes.

112. The second, or thematic approach, provides, in so far as well-defined "areas of concentration" can be singled out, a criterion by which programme components can be assigned priorities across organizational units. This advantage of a more flexible and problem-oriented focusing on the issues which are at a given time considered most salient by the Organization's membership must, however, be weighed against the risks of administrative and managerial confusion which are a consequence of allocating resources on the basis of criteria which cut across organizational units. The problem, however, can be overcome, as UNESCO's experience with cross-sectoral programmes demonstrates. Another drawback is the political difficulties involved in agreeing on "themes" or "areas of concentration" which are sufficiently precise to serve as criteria for priority setting. Experience shows that attempts to define such themes have been characterized by a vagueness and broadness that make them encompass virtually all the existing activities of the Organization and are, therefore, unsuitable for priority setting in practice.

113. Any consideration of the problem of priority setting which concentrates on technical criteria, methodologies etc. evades the basic fact that the setting of priorities is primarily a political task involving basic policy choices. This is not the same as saying that well-designed decision-making procedures and well thought out methodologies and criteria cannot facilitate the making of these choices. The proposed reforms of the decision-making machinery described in the foregoing sections should, in fact, contribute to this. In so far as they would enable the appropriate intergovernmental bodies to define meaningful priority themes, these could serve to provide criteria both for decisions about the relative incremental growth of programmes according to their over-all relevance to the priority themes and for the priorities to be assigned to programme components within organizational units. To the degree that the device of intersectoral programmes is found compatible with considerations of managerial responsibilities - as it has been in UNESCO - increased emphasis could be laid on the thematic approach to assign programme priorities to programme components across organizational units.

114. It is therefore recommended that the appropriate intergovernmental bodies and secretariat units charged with programming and budgeting develop a thematic approach to priority setting through such devices as the establishment of intersectoral programmes, to the degree that this is compatible with the managerial considerations underlying the incremental approach which is at present the dominant one in the United Nations and some agencies.

1. At the interagency level

115. There should be a harmonization of budget presentation throughout the United Nations system for purposes of comparability of budget documents in order to permit Governments and the various intergovernmental bodies to have a comprehensive and clear picture of the functions, activities and work programmes of the United

Nations and the specialized agencies, so that they will be able to make informed programme and budget decisions in a system-wide context.

116. Therefore, the Group of Experts recommends that the United Nations and the specialized agencies take immediate steps to adopt comparable (not necessarily uniform) programme-budget presentations and a common methodology of programme classification and description of content. Regular reports should be submitted to the competent intergovernmental organs indicating the progress made in this direction and identifying possible constraints.

117. As suggested by the Committee of 14, the review of the agencies' budgets envisaged in Article 17, paragraph 3, of the Charter should be performed in such a way as to enable the agencies to take the recommendations of the General Assembly into consideration before the adoption of their respective budgets. 13/ Therefore, the Group of Experts recommends that appropriate steps be taken throughout the United Nations system to synchronize budget cycles and to set time-tables for budget preparation, review and approval that will permit the General Assembly and the Economic and Social Council to review the budgets of the specialized agencies prior to their adoption.

118. There is a particular need to provide Member Governments and United Nations organizations with a clearer picture of the activities carried out by the Organization, irrespective of their source of funding, whether assessed or voluntary.

119. Information about the source and use of extrabudgetary funds in the programme budgets of the various organizations is at present highly uneven and, with some exceptions, generally unsatisfactory. Given the uncertainty in the information which agencies have about such funds, several years in advance at the time of the preparation of their budget programmes, there are, of course, limits to the amount and nature of the information which they can provide. Even so, there is room for improvement in this respect.

120. It is therefore recommended that (a) the United Nations and the agencies provide to the extent possible full and compatible information on extrabudgetary resources in their programme budgets; (b) country programming periods be harmonized with agency medium-term planning periods; (c) the UNDP and other funds, which it has been proposed to consolidate, prepare "project budgets" for the same period as the agency budget periods; and (d) UNICEF's programme cycles and methodologies, as far as its development-related projects are concerned, be harmonized with those of the new UNDA and the relevant agencies.

121. Medium-term planning is still at the experimental stage in the various organizations, but, although experiences vary, the exercises have proved their usefulness as attempts to provide a more forward-looking framework for the preparation of work programmes and budgets. While much refinement of planning methodology and procedure is still needed within individual organizations, major emphasis should be given to elaborating medium-term planning because of its potential high value for integrating the activities of the whole United Nations

13/ E/6343, para. 90 (a).

system. Important steps already taken in this direction include the ACC pledge to extend the procedures for prior consultations to medium-term plans. As ACC has noted in its annual report to the Council for 1973-1974, "the extension of these procedures to the medium-term plans, and their refinement to permit consultations before the actual drafting of these documents, will make it possible to harmonize programmes in the formative stages of their preparation and thus to assist the Council in obtaining greater cohesiveness in the activities of the system". 14/ Similarly, the decision to carry out joint interagency planning in the rural development area on an experimental basis constitutes an encouraging step forward.

122. Both of these steps could be further developed. In order to assure the Council and other responsible intergovernmental bodies that the prior consultations on medium-term plans are carried on in a productive manner and actually produce results in terms of better co-ordinated plans, the agency secretariats, or ACC, might be instructed to report on these results on a regular basis. The joint planning exercise might be seen as a first step towards genuine system-wide medium-term planning, as has been suggested by UNESCO's former Director-General and the Director-General of WHO. To prepare such plans, based upon sectoral inputs from the agencies, a joint interagency planning unit might be established, to work with the staff of the Director-General for Development and International Economic Co-operation, as proposed below.

123. It is, therefore, recommended that the results of prior consultations on medium-term plans be regularly reported to the Economic and Social Council (through the Committee for Programme and Co-ordination (CPC)) and to the governing bodies of the agencies in question, and that a joint interagency planning unit be established for the purpose of preparing system-wide medium-term plans.

124. Co-ordination should not, as it has often been said, be an end in itself but an integral part of the process of planning, programming, budgeting and priority setting and a natural by-product of these processes. As Inspector Maurice Bertrand of the Joint Inspection Unit noted in his report on medium-term planning, "the general adoption of programming can make sense ... only if it promotes the harmonization of methods and paves the way for the integration of programmes". 15/

125. The introduction of programme budgeting in the United Nations and the agencies has made it possible to get an over-all, if somewhat imperfect, impression of what these organizations do in their various, and often closely related fields of activity, something which was totally impossible under the old objects-of-expenditure budgets. Co-ordination will be facilitated by the harmonization of programme budgets, as recommended above, which will provide Governments and the various governing bodies with a clearer picture of the system's activities and their interrelationships. The various bodies charged with "co-ordination" would thus be able to emphasize not just the well-known negative (and not very significant) aspect of co-ordination concerned with avoiding wasteful duplication and overlap but also the more positive and meaningful aspect of interrelating or "concerting" the activities of the system.

126. Thus, with comparable programme budgets, it should be possible to carry out on a systematic basis cross-organizational programme analyses in fields where several

14/ E/5488, para. 29.

15/ A/9646, para. 4.

organizations are active. The number and importance of such fields has grown in recent years with the growing recognition of their interdisciplinary nature. A first step in the direction of concerted programming has been made with the recent changes in the procedures for prior consultations on work programmes among the agencies. As with consultations about medium-term programmes, it might be useful if agencies reported the results of the consultations to the responsible intergovernmental programme bodies. The establishment of functional groups (on the consequences of the green revolution and on employment) was a useful step in the same direction. A logical further step would seem to be the translation of the outcomes of such exercises into joint programming in those fields, where a close functional interdependence between the tasks and activities of two or more agencies justify it.

127. It is therefore recommended that (a) the results of prior consultations on the work programmes be reported to the Economic and Social Council (through the Committee for Programme and Co-ordination) and to the governing bodies of the agencies in question and (b) the United Nations and the agencies utilize the system of programme budgeting to develop their co-operation in related programme areas into joint programming.

2. At the intergovernmental level

128. There should be a mechanism to link the processes of programme formulation and budget review at present divided between the Economic and Social Council, the Committee for Programme and Co-ordination and the Second and Third Committees of the General Assembly, on the one hand, and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Fifth Committee of the General Assembly, on the other. In section B of this chapter, it is recommended that the Economic and Social Council assume responsibility for the examination of both programme budgets and medium-term plans in the economic and social field.

129. One of the most obvious deficiencies of the United Nations planning system as it exists today is the lack of a sufficiently high-powered and authoritative intergovernmental body concerned with the over-all review of the multifarious programmes proposed by the many subordinate bodies within the Organization. The Economic and Social Council itself, though charged with this function in the Charter, is too large and unwieldy to perform it effectively without the assistance of a subordinate body. The Committee for Programme and Co-ordination should, in theory, undertake the task on behalf of the Council but, in practice, it lacks sufficient authority, expertise, resources and time to perform it effectively.

130. To assist the Council in the performance of the expanded functions envisaged for it in the fields of programming and planning, the Group of Experts recommends that:

(a) The Committee for Programme and Co-ordination be strengthened to make it a more effective body for reviewing programmes and determining priorities and, thus, for achieving a coherent and deliberately chosen balance among the wide-ranging activities of the subordinate bodies of the United Nations. The Working Group on United Nations Programme and Budget Machinery set up by the General Assembly has made proposals to enhance the role of CPC by giving it the task of recommending priorities among United Nations programmes and real growth rates for

their budgets and of reviewing the programme budget and medium-term plan in alternate years. The Group fully endorses the proposals of the Working Group designed to strengthen the role of CPC but believes that, for this purpose, it needs higher and more expert representation and should be able to devote far more time than at present (several weeks) to this important and complex task;

(b) As a long-term goal, the United Nations should work towards a single body to advise the Economic and Social Council as well as the General Assembly with respect to the review, approval and evaluation of both programmes and budgets. This could be a small body representative of the different groups of Member States composed of highly qualified individuals nominated by Governments but serving in their personal capacity. The ACABQ, whose small membership of 13 adequately balances the groups of developed countries, developing countries and socialist countries, might eventually be transformed into such a body. Alternatively, the membership of CPC might be adjusted to make it the small, balanced group necessary for this task. A first step towards the establishment of a single programme and budget body might be to promote more frequent and effective consultations between CPC and ACABQ.

131. An essential element of programme budgeting is effective monitoring of programme implementation and appraisal of programme accomplishments, since policy-making bodies need such data in order to be able to make informed and intelligent decisions concerning different programmes that should be undertaken or continued, determine the activities that should be terminated or scaled down, and examine alternative means of accomplishing programme objectives. As things stand now, new activities keep being added to existing ones (some of which may have become unnecessary or less necessary) and are accommodated in the budget by increasing appropriations. 16/ To a great extent, this state of affairs may be attributed to the fact that "work on evaluating the results achieved after budget implementation still lies within the realm of theory, and that, despite the reports on implementation and calls by the governing bodies for improved methods of appraisal, no real check is kept on the secretariats". 17/

132. The Group of Experts, therefore, recommends the establishment of a mechanism for continuing supervision and evaluation of programme implementation for the purpose of furnishing the competent intergovernmental organs with information on programme management and execution and on the progress made towards achieving programme objectives. Towards this end, a small body of independent experts, functioning on a full-time basis, should be created. Alternatively, the Joint Inspection Unit should be transformed into such a body.

3. At the secretariat level

133. High-level machinery should be strengthened for centralized policy direction with respect to programming and budgeting in the United Nations itself. The Group of Experts welcomes the Secretary-General's initiative to establish a high-level programme and budget review committee, composed of the heads of the principal units of the Secretariat responsible for programming in the economic, social and

16/ See Official Records of the General Assembly, Twenty-eighth Session, Supplement No. 8 (A/9008), para. 19.

17/ A/9646, 13 June 1974, para. 122.

human rights fields, on the one hand, and of those in charge of administration, on the other, to establish the financial guidelines and programme priorities according to which departmental estimates should be prepared. 18/ The Group recommends that this machinery be further developed with a view to the rationalization of the United Nations programming and budgeting process. As recommended in section C.5 above, the joint staff to be created within the Office of the new Director-General for Development and International Economic Co-operation should serve, inter alia, as a system-wide planning bureau for the elaboration, on the basis of the general policies and priorities laid down by the Economic and Social Council, of short- and medium-term plans to serve as guidelines for the programmes of individual organizations. In addition, it should have the function of developing budgetary proposals for joint programmes in close collaboration and consultation with the Department of Administration and Management of the United Nations Secretariat and the relevant organs and offices of the specialized agencies.

18/ See A/C.5/1429, 20 April 1972, para. 22 (b), and Corr.2.

F. Operational activities

1. Introduction and background

134. At the time the United Nations and the other agencies of the system were created it was envisaged that those institutions would promote international co-operation with respect to problems falling within the purview of their respective Charters through the dissemination of information, standard setting and policy analysis and guidance. Thus, with certain exceptions, notably the World Health Organization and the financial institutions of the system, United Nations organizations were not specifically assigned responsibility for operational activities. However, in the past three decades, as international concern for developmental problems gradually increased, the operational activities of the United Nations grew steadily to the point where today they represent the largest part of the activities of the organizations of the United Nations system. Expenditures from voluntary extrabudgetary funds represent about two thirds of the total expenditures of the United Nations system, excluding the World Bank Group and the International Monetary Fund.

135. Over the years, initiatives to establish new voluntary funds have contributed decisively to expanding the scope and intensity of international co-operation. The establishment of new funds, by their appeal to special constituencies, has resulted in a mobilization of additional resources for international co-operation. The question arises, however, whether the costs of this process in terms of administrative duplication and inefficiency and resulting difficulties for the administrations of recipient countries, are not beginning to outweigh the benefits heretofore derived from the multiplication of separate funds. The Group believes that this evolution is beginning to undermine efforts to programme the activities of the United Nations system in a more rational and comprehensive manner and more in accordance with the real needs of developing countries.

136. The fragmentation of funds is, in the opinion of the Group, reaching a point of diminishing returns where it merely results in splitting the flow of voluntary resources into more rigidly divided separate funds. In the process it is reducing their total effectiveness and efficiency. There is a strong case, therefore, for reversing this trend.

137. In the light of three decades of experience with operational activities, the concept of technical co-operation needs to be reoriented. Since its inception, the prevailing concept governing technical co-operation was mainly the transfer of know-how to developing countries through experts' services and training facilities. It is now acknowledged that while this concept was valid and important results were obtained, the magnitude of the task had been vastly underestimated. The transfer of knowledge through individuals (experts and local counterparts) is only one step in a complex chain of development assistance comprising transfer of know-how and technology, pre-investment aid and the transfer of real resources.

138. In the years ahead, international co-operation in technical assistance will continue to play an important role. At the same time, it must be realized that the problem of transfer of know-how and technology is intimately connected with the absorptive capacity of a given "milieu". Technical assistance can significantly increase that absorptive capacity. This requires, however, that much greater emphasis in technical assistance efforts should be given to national institution

building and that international systems should reinforce local initiatives in harmony with national aspirations. Care should be exercised not to superimpose on recipient countries inappropriate foreign concepts or costly international networks.

139. The specialized agencies of the United Nations system have made major contributions as agents for the transfer of technical knowledge to developing countries. They should continue to make such contributions in the future. But they were initially established to systematize consultations and set standards on a world scale on issues of global interest. There is a danger that their brain power may not be used to full advantage if they are obliged to devote their attention to logistical and operational problems at the expense of their substantive responsibilities and objectivity. We feel, therefore, that there should be some planned redirection of the agencies' role with a renewed emphasis on their original functions in their specialized fields of competence.

2. Recommendations

140. In the light of the above considerations, the Group of Experts recommends that the following measures be taken with respect to the operational development activities of the United Nations system financed by extrabudgetary resources.

(a) Consolidation of operational activities and funds

141. All United Nations funds for technical assistance and pre-investment activities should be consolidated for the purpose of more effective policy making, administration and management into a new United Nations Development Authority. Certain small funds for capital investment should also be consolidated, as hereinafter specified, in UNDA. The Group believes that the consolidation here proposed will lead to substantial administrative economies and a useful flexibility in the blending of funds for certain kinds of projects, for example, the use of development and environment funds for projects related to soil and forestry resources. The Group also believes that this consolidation will better meet the needs of all recipient countries. The Group does not recommend the inclusion, for the time being, of UNICEF in this consolidation. This move could, however, be considered at some future stage, taking into account the unique character of UNICEF's role within the system. 19/ With respect to trust funds established by individual donors, their future disposition would be subject to further study and negotiation among interested parties.

(b) Maintenance of separate identity of funds

142. In the consolidation of funds under a single administrative and management structure, the separate identity of the funds would be maintained so that donors would continue to have the right to earmark contributions for particular purposes, a right which the Group believes will encourage a higher level of total contributions. The Group recommends, therefore, that, under the consolidated

19/ In sect. E, para. 120, above, the Group recommends that UNICEF's programme cycles and methodologies, as far as its development-related projects are concerned, should be harmonized with those of the new UNDA and the relevant agencies.

administration, management and policy-making structure here proposed, separate accounts be kept for identified programmes and that existing practices for earmarking funds to particular programmes should be permitted to continue.

(c) Integration of intergovernmental policy-making organs

143. Under the present intergovernmental arrangements, the governing bodies of the various funds for the most part perform a dual function, being responsible for both policy making and management of the operational programmes and funds under their authority. In lieu of this arrangement the Group of Experts proposes that there should be a single governing body responsible for reviewing the operational activities of the United Nations system as a whole and providing over-all policy guidance within the context of global development strategies. In the opinion of the Group, the Economic and Social Council is the appropriate body to perform this policy-making function since it is fitting that global policy making on operational activities be part of the responsibilities of the body charged with the task of formulating global development policies. This arrangement would not only promote the integration of global policy and operations but would also avoid the duplication of discussions that debates in the various governing bodies and the subsequent Council review of reports of the voluntary programmes and funds entail. For this purpose, as recommended in section B, paragraph 46 (d) (ii) above, the Economic and Social Council should include in its programme of work an annual session devoted to a global review of operational activities.

(d) Integration of management bodies

144. In the light of the above considerations, and in order to ensure a sounder management of operations, the Group recommends that there should be a consolidation, as early as possible and under appropriate administrative arrangements, of intergovernmental structures such as the UNDP Governing Council, the UNEP Governing Council, the United Nations/FAO Intergovernmental Committee of the World Food Programme and the Board of Governors of the Special Fund, and that these bodies should be replaced by a single Operations Board which would be responsible for the conduct of the general operations of UNDA and would exercise all the powers delegated to it by the Economic and Social Council.

145. The mandate of the Operations Board would extend to all operational funds currently administered by the United Nations, UNDP (including the Capital Development Fund, the United Nations Volunteers programme and the United Nations Revolving Fund for Natural Resources), the United Nations Fund for Population Activities (UNFPA), UNEP (including the United Nations Habitat Human Settlements Foundation), the World Food Programme (WFP) and the Special Fund. Its membership should be relatively small (18-27) and equitably balanced between net donors and net recipient countries. There should also be appropriate representation of countries with different social systems. It would be in a position to function on a year-round basis, as necessary, and would not be confined to members of the Economic and Social Council. It could establish subgroups to deal with subjects not directly related to economic and social development, such as a subgroup for disaster relief and emergency assistance, and a subgroup for drug abuse control or other activities. The Board and its subgroups would be in close contact with the Administrator to assist in management functions.

(e) Integration at the secretariat level

146. A greater degree of policy guidance and direction of operational activities at the intergovernmental level requires a parallel strengthening of the central secretariat structures. The Group's proposals to strengthen and streamline existing secretariat structures are designed primarily to permit the Secretariat to perform more effectively its support functions to enable the intergovernmental organs to discharge in a satisfactory manner their functions of global policy making and integrated system-wide planning and programming with respect to operational activities. Those proposals are also made in the anticipation that there would be substantial savings in staffing by replacing several separate administrative structures by a single administrative structure. The savings could be utilized for operational activities. As noted earlier in section C, one of the major purposes to be served by restructuring at the secretariat level is to achieve a closer relationship between research and planning, on the one hand, and operational activities, on the other. In pursuit of this objective, the Group makes the following recommendations:

- (i) As stated in section C above, the proposed Director-General for Development and International Economic Co-operation would have two Deputy Directors-General, one of whom would be responsible for the administration of the United Nations Development Authority;
- (ii) In the consolidation of funds under the proposed United Nations Development Authority, the separate identities of certain administrative units should be maintained, notably in the case of population, environment and other areas where this would facilitate fund raising or operations;
- (iii) Under the arrangement set forth above, the present Department of Economic and Social Affairs, which would become part of the secretariat under the authority of the Deputy Director-General for Research and Policy, should be relieved of the responsibilities at present performed by the Office of Technical Co-operation, which would be transferred to UNDA, when established. The sectoral/technical functions of ESA should be progressively transferred to other parts of the system as soon as satisfactory arrangements can be worked out, with the understanding that certain technical functions would remain at the centre. The secretariat units performing functions cutting across sectoral areas, such as statistics and public administration, would continue to provide, as appropriate, the necessary substantive support services.

147. In making the foregoing recommendations, the Group notes that the various technical assistance and pre-investment funds have hitherto functioned under effective administration, which should not be prejudiced in the process of structural reform, and that there must be confidence in the new arrangements before they are fully implemented.

148. The Group, therefore, recommends that the eventual consolidation of funds into the new UNDA and the designation of the Administrator of UNDA as Deputy to the Director-General for Development and International Economic Co-operation must be dependent upon the negotiation of satisfactory arrangements with respect to the composition of the Operations Board and the division of responsibility between the

Board and the Economic and Social Council and the UNDA Administrator, as well as a satisfactory definition of the status of the Administrator. It is the Group's expectation that these negotiations could be concluded within a two-year period.

(f) Execution of projects

149. In the Group's view, a general principle that should govern arrangements for technical co-operation is that each project is first and foremost an undertaking of the country concerned, rather than of the assisting organization, and must be viewed as an integral component, marginal but decisive in some instances, and as a catalyst of the country's total development effort. In this connexion, due account should be taken of the fact, also noted by the Administrator of UNDP, that many recipient countries have developed over the years the necessary capacity in terms of availability of expertise, consultant services and material equipment for implementing UNDP projects. 20/

150. The Group therefore recommends that

- (i) Management decisions with respect to the execution of projects be governed by considerations as to which means of implementation are the most economical and effective so that savings in administrative costs may be made available for development purposes. The long-term requirements of recipient countries, particularly with regard to institution building and the development of national expertise, must also be fully borne in mind;
- (ii) Recipient countries be given greater flexibility with respect to the execution of field projects. Towards this end, the administering authority should study the best method of implementation in close consultation with the recipient country, taking into account the latter's capabilities. Responsibility for the execution of projects need not be automatically assigned to the specialized agencies, but could be entrusted to: the recipient Government itself; institutions in the recipient country; appropriate consultants, universities, contracting agencies or firms etc.; institutions of other developed or developing countries; the new United Nations Development Authority; regional commissions (particularly for regional and subregional projects).

(g) Information systems

151. During the past five years, some progress has been made in the co-ordination of information systems, pursuant to the recommendations made in A Study on the Capacity of the United Nations Development System (DP/5, vols. I and II), concerning the establishment of a United Nations information system to serve United Nations development policies. Satisfactory results are also being obtained in the operation of agency information systems with specific objectives, such as

20/ "The future role of UNDP in world development in the context of the preparations for the seventh special session of the General Assembly: report of the Administrator of UNDP" (DP/114, 24 March 1975).

UNISIST, the world science information system, a joint product of UNESCO and the International Council of Scientific Unions, and AGRIS, which is FAO's international information system for the agricultural sciences and technology. As a result of recent meetings held under the aegis of the International Development Research Centre of Canada, there is also a development science information system (DEVSI).

152. To promote an interdisciplinary approach at the conceptual level to development assistance, as well as to project implementation at the intersectoral level, the Group of Experts recommends that the new United Nations Development Authority should have access to a co-ordinated information system ensuring (a) the effective and co-ordinated collection and evaluation of data by the various agencies and branches concerned, and (b) the compatibility and reliability of data to be used by decision makers at the national and international levels. To this end, the greatest degree of co-operation between the national and international agencies concerned will be required.

(h) Evaluation

153. The Group believes that the existing evaluation machinery should be strengthened so as to reflect more fully the interrelated character of development activities. The Group, therefore, recommends that an independent system of evaluation and monitoring of projects be set up by UNDA, in co-operation with other United Nations agencies, to ensure that at the critical stages of project operations a process of independent evaluation should take place benefiting from all relevant intellectual inputs, including those of the government authorities concerned, the executing agency directly responsible and other agencies whose contribution can be relevant to the proper evaluation of the project. This independent system should also call on outside advice. It would present its report to the Administrator of UNDA.

(i) Supporting systems for project implementation

154. The Group recommends that UNDA initiate a general review of procedures covering the recruitment of experts, the procurement of equipment and subcontracting arrangements at all levels, with the assistance of all agencies operating in the field, using the advice of the World Bank, UNICEF and, if possible, the regional commissions, the regional banks and national assistance agencies. The aim of this review would be, inter alia, to ensure that field projects receive the necessary logistical support taking full advantage of local supplies and equipment as well as local potential in the fields of transportation, communications and other relevant aspects which may also be made use of in connexion with projects in other countries of the region. In this connexion, full use should be made of the experience accumulated by the United Nations Field Service in the operation of transport, communications and maintenance systems. The Field Service's experience has, so far, been used to support peace-keeping activities; its potential could, however, also be utilized in appropriate circumstances to support development activities.

(j) Role of the resident representative

155. The Group recommends that to ensure greater coherence in policy and operations at the country level, the resident representatives, who play a key co-ordinating role at this level, should represent the whole United Nations system

within a country in the economic sphere. There should be full implementation of the Consensus adopted by the Governing Council of UNDP in the summer of 1970 and later in the year by the General Assembly, which, inter alia, provides that the resident representatives should have ultimate authority on behalf of the Administrator for all aspects of the programme at the country level and should, "subject to the agreement of the organizations concerned, be the central co-ordinating authority on their behalf for the other development assistance programmes of the United Nations system" (General Assembly resolution 2688 (XXV), annex, para. 63).

(k) Relations with IBRD and other agencies

156. The value of the United Nations development work in the past has been reduced because of a somewhat inadequate working relationship between the United Nations and the International Bank for Reconstruction and Development. There has been a danger in the United Nations undertaking, on a smaller scale, with more limited resources, some of the same functions as the Bank. The risk of duplication and overlapping has occurred, especially in the preparation of country programmes and in visits of a succession of missions to discuss development plans. It has also occurred with regard to assistance activities in the field of development planning, such as in the case of missions of the United Nations multinational interdisciplinary development advisory teams (UNDAT) and the Advisory Planning Service of IBRD. For the developing countries, this has involved a duplication of effort in preparing successive presentations of development proposals.

157. The Group believes that it is of the greatest importance that the new UNDA establish the closest possible working relations with the World Bank: Moreover, the recommended merger of the other voluntary funds with the new UNDA will make it possible for the country programmes to cover a broader range of operations, including those in the fields of population, environment and so on. The Group, therefore, recommends that the country programmes of UNDA and the World Bank should, in the future, be co-ordinated and harmonized.

158. In the view of the Group, it is equally important that there should be the fullest possible exchange of information, experience, ideas and personnel between the United Nations and the Bank. The Group, therefore, makes the following recommendations:

- (i) There should be the closest possible contacts between headquarters staff in the new UNDA and in the World Bank;
- (ii) In field operations, UNDA should, in suitable cases, engage staff from other agencies, including IBRD, on an individual basis;
- (iii) Whenever possible, UNDA/IBRD/IMF country missions should be organized jointly.

159. The main aim of the above recommendations is to achieve a situation in which the United Nations system as a whole is engaged in a joint development effort designed to promote, through closely related efforts, the best interests of the peoples concerned.

(1) Co-ordination at the national level for policy-making and operational activities

160. As regards both policy making and operational activities, it is necessary to strengthen co-ordination at the national level since co-ordination at the international level depends, to a significant degree, on the existence of governmental co-ordination of national policies and programmes.

161. The Group, therefore, considers it advisable that Member States establish within their Governments arrangements for high-level co-ordination and review of multilateral affairs and operations, where they have not already done so.

G. Regional structures

1. Objectives

162. The Group of Experts is aware that several studies are being made or are under consideration on this subject, such as the reports of the Joint Inspection Unit and of the Secretary-General on regional structures being prepared pursuant to Council resolution 1756 (LIV) of 16 May 1973, and the Joint Inspection Unit report on the decentralization of the economic, social and related activities and the strengthening of the regional commissions. In view of this and of the limited time that was available to it, the Group gave only general consideration to the complex structural issues at the regional level.

163. The Group believes that an essential component of structural changes within the United Nations system should be measures directed at strengthening the role of the regional commissions in (a) fact finding, evaluation and analysis, (b) integrated policy making at the regional level, and (c) policy guidance and co-ordination of regional operational activities. The Group believes that regional action often results in a better identification of the objectives and needs of the interested parties and avoids the generalization of norms that are not adequate for the conditions of certain countries or regions.

164. Structural changes will be necessary in the regional commissions, at both the intergovernmental level and the secretariat level, to align them with the structural pattern proposed for the centre.

165. It is recognized that there may be significant differences in the requirements of the various regions in this respect: developing regions, such as Asia, Africa and Latin America, may require a structure and may need to adopt policy objectives somewhat different from those of the Economic Commission for Europe, most of whose members are developed countries with different political conditions.

166. Changes should be made in relations between the central and the regional structures to promote the following objectives:

(a) A greater policy-making and executive co-ordination role for the regional commissions in the operational sphere, under the over-all policy guidance of the strengthened Economic and Social Council, in recognition of the fact that there is a great, still largely untapped, potential in the regions for the implementation of projects of regional and/or subregional scope;

(b) A more rational division of labour in which global problems would be dealt with by the centre, while the regional commissions would implement regionally, as appropriate, global policy decisions and would enjoy a considerable autonomy regarding programming and recruitment questions; and

(c) A sustained and mutually reinforcing relationship between the organizational centre and the regions in which the regional commissions would provide indispensable inputs for the fact-finding, evaluation, policy-making and

operational functions performed at the centre and would, in turn, receive policy guidance and operational support from the centre.

167. With respect to the membership patterns of the regional commissions, the Group envisages three possible alternatives, recognizing that different solutions may be appropriate for different regions:

(a) Membership confined to countries of the region, developing and developed, with outside countries participating as associate members;

(b) Outside countries participating as full members (as in the Economic Commission for Latin America and the Economic and Social Commission for Asia and the Pacific today);

(c) Membership composed exclusively of the developing countries of the region. This pattern would emphasize co-operation among developing countries in the region but might complicate the assignment to the regional commissions of operational responsibility for regional and subregional projects;

(d) A combination of (b) and (c). The regional commission would be composed exclusively of developing countries and would be responsible for fact finding and standard setting, as well as for reporting to the Council on the entire range of activity of the commission. At the same time there would be a new organ within the commission including, in addition to the developing countries, developed countries having co-operation programmes in the region and the representatives of all the programmes operating in the region, United Nations or other, official or private. The main function of this organ would be to co-ordinate these co-operative activities.

2. Structural changes

168. The Group makes the following recommendations for structural change at the regional level:

(a) On the operational side, the regional commissions should play a more active role in identifying, initiating, formulating and executing regional and subregional programmes and projects;

(b) Subject to the observance of agreed criteria and standards, decentralization of activities to the regional commissions should include all responsibilities relating to their substantive and administrative support services. In addition, the International Civil Service Commission should be asked to consider the feasibility of greater decentralization to the regional commissions with respect to the recruitment of staff;

(c) Since all sectoral and regional studies on the economic situation should be made to converge in the Economic and Social Council, the regional commissions should perform their fact-finding task not only in connexion with their regional responsibility but in such a way as to contribute to the Council's global assessment. It would be necessary, therefore, for the commissions to single out in their fact-finding processes those elements that have significance beyond the regions and which are, as a result, of particular relevance to the centre;

(d) In performing their policy-making functions, the regional commissions should make a distinction between strictly regional matters and those that extend beyond the region or apply to more than one region. In the latter case, the proposals from the commissions should be designed to assist the Council in the performance of its global policy-making function. In their policy making, the regional commissions should be guided by the policies laid down by the Council;

(e) The regional commissions should promote and intensify regional economic co-operation that best corresponds to the needs and interests of the regional community as well as those of the global community.

H. Co-operation among developing countries

169. World conferences devoted to trade, industry and agriculture, as well as the sixth special session of the General Assembly and the relevant declarations and action programmes adopted at these conferences have called for the achievement of an increase in the share of the developing world in the fields of trade, industry and agriculture within a given period of time. The realization of these targets will obviously depend on the restructuring of the currently unequal relationships between the industrially advanced countries and the developing countries in favour of the latter. What has perhaps not received equal attention is the imperative need to achieve an expansion in industry and agriculture and an increase in trade among the developing countries through increased co-operation among themselves not only within the traditionally accepted regions or subregions but globally.

170. In the United Nations system at present there is an incipient awareness of the growing importance of this problem. The resolutions adopted by the General Assembly at its recent sessions are a manifestation of this concern. The Working Group on Technical Co-operation among Developing Countries set up by UNDP has made a very useful preliminary analysis of the situation and the potentialities it offers in the specific field of technical co-operation. More recently, the Trade and Development Board of UNCTAD has set up a working group to make a somewhat more comprehensive survey of the scene.

171. These represent, however, only tentative and preliminary efforts. The United Nations system should be geared to undertake more specific measures to accelerate co-operation among developing countries in trade, industry and agriculture, as well as in other related fields of development.

172. As already explained, increasing co-operation among developing countries is an essential and integral ingredient in the process of building a new, more rational and just international economic order. Furthermore, the availability at this juncture of investible funds within the group of developing countries provides an important impetus to developing such measures.

173. Several suggestions have been offered as to the measures that might be taken.

(a) Development of a comprehensive and up-to-date information system. This would enable developing countries to identify potentialities for development having regard to known availability of various indigenous factors of production, expertise from other developing countries and appropriate technology. Wide dissemination, ready access and referral should characterize this system.

(b) Mobilization of resources. An integrated approach is necessary for tapping the investible resources available within the group of developing countries. The institutional apparatus of the Bank and Fund and other agencies and institutions, including regional development banks and other regional services, should consider evolving new schemes and arrangements, possibly including underwriting of risks.

(c) Institutional and financial support could be provided by various economic co-operation schemes, including organizations of the United Nations system, to plans for export credit guarantees to increase trade among developing countries.

(d) Subject to experience and qualifications being equal, nationals of countries with comparable and applicable experience should be given preference in the recruitment of United Nations experts.

(e) Parallel to action at the intergovernmental level, action at the technical and industrial level could also be promoted. Selected groups of experts could be set up to develop contacts as well as specific projects. Such groups would deal with specific industries or sectors and draw experts from the relevant fields. 21/

174. The Group recommends that the General Assembly at its seventh special session give consideration to initiating a programme of action in this field and also set up joint machinery for follow-up action.

21/ These groups might be modelled after the International Lead and Zinc Study Group but with a broader objective of providing co-operation among developing countries by way of joint ventures etc. Another possibility would be to model the group after the Industrial Committee of the ILO, where there is tripartite representation of Government, employers and workers, but again with a different mandate.

Chapter III

STRUCTURES FOR SECTORAL ACTIVITIES

Introduction

175. In view of the limited time available to discharge the task entrusted to it, the Group of Experts, in reviewing sectoral activities, concentrated its attention on developments in the fields of trade, international monetary reform, development financing, agriculture and food, and industrialization, in compliance with its mandate under the relevant paragraphs of General Assembly resolution 3343 (XXIX). However, it was not able to devote to all of these sectors the detailed attention which their complexity and importance warrant, nor was it able to consider, as it would have wished, other important sectoral activities of the United Nations system.

176. The Group received material on the first three of the above sectoral activities; prepared by one of its members, Lal Jayawardena, and subsequently revised in consultation with the Rapporteur and a number of the members of the Group. This material provided background information with respect to the issues and recommendations formulated by the Group. The Group felt that it could not include the material in the body of the present chapter since it had not been able to give it full consideration. However, in view of the outstanding quality of the material and its relevance to an understanding of the list of issues and recommendations set forth by the Group, it was decided to include it as annex II to the present report.

A. Trade

1. Issues in the field of trade with possible structural implications ^{1/}

177. The Group considered the following possibilities (not necessarily mutually exclusive) for structural changes in the field of trade:

(a) The possibility of bringing GATT into closer association, on a formal basis, with United Nations central organs, and the possibility of strengthening GATT/UNCTAD relations;

(b) The strengthening of GATT in various ways. The following possibilities for strengthening GATT were particularly emphasized by members of the Group from developed market economy countries:

^{1/} For background information on these issues, the reader may refer to annex II, section A.

- (i) The negotiation of a new code of trade liberalization which would be administered by an inner group of countries adhering to the code, possibly under special procedures. The arrangements under which the existing GATT is administered on a one nation one vote basis would not be altered. The higher level of obligations in the new code of trade liberalization might be made available via the most favoured nation clause to GATT Contracting Parties not parties to the code;
 - (ii) The negotiation of new rules on export controls and access to supplies;
 - (iii) The negotiation of a new uniform "escape clause" provision, covering the exceptional resort to import restrictions;
 - (iv) Elimination of the "grandfather clause" in GATT permitting Contracting Parties to maintain pre-1947 import restrictions otherwise inconsistent with GATT rules;
 - (v) Improved procedures for advance notification, consultation, the submission of complaints (possibly by private parties as well as Governments), the settlement of disputes by independent panels of experts, and arrangements to deny the benefits of GATT to Contracting Parties which act inconsistently with the Agreement in ways not sanctioned by the Contracting Parties as a group;
- (c) The strengthening of UNCTAD in various ways. Members from developing countries strongly favoured equipping UNCTAD with the elements necessary for its gradual transformation into a comprehensive international trade organization;
- (d) Measures to eliminate voluntary agreements, such as the Long-term Cotton Textile Agreement, which permit quantitative restrictions in derogation of traditional GATT norms, and the establishment of new rules limiting resort to quantitative restrictions;
- (e) The possibility of establishing an international trade organization which, in effect, would incorporate UNCTAD and GATT into a single organization with two chambers, one concerned with broad policy and the other with trade negotiations, but using a common secretariat;
- (f) The possibility of establishing an umbrella commodity organization standing by itself or as a "third chamber" in a new international trade organization;
- (g) In defining the mandate of any new international trade organization that might ultimately come into existence, consideration would have to be given to the question of whether it should deal not only with trade issues but also with other issues such as restrictive business practices, transfer of technology, private investment, and transnational enterprises.

178. The Group indicated that the above possibilities for reform might be viewed not only as alternatives but possibly as sequential stages over a transitional period.

2. Recommendations

179. The Group recommends that:

(a) The foregoing issues be carefully examined in appropriate forums as a matter of priority;

(b) GATT and the United Nations enter into a mutually satisfactory agreement providing for a formal relationship, including exchange of information and closer administrative collaboration;

(c) As a longer-term objective, there should be an evolution towards the creation of an international trade organization to deal with trade issues in a comprehensive manner.

180. The Group recognizes that any structural change in the field of trade should not be allowed to interfere with the multilateral trade negotiations now being carried out under GATT auspices. Indeed, it is recognized that final decisions regarding some important aspects of structure reform in this field should take full account of developments in the multilateral trade negotiations since the latter would inevitably have structural implications.

B. International monetary reform 2/

1. Issues in international monetary reform with possible structural implications 3/

181. (a) Recycling of petrodollars through IMF, to help both developed and developing countries deal with balance-of-payment problems related to the higher costs of energy, food, fertilizer and other imports.

(b) Ways of rectifying the imbalance between countries that has characterized the process of international liquidity creation over the past four years, both between developed and developing countries, on the one hand, and within these two groups of countries, on the other.

(c) The need for a symmetrical adjustment mechanism, with a degree of international surveillance of the adjustment process, including exchange rates and macro-economic policies.

(d) Better international management of global liquidity, with special drawing rights (SDR) becoming the principal reserve asset and the role of gold and reserve currencies being reduced.

(e) The need for interim steps in the direction of longer-term reform, including the possibility of establishing a gold substitution account in the

2/ Only those members of the Group from countries participating in the International Monetary Fund subscribe to the issues and recommendations contained in this section.

3/ For background information on the issues here presented, the reader may refer to annex II, sect. B.

International Monetary Fund which would permit the substitution of monetary gold stocks for SDR and the redistribution of some parts of the resulting book-keeping profits to the developing countries.

(f) Measures to enable developing countries, particularly those most seriously affected, to adjust to a higher level of international prices in a manner consistent with their development needs, possibly through the establishment of facilities within the International Monetary Fund; in this context, the trust fund category of proposals would require consideration as one possibility.

(g) Measures to enable developing countries to have indirect access to Fund resources in ways unrelated to their quotas, through IMF support for international funds, e.g., in agriculture.

(h) The examination of voting power in the Fund, including the question of the power of veto on decision making by a single member; more generally, the possible increase of the share of developing countries to the range of 45-50 per cent of the total, with a substantially greater access of developing countries to IMF credit.

(i) Consideration of changes in the staffing of the Fund to provide for a greater role for developing countries in senior positions and of arrangements to enable career members of the Fund staff to have the experience of working in developing countries, perhaps through suitable links with UNDP's technical assistance programmes. 4/

2. Recommendations

182. The Group of Experts recommends that:

(a) The foregoing issues be carefully examined in appropriate forums as a matter of priority;

(b) The distribution of voting rights under the weighted voting system in the International Monetary Fund be revised to reflect the new balance of economic power and the legitimate interest of developing countries in a greater voice in the operation of that institution.

C. Development financing 5/

1. Issues in development financing with possible structural implications 6/

183. (a) The possibility of establishing a "third window" in the World Bank, and of enlarging its resources beyond the \$1 billion currently under discussion.

4/ See chap. II, sect. F (k), above.

5/ Only those members of the Group from countries participating in the World Bank subscribe to the issues and recommendations contained in this section.

6/ For background information on these issues, the reader may refer to annex II, sect. C.

(b) Improving procedures to alleviate the debt problem of developing countries on terms consistent with their long-term development.

(c) Ways of canalizing investments of members of the Organization of Petroleum Exporting Countries (OPEC) to other developing countries under suitable bilateral or multilateral auspices. This may also include appropriate forms of triangular co-operation between developed countries, OPEC countries and other developing countries. Consideration should be given to: (i) appropriate guarantee mechanisms for such investments; (ii) the acceptance of a suitable code of conduct governing the transfer of technology associated with such investment; and (iii) principles governing the mixture between debt and equity in investments which take place on a joint venture basis.

(d) The examination of voting power in the World Bank, including the question of the power of veto on decision making by a single member; more generally, the possible increase of the share of developing countries to that of parity with developed countries.

(e) Consideration of changes in the staffing of the World Bank to provide for a greater role for developing countries in senior positions, and of arrangements to enable career members of the Bank staff to have the experience of working in developing countries, perhaps through suitable links with UNDP's technical assistance programmes. 7/

(f) The possibility of co-operation between the members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development and OPEC countries in the exchange of information on aid programmes.

(g) Measures to encourage more effective development efforts by the aid recipients.

2. Recommendations

184. The Group of Experts recommends that:

(a) The foregoing issues be carefully examined in appropriate forums as a matter of priority;

(b) The distribution of voting rights under the weighted voting system in the World Bank be revised to reflect the new balance of economic power and the legitimate interest of developing countries in a greater voice in the operations of that institution;

(c) The "third window" in the World Bank be established.

7/ See chap. II, sect. F (k), above.

D. Agriculture and food

185. The Group agrees that food and agriculture problems are global in nature and should be treated within a global policy-making and co-ordination framework. In this regard, the Group noted the number of important decisions that were taken at the World Food Conference, held in Rome from 5 to 16 November 1974, and subsequently approved by the General Assembly at its twenty-ninth session.

186. The Group noted particularly Conference resolution XXII dealing, inter alia, with the establishment of a World Food Council, at the ministerial or plenipotentiary level; and the establishment, jointly by IBRD, FAO and UNDP, of a Consultative Group on Food Production and Investment in Developing Countries; and Conference resolution XIII on the establishment of an International Fund for Agricultural Development. In this latter regard, the Group noted that, in accordance with General Assembly resolution 3348 (XXIX), the Secretary-General convened, from 5 to 6 May 1975 at Geneva, a meeting of interested countries to discuss the establishment of an International Fund for Agricultural Development. 8/

187. Owing to the pressure of time, the Group was not able to deal with the complex matter of food and agriculture in the detailed manner that it felt was warranted. Furthermore, the Group believed that at this early stage in the implementation of the World Food Conference initiatives, it would be premature and inappropriate to pass judgement on this important area by way of recommendations for structural change.

188. The Group, therefore, makes no recommendation for food and agriculture.

E. Industrialization

189. The Group of Experts recognizes that there will be, without prejudice to national sovereignty, an increasing need for the exchange of information on national development plans to encourage a better balance between global supply and demand in the various areas of industrial activity, on the basis of the optimum allocation of resources.

190. To facilitate international co-operation in this regard, the Group recommends that UNIDO should assume the task of examining global trends concerning supply and demand in the various industrial and related sectors with a view to the better exchange of information on sectoral economic policies.

191. The Group of Experts considered the Lima Declaration and Plan of Action, adopted by the Second General Conference of UNIDO on 27 March 1975. In particular, the Group of Experts deems it appropriate to bring to the attention of the General Assembly the following recommendations adopted by the Conference:

(a) Recommendation 65 (b) provides that UNIDO, as a specialized agency,

"should play a central role in the implementation of the Declaration and Plan of Action, by initiating and co-ordinating activities within the United Nations system aimed at achieving the objectives contained

8/ See WFC/10, 8 May 1975.

therein, as far as they fall within the competence of UNIDO. Further, UNIDO has a crucial role in the implementation of the Declaration and Programme of Action on the Establishment of a New International Economic Order, adopted at the sixth special session of the General Assembly, in so far as they relate to industrial development. To this end, the scope and functions of UNIDO need to be extended and its organizational machinery strengthened."

In this connexion, it should be noted that the Group of Experts envisages the strengthening of the central institutions of the United Nations system, specifically the General Assembly and the Economic and Social Council, so that industry will be treated like other sectoral activities carried out within the United Nations system;

(b) Recommendation 72 calls for the establishment of an Industrial Development Fund. In this connexion, the Group of Experts wishes to call to the attention of the General Assembly the section of the present report wherein it is recommended that all United Nations funds for technical assistance and pre-investment activities should be consolidated for the purpose of more effective policy making, administration and management; 9/

(c) Recommendation 75 provides that, in order that UNIDO may be able to fulfil effectively

"its central co-ordinating role in the field of industrial development, especially with respect to the implementation of the Programme of Action on the Establishment of a New International Economic Order, UNIDO should hold consultations with the United Nations and with the specialized agencies and with other organizations related to industrial development. For this purpose an advisory committee should be established composed of representatives of the secretariats of the United Nations and of the relevant organizations of the United Nations system and chaired by UNIDO."

In this connexion, it should be noted that the Group of Experts has proposed (i) the creation in the United Nations Secretariat of a post of Director-General for Development and International Economic Co-operation to direct, inter alia, interagency co-ordination; 10/ (ii) the establishment of a new Advisory Board for International Development under the chairmanship of the Director-General; 11/ and (iii) that other existing interagency co-ordinating bodies be merged into ACC. 12/

192. The Group makes no structural recommendations concerning UNIDO. It notes the decision taken by the Second General Conference of UNIDO concerning the transformation of UNIDO into a specialized agency, a recommendation that will be transmitted to the General Assembly at its seventh special session.

9/ Chap. II, sect. F.2 (a), para. 141.

10/ See chap. II, sect. C.3, para. 71.

11/ See chap. II, sect. C.4, para. 77.

12/ See chap. II, sect. C.7, para. 87.

Chapter IV

MEANS OF IMPLEMENTATION

193. Our Group has carefully considered the next steps which might be taken to implement the recommendations in this report. Some of our recommendations call for action by the General Assembly. Other recommendations require implementation by the Economic and Social Council, other intergovernmental bodies, and the Secretary-General. Moreover, the administrative and financial implications of some of our recommendations will require further examination. As we suggested earlier, the process of restructuring that we are recommending here will need to be implemented in stages over a period of five years in order to ensure that the interests of all the Members are adequately protected.

194. The Group therefore suggests that the Secretary-General appoint a committee on the structure of the United Nations system, to study and report regularly to the General Assembly on the progress of the restructuring effort.

195. If it is decided to implement the institutional design herein proposed, it will be desirable that actions by the General Assembly or other organs of the United Nations system be consistent with the recommended structural reforms. Some continuing arrangement would, therefore, be necessary during the period of restructuring for evaluating proposals that may be made to ensure that they are consistent with this design. Accordingly, it is recommended that all institutional proposals, including proposals for the holding of special conferences, should be referred to the committee mentioned above for an advisory opinion before being decided upon by the General Assembly or other intergovernmental body.

ANNEXES

Annex I

STATEMENT MADE BY THE SECRETARY GENERAL AT THE OPENING MEETING OF THE GROUP OF EXPERTS ON THE STRUCTURE OF THE UNITED NATIONS SYSTEM

I am happy to welcome you here today, as you begin a difficult but deeply significant task. As you know, your mandate, as set forth by the General Assembly, is to submit to the Preparatory Committee for the Special Session of the General Assembly Devoted to Development and International Economic Co-operation a study containing proposals on structural changes within the United Nations system so as to make it fully capable of dealing with problems of international economic co-operation in a comprehensive manner. In your study you are also asked to consider measures which could lead to an expanded role for the United Nations system in support of the economic and social development of developing countries.

That mandate is formidable indeed, made difficult not only by its very complexity but also by the limited time available.

But the vast experience and wisdom that is assembled here gives me great confidence that positive and fruitful results will be achieved. It is certainly unnecessary for me to describe to you the present structure of the United Nations system or the precise issues that you may address. It may be useful however to look briefly at the over-all context within which your study might be placed.

At the outset, I believe we should take note of the evolution thus far of the United Nations system in the socio-economic field - to consider how far we have come and where we stand.

It is remarkable that only since the mid-point of the twentieth century has the relationship between international economic well-being and international peace been recognized and an attempt made to establish machinery to promote, in the words of Article 55 of the Charter, "the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations". Out of the ruins of the Second World War came the basic structures for international economic co-operation within which, with some modification, we continue to operate today.

Nevertheless, we must recognize that the world community has changed considerably since the period in which these economic and institutional systems were created. Among these changes, three trends are particularly significant.

The first of these is universality. Since the establishment of the post-war institutional framework, the number of independent States and the membership of the United Nations has almost trebled. These new Members, many of which were newly independent developing countries, have had a significant impact on international relations, bringing to the fore the problem of development, an issue which was not among the priorities - indeed it was little foreseen - when

the United Nations was founded. The need to make the international economic system more responsive to the needs of this larger world has been acknowledged.

The second is interdependence. This hardly needs elaboration. The successive crises and other serious problems with which the international community has been faced in recent years - food, energy, deterioration in the environment, inflation, monetary instability and so on - have made it abundantly clear that we live in a world which makes close co-ordination and co-operation at the regional and the global levels not just desirable but imperative.

The third is the interrelationship of our global problems. Economic, development and other problems, such as trade and finance, have in the past been handled for the most part on an ad hoc sectoral basis. The need for an integrated multidisciplinary approach, conceptually and institutionally, to deal with these problems is becoming more apparent every day.

These are factors which I am sure you will be considering.

Looking more closely at present economic and development institutions, two additional features may merit your attention. The first of these is institutional proliferation. At the time the United Nations was founded, a number of autonomous functional bodies already existed at the international level. In the ensuing years, the response to new aspirations, challenges and needs has often been the creation of new international bodies. As a result, what we have come to term "the United Nations system" comprises 12 operational programmes, five regional commissions and 15 agencies, not to mention numerous other intergovernmental committees, co-ordinating bodies and ad hoc groups. The development of this very complex institutional system may be regarded as a sign of vitality. At the same time, it must also be recognized that this system is more a product of circumstances than of careful design. Its ability, as a "functional federation", to provide an integrated, multidisciplinary approach to the complex problems of international development and economic co-operation must be examined.

The second feature is bilateralism. A realistic assessment of the actual pattern of inter-State relations reveals that many, if not most of those relations continue to be handled bilaterally, that a relatively small volume of inter-State activity is channelled through international organizations. Even in the case of problems recognized as global, there is a tendency to rely upon restricted forums and groups of so-called "interested" countries, without reference to more generally accepted codes of behaviour or co-ordination with activities carried out within the United Nations system.

You may wish to examine these trends to determine the extent to which they are desirable or unavoidable, and the possibilities for new directions.

Finally, you may wish to focus on the future institutional framework of the United Nations system in the light of the evolution towards a New International Economic Order. Although progress was made at the sixth special session of the General Assembly, that new order is not yet fully defined. It will clearly be the task of the United Nations system to serve as the primary instrument for the realization of the goals that are elaborated by the General Assembly. Because this process is evolutionary, there will be a need for a continuing review of institutions and procedures.

This group faces not only a great challenge but also a great opportunity. I am confident that you will seize this opportunity and that your study will serve as an important guide to the seventh special session of the General Assembly as it considers the complex, but critical, issues of development and international economic co-operation. The Secretariat stands ready to assist you in every way.

I wish you the best of success in your important work.

Annex II

BACKGROUND MATERIAL IN THE FIELDS OF TRADE, INTERNATIONAL MONETARY REFORM AND DEVELOPMENT FINANCING*

A. Structural issues in the field of trade

Introduction

The Group is obliged to consider institutional changes in the area of trade, taking into account recent developments. It is necessary, therefore, to attempt a brief survey of these developments, focusing on events in the area of commodities and manufactures, reviewing developments in these from the standpoint of both developing countries and developed countries.

1. Manufactures

Trade in manufactures consists largely of flows between the developed countries. Negotiations for the reduction of trade barriers have taken place under the auspices of GATT. Over the post-war period, GATT has brought about a significant movement towards trade liberalization, and has contributed substantially therefore to the massive expansion of international trade during this period and in particular to trade among developed countries. It played in this sense a major role in the post-war expansion of the world economy.

Nevertheless, it is fair to say that, in the past, benefits to developing countries arising out of GATT negotiations have been a by-product of negotiations that have taken place on trade items of interest to the major developed nations on which negotiations have concentrated. It was in UNCTAD that a new departure was made with the recognition of the principle of generalized preferences for developing countries and the subsequent elaboration of a detailed scheme. However, to the extent to which the present round of multilateral trade negotiations succeeds in securing major reductions in trade barriers, it follows that both the value of preferential arrangements now in force and of future rounds of tariff reduction will diminish in importance. Subsequent trade negotiations can be expected to concentrate increasingly upon non-tariff barriers, including quantitative restrictions, and on the elaboration of codes to deal with those restrictions that are permissible and those that are not.

Some have emphasized that the existence of non-tariff restrictions on trade is inextricably bound up with the manner in which industrial development has proceeded in the world in recent years, particularly with the emergence of the

* The present annex contains material prepared by one of the members of the Group, Lal Jayawardena, and subsequently revised in consultation with the Rapporteur and a number of the members of the Group. The Group felt that this material could not be included in the body of chapter III of its report since it was not able to give it full consideration. However, in view of the outstanding quality of the material and its relevance to an understanding of the list of issues and recommendations set forth by the Group, it was decided to include it in the present annex.

transnational corporation as a major vehicle for the diffusion of industrial growth. Consequently, what appears as, for example, quantitative restrictions imposed by a particular country on, say, the import of goods from another country may represent nothing more than regulations adopted by transnational corporations for the effective disposition of their global business transactions among various subsidiary enterprises. In the light of this and with the phasing out of tariffs, it was argued that it is difficult to separate institutional reforms in the future in the area of trade from the question of codes of conduct governing the practices of transnational enterprises. In other words, there may be a need to integrate in a single organizational framework approaches for the reduction of quantitative restrictions, restrictive business practices, guidelines for the transfer of technology, and codes of good behaviour for transnational corporations. Such an approach would inevitably go into questions concerning international flows of private capital which create the international disposition of new production capacities on the basis of which quantitative restrictions emerge. In this view, there is a complex of interrelated activities which may be required to be looked into as a whole in institutional terms.

The question that arises is whether the present GATT framework is the one which is best equipped to deal with this complex of issues. As has been mentioned, so long as tariff barriers were the predominant obstacle to trade and the barriers that mattered were those between the principal developed countries, it was arguable that the GATT framework, where negotiations focused on products of interest to principal suppliers, was a practical way of proceeding, even though the benefits to developing countries were no more than a by-product of such negotiations and that in the nature of the case, negotiations did not focus on products of principal concern to developing countries. The available evidence, on the other hand, suggests that in the world of non-tariff barriers into which we are more or less rapidly moving, there is no such asymmetry in the incidence of such tariffs. In other words, quantitative restrictions are of increasing relevance in the trade among developing countries, with the growing role of the transnational corporation; quantitative restrictions on market disruption grounds and for environmental considerations increasingly affect the exports of developing countries to developed countries. At the same time, there is no warrant for assuming that these two categories of non-tariff barriers operated in a significantly smaller degree than those of non-tariff barriers affecting the trade among developed countries.

Thus, some believe that quantitative restrictions occupy a far less significant role in relation to the trade among developed countries than tariffs used to do. A fortiori, in their view, the "fall-out" benefit to developing countries of any reductions of non-tariff barriers of developed countries is unlikely to be significant; and the role of an institution where these negotiations focus on the trade of developed countries should increasingly be called into question.

If there was a case in the past for an institutional framework which would permit trade negotiations to focus on products of interest to developing as well as developed countries, this case would appear to be considerably strengthened in the context of the decline in importance of tariffs relative to quantitative restrictions. Moreover, as indicated above, the reduction of quantitative restrictions raises wider policy issues than those concerned with trade alone; considerations of conditions applying to transfer of technology and associated

restrictive business practices, and of terms on which foreign investments are made, directly affect the evolution of quantitative restrictions. Therefore, in the opinion of some, one is in territory that an institution such as GATT, concerned as it has been with narrow trade issues, may not be fully equipped to handle. What may be needed, in this view, is the kind of umbrella coverage to trade and trade-related issues, embracing employment, development and interdependence with monetary questions, that the proposed International Trade Organization sought to give, and of which UNCTAD is a somewhat pallid reflection for the reason that its decisions lack teeth in the form of binding commitments.

2. Commodities

In the area of commodities, very little has happened by way of international action to improve the prospects of that substantial number of developing countries which continue increasingly to depend, in the middle 1970s, on the export of a few primary commodities for the bulk of their export earnings. The problems that had been amply - even excessively - documented during the past decade still remain without any internationally agreed programme of action directed towards their solution. Policies in the past have involved a "commodity-by-commodity" approach. This has meant an emphasis on the negotiated reduction, commodity-by-commodity, of barriers in developed countries, an attempt which failed essentially because of the reluctance of developed countries to tamper with the structure of protection that had been devised for their own farm communities. The approach also meant a focus upon individual commodity negotiations involving stabilization and/or restriction, again on a case-by-case basis. This aspect of past policy failed because of disagreements between consumers and producers on the price level/range to be defended, of failures among producers to agree on market-sharing formulae under restriction, and of the difficulty of finding finance for individual buffer stocks for stabilizing prices resulting in part from the limitations of the IMF facility in this area.

The failures of past approaches in the area of commodities suggests the possibility of what has been termed an "across-the-board" or "multi-commodity" approach to the commodity problem. This kind of awareness has coincided historically with unilateral action by an important group of primary producers - OPEC - to defend the real value of their own export earnings, having lost patience with the failure of international action to deal satisfactorily with the terms of trade problem of developing countries; it has also coincided with shortages reflected in escalating prices of a range of food items - grains and sugar particularly - and it has also in recent months coincided with a dramatic collapse of the 1973/early 1974 commodity boom in the wake of the plateauing of economic activity in OECD countries. It is these developments together which paradoxically have also created a set of opportunities for a more determined international attack on the commodity problem. At least five sorts of opportunities present themselves.

In the first place, importers - especially in developed countries - have acquired a new awareness of the importance to them of assured supplies of key commodities; rather than perpetuate a situation where excessively low import prices of primary products are allied to risks of an interruption of supplies, they may be better disposed to accept, and indeed support, arrangements which marry, over a wide range of primary commodities, reasonable prices to the seller with assured supplies to the buyer.

In the second place, many developing countries are importers as well as exporters of primary products; they therefore have an interest in steering a middle course between excessively high prices and excessively low prices for primary commodities in general. This consideration points in the direction of measures for price stabilization over as wide a range of commodities as possible so as to balance the interests of developing countries as exporters of primary commodities with their interests as importers of primary commodities.

Thirdly, recent developments (e.g., in cereals and petroleum) have enforced a recognition of the connexion between stable prices and orderly investment programmes.

Fourthly, the present situation provides the wherewithal for a simultaneous multi-commodity approach to the commodity problem. Large-scale investment in commodity stocks - an essential element in such an approach - becomes feasible with the massive shift of funds to oil producers and removes a major obstacle that has hitherto stood in the way of establishing a comprehensive network of buffer stocks. Moreover, the interest of developed countries in obtaining an assurance of supplies and therefore in securing as wide a distribution as possible of commodity stockpiles creates the presumption that they, too, might be willing to share in the financial burden of any arrangement that might be set up.

Finally, the occasion for emergency action which could lead to more permanent institutional machinery may well present itself if current trends in commodity markets continue and adverse repercussions in developing countries are to be prevented. Indeed, it was with this contingency in mind that the General Assembly at the twenty-ninth session authorized the Secretary-General of UNCTAD to keep developments in commodity markets under urgent review. a/

In sum, therefore, the opportunity created by recent developments is that there may be a mutuality of international interest in the simultaneous establishment of a number of commodity stockpiles which has both short-term and long-term dimensions. While recognizing this community of international interest in moving towards a more general approach to the commodity problem, some emphasize the need for gradualness and caution in moving towards such an integrated approach. They note that developing countries have recently put forward a variety of wide-ranging proposals concerning commodity agreements, buffer stocks, equitable prices for exports, safeguards for export earnings, indexation of commodity prices, improved access for developing countries' products in the markets of developed countries and assistance towards the further processing of primary commodities for export. They believe that the special characteristics of each commodity that would be required to be taken into account in any multi-commodity arrangement would make for relatively slow progress in identifying the features common to a range of commodities that would have to be singled out if a more comprehensive approach to commodity questions were to be implemented. Given the various substantive studies under way, they feel it would be premature to single out at the present stage the question of buffer stocks and the devising of detailed proposals for associated institutional machinery. They urge the advisability of concentrating on more restricted aspects of commodities, for instance the question of stabilizing export earnings.

While not dissenting from the need to pursue measures for stabilizing export

a/ General Assembly resolution 3308 (XXIX) of 14 December 1974, para. 3.

earnings, others see, in the present international situation, the need for preparing for somewhat more urgent action and especially the need to consider emergency measures of a short-term character if current trends in commodity markets continue.

So far as the short-term emergency operation is concerned, its principal objective would be to build up that minimum volume of stocks of an initial nucleus of commodities facing declining prices that would carry conviction in the marketplace regarding the capacity of the stocking authority to defend the price level initially chosen on a rough and ready basis for stabilization purposes. Such intervention would also have the effect of putting a brake on the decline in prices. What is involved here is an estimate of the volume of stocks in relation to world trade which is judged to be right for a credible buffer stock operation. When this question was last addressed in a serious way by Keynes in 1942, b/ he took a low figure of three-months' stock as one which might do for working purposes. UNCTAD's integrated programme, c/ which in essential respects represents an adaptation of Keynes' thinking to today's circumstances, incorporates the same assumption; the purchase cost of three-months' stock for some 17 commodities ranges between \$10.6 billion and \$13 billion depending on whether purchases are made at the average prices of 1970 to 1974 or of 1972 to 1974. In an emergency operation involving the purchase of three-months' stock in volume terms in a falling commodity market, the costs of acquisition are bound clearly to be less. A fortiori, if the commodity coverage of an emergency stocking operation were reduced to an initial nucleus of commodities which are most vulnerable to a falling off in demand in the industrial countries, namely, storable minerals and other key materials, the cost of stocking would be considerably less. All that would be necessary would be arrangements that would carry conviction to prospective investors regarding the security of placing their monies in commodity stocks.

In the view of some, it is difficult to see how such emergency action can take place on a scale wide enough to cope with the problems that may emerge, except through the medium of an international financial institution which offers sufficiently attractive inducements and guarantees to OPEC and other countries and acts as a conduit for investing some part of these monies in commodity stocks. Given the kind of time-table that the evolution of commodity markets may dictate, one possibility would be the implementation of an emergency stocking operation under the aegis of the World Bank Group.

In this view, the longer-term scheme within which the emergency operation will have to be merged, might on the other hand be negotiated under UNCTAD auspices. Its main element could be the establishment of a network of buffer stocks each of which could function in the manner envisaged by Keynes some 30 years ago d/ in the following passage where the term "Control" is used as a synonym for the authority administering each stock.

b/ See the material submitted by Lal Jayawardena to the Technical Group on the Transfer of Real Resources of the Committee of Twenty (C/XX/TG/TRANS/Doc/4), to which was attached a hitherto secret document of His Britannic Majesty's Government, dated December 1942, entitled "The international regulation of primary products", based upon a memorandum by J. M. Keynes.

c/ See "An integrated programme for commodities: report by the Secretary-General of UNCTAD" (TD/B/C.1/166, 9 December 1974).

d/ "The international regulation of primary products", document referred to in foot-note b, p. 5.

"(ii) ... the Control would establish an initial basic price on a uniform c.i.f. basis, and would offer to buy commod /a typical commodity/ at a price (say) 10 per cent below the basic price and to sell it at a price (say) 10 per cent above the basic price. The Buffer Stock should be prepared, save as hereinafter provided ... to take any supplies offered to it at the lower limit. The basic price would be modified by the Control from time to time thereafter by a process of trial and error with a view to keeping the size of the Buffer Stock within a defined range. If its own stock or world stocks were increasing beyond a stipulated figure or at more than a stipulated rate, thus indicating that the price was unduly attractive to producers or unduly discouraging to consumers, the basic price would be reduced. Similarly, it would be raised if stocks were falling below a convenient level or at too fast a rate. For this purpose the Control would review the position, not only of its stocks, but also of total visible stocks throughout the world, and also the prospective supply. The Control could not view with equanimity a situation in which outside stocks were accumulating rapidly, even though its own were not. In other words, the object of the Control would be to discover by empirical methods a range of prices within which supply and demand would be in equilibrium when the influence of excessive short-period fluctuations on either side of the market had been smoothed away."

However, several remaining issues would have to be resolved under the longer-term scheme:

1. The major issue as far as the pure price stabilization function is concerned relates to the principle of buffer stock management - namely, to find ways of ensuring that the basic price is modified with a view to keeping the size of the buffer stock within a defined range. While Keynes seems to have favoured a process of trial and error, the writings of St. Clare Grondona e/ have evolved over pretty much the same 30-year span a set of formulae for the modification of the basic price in response to changes in the volume of the buffer stock, on the assumption that all the guidelines applying to the stocking authority's intervention in the market are made totally public. In other words, while Keynes' approach to regulating stocks implies something of the secrecy of the commodity broker, it is essential to the Grondona scheme that all the operations concerning the management of the stock be conducted with a total absence of secrecy.

2. A second issue concerning the longer-term scheme relates to whether or not a multi-commodity buffer stock should be entrusted to a separate international agency or whether its financing requirements could be met either by a continuation of any emergency operation by an expansion of the Fund's buffer stock facility. Two considerations are of relevance here. In the first place, when the commodity coverage of a stocking operation is widened, the probability is that any single country will have an interest in more than one commodity. Since in terms of the present IMF facility a country's access to financing is linked to its IMF quota, it is unlikely to obtain through recourse to the Fund facility alone the finance necessary for building up credible volumes of stock in the commodities whose prices a comprehensive scheme would aim at stabilizing. The second consideration is that if any comprehensive stocking scheme were to envisage, as indeed the UNCTAD programme has done, the building up of stocks of grain, it would be

e/ See St. Clare Grondona, *Is Economic Stability Attainable?* (London, 1975) (the latest in a series of publications).

essential to invite the participation of all trading nations in any such arrangement. This would require any new commodity agency to be established on the basis of universal membership, i.e., within the framework of the central United Nations system and under the aegis of UNCTAD, which is the competent authority within the United Nations for the resolution of commodity problems. Appropriate transitional arrangements would have to be worked out in the event that circumstances determine the initiation of an emergency stocking programme under the World Bank Group auspices, so that the emergency programme could be merged with the necessarily universal comprehensive programme.

3. A third question of institutional significance that requires examination in any comprehensive programmes is the relationship between the general council comprising the total membership of the organization, the general executive board that would administer the generality of stocking operations, and the operations of each individual buffer stock (or "Control", in Keynes' language). The Keynes' plan provided for the decisions that would have to be taken by each individual buffer stock control according to decision-making formulae of the following kind: four tenths of voting power to be held by exporting countries, three tenths by the importing countries and three tenths by independent members of the general council, with decisions being taken on the basis of a simple majority vote. The general executive, on the other hand, would have a co-ordinating function over the activities of each individual buffer stock to ensure consistency in pricing policies between commodities that might be substituted for one another, and also to decide upon the automatic imposition of quota restrictions in the event that the price of a commodity fell below what in its judgement would be regarded as a "reasonable international economic price". The general executive would consist of 12 members and would be elected by the universal membership - the general council - on the basis of weighted voting with the power of each member being proportionate to its interest in international trade. While this rule would ensure adequate representation in the Council of the economically powerful States, decisions in the general executive would be made on the basis of one member one vote, and with a simple majority sufficing for all decisions.

The types of issues requiring decision as regards voting power are precisely the same in today's situation, i.e., whether or not it is necessary for each individual buffer stock control to have decision-making procedures different from those of a central executive board that would have to exercise certain arbitration and co-ordination functions as between individual buffer stock controls and, if necessary, impose its collective judgement in the event of disagreements. What is exceptionally interesting about the formula (for the executive) in the Keynes' commodity plan is its affinity to that on decision-making procedures in the Havana Charter for the International Trade Organization. The ITO Executive Board would have comprised 18 members, eight of whom would have been defined as of "chief economic importance in the determination of which particular regard shall be paid to their shares in international trade". These eight were determined by a two-thirds majority of the members of the Conference present and voting and declared members of the Board. The other 10 members would have been elected by the Conference by a two-thirds majority of the members present and voting. Once the Board had been established, each member would have had one vote and decisions would have been made by a simple majority of the votes cast. In both these situations, therefore, members with economic importance would automatically have secured a place on the board on the basis of a weighted voting procedure governing their selection, with the difference that in the ITO formula a specific upper limit was placed upon the number of important members, thus guaranteeing other members the remaining seats, whereas the Keynes' plan provided for election only on the basis of a gradation of importance. Once selected, however, they would function on a one

member one vote principle so that States with lesser economic importance would have an equal say in decision making compared with those members who would have had preferential access to a seat on the board.

In the view of some, therefore, it is very likely that an organization pattern could emerge where decisions of a binding character are taken if a multi-commodity approach to the problem is to be successfully implemented. Two organizational aspects are relevant to decision making in this context. First, the working of a multi-commodity buffer stock would require a set of regulations which should oblige each stocking authority to act in one way rather than in another. In the second place, the general executive or executive board, which would function as a co-ordinating authority over the individual buffer stock, would have to be given a very definite function of arbitration so that it would be capable not only of issuing instructions to individual stocking authorities but of ordering the automatic imposition of quota restrictions in one or both of two sets of circumstances - where the price mechanism works sufficiently stickily so that it fails to have an impact on getting the buffer stock of any single commodity to move quickly enough into a desired range, and where automatic quotas are justified because the price level has fallen below what has been called a "reasonable international economic price". Only if the executive board were endowed with a function of compulsory arbitration could the difficulties which have characterized the commodity-by-commodity approach to both stabilization and restriction be overcome.

3. Possible synthesis

In the view of some, the above analysis of manufactures and commodities suggests the creation of parallel bodies within a single organizational framework. There is the further question of whether an ITO would deal with related issues - transfer of technology, transnational corporations, restrictive business practices, investment.

The original Havana Charter envisaged an ITO along more or less the same lines as indicated above. It had chapters, that is, chambers, dealing with commodities, tariff reduction, restrictive business practices and private foreign investment. The ITO also specifically provided ways of dealing jurisdictionally with the interrelationships between IMF, charged with action on monetary issues, and ITO, with a responsibility for trade. All elements of the kind of ITO being envisaged are, in the view of some, present in the terms of reference of UNCTAD, except for the capacity to come to binding decisions. These members of the Group strongly favour equipping UNCTAD with the elements necessary for its gradual transformation into a comprehensive international trade organization, along the lines of the following statement of UNCTAD's Secretary-General to the Trade and Development Board. These remarks are in the judgement of these members of the Group of sufficient importance to merit the attention of the General Assembly, both for the case made in favour of institutional change and for the concern expressed for improving decision-making procedures within UNCTAD and paving the way for such institutional change - a concern which is totally compatible with the specific consultative group procedure which the Group has recommended for adoption in the United Nations.

"The question of a comprehensive trade organization has remained on the agenda of UNCTAD from the very beginning, and has recently been the subject of a resolution of the Dakar Conference of the developing countries. On previous occasions when the views of Governments were sought, it was apparent that there was still a lack of consensus that the time had arrived for a decisive step in this field. Nevertheless,

I felt that it was necessary to bring to the attention of members the changes that have taken place in the world situation which are relevant to this issue and which have occurred since the earlier reactions. There is still no organization in the field of international trade which satisfies the need for comprehensiveness in the coverage of issues and for universality of membership. Despite all the changes that are taking place there is still no new philosophy, there are no new "rules of the game" that have been elaborated for international adoption. The old code, based largely on the concepts of free trade and government non-intervention and on the most-favoured-nation principle, has been eroded by many developments and this has been recognized in the way of exceptions and waivers to its written rules. But given the growing presence of the socialist countries and the developing countries in the world economic system, and the changing attitudes in Western countries, there is the question of whether new approaches are not needed which recognize the changed situations, as well as new institutions which could respond to these problems.

"Secondly, there is the more specific question of how UNCTAD could become, even within its present framework, a forum for more effective negotiation and decision-making. In the first 10 years of its existence, UNCTAD has been a forum in which the wider issues of development have been debated, a forum for generating new ideas and for exerting an influence on international development policy in general. But it has yet to be an effective body for setting up actual arrangements, for decision-making. There has, of course been some progress - the Cocoa Agreement and the Code of Conduct for Liner Conferences were subjects of intensive intergovernmental negotiation. But much more, I believe, can be done and needs to be done. The work on the integrated programme for commodities will, I hope, be an example of the use of UNCTAD as a negotiating forum. However, if UNCTAD is to play this role in the future, it would need adaptation. At the level of the governmental machinery, there is the need for arrangements which reflect the requirements of flexibility and speed in decision-making at a high level. In this connexion, there is the proposal which the Board has to consider for a high-level Standing Committee. Other bodies, as you are aware, have found it necessary in a situation of continuous change and crisis to establish decision-making machinery of an effective and flexible kind, and we could well reflect on what UNCTAD would need to do in this respect. In a wider sense, it is perhaps also appropriate to reflect on the adequacy and relevance of the present compartmentalized structure of Committees and of Divisions geared to service these Committees." f/

B. Structural issues in the international monetary field

1. Introduction and background

The Group has been requested by its terms of reference to propose structural changes in the United Nations in the light of recent developments in the area of

f/ See the opening statement by the Secretary-General of UNCTAD to the sixth special session of the Trade and Development Board at the 414th meeting of the Board on 10 March 1975 (TD/B (S-VI)/Misc.4, paras. 31-32).

international monetary reform, among other things. These developments, which call for new measures of institutional reform, derive essentially from the breakdown of the Bretton Woods system with the declaration of dollar inconvertibility by the United States of America in the middle of 1971. Countries then lapsed into an era of floating exchange rates; and it was with the intention of restoring a new set of "rules of the game" with appropriate amendments to the Articles of Agreement of the International Monetary Fund that the Committee of Twenty on the reform of the international monetary system was instituted.

The work of the Committee enabled it to make considerable progress in defining the contours of a longer-range system. This implied agreement on an eventual return to stable but adjustable exchange rates; on the acceptance of a more symmetrical adjustment mechanism whereby countries that were in surplus would be under an obligation to undertake corrective action in a way that would be analogous to the compulsions ordinarily placed upon countries in deficit to do so; on the eventual phasing out of gold and reserve currencies in favour of the special drawing rights which would then become the central reserve asset of the system in which all payments imbalances would be settled; and on the reformed system promoting the transfer of real resources to developing countries. Although these broad goals were set forth in the Committee of Twenty's Outline of Reform, considerable differences remained as to the precise modus operandi for achieving these goals.

Thus the establishment of a link between SDR creation and development finance, which was the mechanism favoured by the developing countries for promoting the transfer of real resources, remained a disputed issue; nor was it possible to reconcile varying views as to how a more symmetrical adjustment process was in fact to be secured.

At this stage in the reform exercise, the international monetary implications of the increase in oil prices created a set of circumstances where the return to fixed exchange rates envisaged in the blueprint of reform was pushed into a remoter future. The Committee of Twenty was disbanded and reincarnated in modified form in the Interim Committee on the International Monetary System to enable the international community to concentrate on the management of what was expected to be a prolonged period of floating exchange rates on the basis of agreed interim rules. For the developing countries, one helpful by-product of the international discussion was the recognition that legitimate exceptions could be made to the three to five year period within which Fund drawings would have to be repaid, that is the "normal" period within which corrective action could help restore a country's balance-of-payments equilibrium. Even the considerably more diversified economies of developed countries found payments imbalances not as fully responsive to changes in exchange rates as had been expected, and there was accordingly fairly easy acceptance of an extended Fund facility which would require developing countries to accept longer-range policy understandings in return for longer-term balance-of-payments support.

Another result was the perpetuation into the future of two institutional mechanisms, namely, the Interim Committee of the Fund and the related Joint Bank Fund "Development Committee", where developing countries are now able to participate in discussions and decisions in the areas of money and development in collaboration with developed countries. This represents a major step forward as compared with the previous situation.

The task of international economic co-operation in the monetary area at the present time is essentially one of moving in the direction of the goals set forth in the Outline of Reform of the Committee of Twenty in the context of the new set of circumstances that have arisen in the world economy.

Some immediate steps are clearly seen as desirable from the standpoint of the developing countries.

2. Evaluation of the present situation and possible solutions

In the first place, there has been, over the past four years, an explosive expansion in the quantum of unconditional liquidity available to nations, and a gross maldistribution of that increase as between developed and developing countries. World reserves increased by \$131 billion - from \$78 billion to \$200 billion - over the period 1 January 1972 to the end of September 1974, i.e., by 68 per cent, or at an annual rate of 23 per cent. Of this increase of \$131 billion, the principal beneficiaries were the developed countries whose reserve gains totalled nearly \$127 billion leaving only a balance of \$4.6 billion for developing countries. ^{g/} These data, it should be emphasized, do not reflect the huge increases in the reserves of OPEC countries which have been registered since the middle of 1974.

A number of conclusions follow from these facts. In the first place the vast bulk of reserves accruing to developed countries represented the counterpart of dollar deficits. This resulted from the failure of the timely working process of balance-of-payments adjustment. The reserve currency countries, largely the United States of America, were enabled to run continuing deficits which could not have been sustained had the adjustment process worked properly, while as a counterpart of these deficits, other countries were enabled to run equally large surpluses. This situation resulted essentially from the reluctance of individual surplus countries to permit their currencies to appreciate vis-à-vis the dollar, that is from the absence of symmetry in the working of the adjustment process which was one of the objectives of the agreed Outline of Reform. This by no means implies that adjustments were not made during this period - merely that these were not timely enough. A properly working adjustment process would have implied a combination of domestic fiscal and monetary restraint in the economy of the main reserve country so as to curb the export of dollars, and a combination of exchange rate depreciation of the key currency and appreciation of the currencies of the surplus countries in timely fashion.

Secondly, it can be argued that the main casualties of this development were primarily the developing countries. The excess of liquidity created globally by this process effectively ruled out the creation of special drawing rights and therefore the establishment of the link which had been repeatedly pressed for by the developing countries. The result was that the lending and investment pattern witnessed in recent years directly ran counter to the commitment in the International Development Strategy to accelerate capital flows from the richer to the poorer countries. The paradox was that the lending mechanism most fully controlled by national and international monetary

^{g/} These statistics, and the argumentation that follows, draw heavily on Robert Triffin.

authorities operated in precisely the reverse direction. As it was, it was true that, for part of the period, the commodity boom meant a degree of reserve ease for developing countries resulting in a diminished need to draw on the Fund. But over all, the relatively small addition to liquidity of developing countries resulted from international decisions alone, either by way of SDR allocation or by way of IMF credits representing unconditional liquidity. From the viewpoint of the developing countries, the redressing of this situation calls for a set of both longer-term and shorter-term changes in the international monetary mechanism, partly of an institutional, partly of a substantive kind, and these will be considered subsequently.

Thirdly, the concern of major developed countries with safeguarding their balance-of-payments position against the consequences of the increase in oil prices has led to a renewed search for readily mobilizable sources of additional liquidity. Inevitably, attention has turned towards ways of mobilizing monetary gold stocks which have been frozen by the imbalance between the official and the market prices of gold and by the restraint imposed by Fund obligations on the freedom to engage in transactions in gold at market-related prices. Action along these lines would doubtless add to the already explosive increases in liquidity that have occurred further aggravate its maldistribution as between developed and developing countries, and effectively delay, if not rule out entirely, the prospect of establishing the SDR as a central reserve asset of the system. In this regard, also, appropriate mechanisms would be required in the International Monetary Fund.

Fourthly, the maldistribution of liquidity and the impact of adverse international economic circumstances involving simultaneous increases in the prices of food, fertilizer and petroleum imported by many developing countries have aggravated the adjustment problems of these countries.

The difficulties of the past year or so have been weathered largely as a result of aid initiatives taken by OECD and OPEC countries and by recourse to the oil facility of IMF, and by a drawing down of reserves, each of these three factors contributing roughly a third of the required financing. Since the higher price level for most of these commodities can be expected to form a permanent feature of the international economic landscape for the foreseeable future, there is a clear need, in the view of developing countries, for a new set of facilities for interim financing to enable developing countries to take the corrective actions necessary to adjust to this new situation.

The present situation from the standpoint of the developing countries calls for an equitable solution of the gold issue and the concentration on devising adequate facilities to support adjustment of their economies to a higher international price level, in order to avoid the contraction that might otherwise result, particularly for those most seriously affected by the current international situation, to a point where they are likely to be condemned to stagnation for an indefinite period.

The introduction of an ideal set of reforms seems impossible in current economic and financial world conditions and will inevitably have to be a long-term project.

None the less, its elements are worth defining. In the first place, reserve creation should be no greater than is compatible with non-inflationary real growth of the world economy. The conversion to an SDR system, where SDR are created annually on the basis of likely real growth and subject to collective international decision, should resolve this particular problem. The reformed International Monetary Fund might gradually assume the characteristics of a Central Bank, long urged by Professor Triffin of Yale University. In the opinion of some, the lending power derived from the acceptance of SDR by surplus countries in settlement of their accounts with IMF should be used for internationally agreed objectives, including the financing of development in the third world. This would permit these developing countries to adjust to the new international economic situation and even beyond, to carry through their programmes of development and economic growth. Both these developments imply a phasing out, as already mentioned, of gold and national reserve currencies from the monetary system and the restoration of the kinds of pressures for timely adjustment in their balances of payments that have been lacking in the past.

The immediate difficulty consists in how to make a start in this desirable direction given the present set of international economic circumstances.

Although present conditions may be unfavourable to such fundamental changes, the current concern with mobilizing gold reserves may provide, in the view of developing countries, an opportunity for exploring more systematically a number of approaches in the direction of reducing the role of gold, including the establishment of a gold substitution account in the International Monetary Fund whereby countries seeking to mobilize gold would turn in to the Fund, in exchange for SDR, their monetary gold stocks at a negotiated price between present official and market prices. This mechanism should include provisions for avoiding sharp disturbances in the distribution of reserves among major groups of countries, in particular those with low gold holdings, by allowing the latter group a share in related SDR allocations. So far as the "overhang" of reserve currencies is concerned, the mechanisms for consolidation of outstanding balances outlined in the documentation of the Committee of Twenty still seems to deserve attention.

More immediately, however, what is essential, in the view of developing countries, is to adapt facilities within the International Monetary Fund in a direction that would enable developing countries, particularly those most seriously affected, to carry through the adjustments that are required. In this regard high priority attaches to the trust fund category of proposals. These recognize that the adjustments required are of sufficiently long duration and that the economies concerned require clearly concessional credit. One of the proposals under discussion envisages a trust fund to be administered under IMF auspices with a repayment period of about 10 years for loans being granted and a grace period of about four years with clearly concessional interest rates below the present IMF rates of 4 to 6 per cent and the oil facility rate of 7 per cent. Further work clearly must be done on the detailed administration and implementation of such a proposal. A consideration that is relevant, however, from the standpoint of a recipient developing country, and that is no less applicable to the present IMF extended fund facility, is the degree of conditionality attaching to borrowing under any such arrangement. It is important in this context for the criteria of lending to affected countries to be sufficiently flexible to take account of their developmental needs broadly conceived. Otherwise there is a real risk that adjustment may be forced upon countries at a pace which may be totally incompatible

with the maintenance of political and social cohesiveness within their domestic systems. The difficulty that many of these countries face is that major adjustment measures are rapidly discovered to be inadequate in the context of a rapidly changing international economic situation. Rather than enforce even further adjustment measures on the countries concerned, as seems to be not unlikely within the present context of Fund and Bank procedures and practices, there seems to be a major case, in the view of some, for taking a longer-term view of the situation so that affected countries can be given the opportunity to carry through adjustment measures at a more acceptable pace.

This in no way implies a reluctance on the part of these countries to carry through needed adjustments, but merely that successful adjustment implies that measures will have to be tailored in a flexible fashion to particular country situations.

Proposals of the kind under discussion for a trust fund call, in the view of developing countries, for an addition to Fund resources which are essentially unrelated to quota subscriptions. At the same time consideration might be given to expanding the access of developing countries to international credit within the present structure of IMF quotas, which are the determinant of both rights and obligations in the International Monetary Fund.

The quota determines both the country's national currency contribution to IMF and its access to international credit. The quota also determines the weight of each country in the binding decision-making of the Fund. In practice countries which bulk large in international trade and income exercise a dominant voice in decisions that are binding on all members of the Fund - whether in regard to individual countries or in regard to new facilities of a more or less institutional kind. The underlying premise is that those countries which have the capacity to provide a relatively large share of international credit also have a commensurate need to draw on such credit, while at the same time exercising a right to police the access to credit of countries with a less dominant economic weight in the system.

As events have evolved, however, it is far from clear that countries with a dominant weight in decision-making as determined by their present and prospective Fund quotas are those with a relatively greater need to make use of Fund resources. The oil-importing developing countries with a quota share of 22 per cent in the total can legitimately expect to make a far greater use of the resources of the Fund - i.e., international credit - than is warranted by this share, given both the vulnerability of their export proceeds to fluctuations and the opportunity cost to them of maintaining reserves. At another extreme, the recent increase in the share of OPEC countries represents a recognition of their increasing economic weight in international trade rather than of any impending need to draw on Fund resources. Moreover, with the commencement and the desired long-term evolution of the SDR system, quotas have lost their earlier relevance as a means of contributing to the supply of national currencies needed for the settlement of payments imbalances, distinct from their key role in SDR allocation.

Pending the movement towards eventual reform of the international monetary system along the lines sketched out earlier, it will be necessary, in the view of developing countries, to explore ways and means of enabling developing countries to have access to IMF resources in ways unrelated to their quotas. One simple way

to begin to establish this principle would be to institute those changes in Fund articles that would permit IMF resources to be diverted to worth-while international purposes of more or less direct benefit to the balance-of-payments positions of developing countries. For example, a variety of funds have been set up under United Nations auspices in recent months, for industry, agriculture etc., which would be expected to serve primarily the needs of developing countries. The IMF, in this view, should be given authority through appropriate changes in its articles to subscribe to these newly established funds, in so far as they can meet the trade needs of developing countries, so that its resources can be made available indirectly for balance-of-payments support to developing countries.

A more ambitious reform, favoured by some, would imply arrangements which would separate voting power in the Fund from access to Fund credit. If quotas are to be regarded as determining access to credit alone there is then no prima facie reason, in their view, why the total access of developing countries to Fund resources, instead of being the 27 per cent it is today, should not be considerably greater - some would say as much as 50 per cent. The difficulty stems essentially from the fact that, as mentioned earlier, quotas are also a key to voting power. This kind of problem has been met satisfactorily in the World Bank in the context of the setting up of the International Development Association, where the voting rights of developing countries were separated from those of part I countries who were the principal contributors to IDA; and it may be worth exploring the possibilities for doing this in the context of IMF. Having said this, and accepting that decision-making in the Fund ought broadly to reflect the international balance of economic power, there is clearly today a case for re-examining the distribution of voting power. Voting rights in IMF were determined at a time when the international balance of power was far more concentrated in a small number of countries than is the case today. Some feel that there is no warrant in the present situation for permitting a single country to exercise a veto power on decisions that have been overwhelmingly endorsed by the rest of the Fund membership.

C. Structural issues in the field of financing

1. Approaches

The present section outlines the approaches that seem now to be required on the aid front and presents these at this stage in terms of the financial transfers to third world countries that seem to be the minimum both warranted and feasible for the remainder of the decade. Available projections indicate that developing countries other than major oil producers and mineral exporters will, in the absence of corrective and collective international action, be considerably worse off in the second half of the 1970s and as compared with the historical experience of the latter 1960s and early 1970s. What are the implications of even a modest rescue operation - one falling below the Second United Nations Development Decade target for countries with incomes below \$200 GNP per capita and barely enabling those countries with more than \$200 GNP per capita to meet it?

The international discussion of the current world economic situation has seen a proliferation of proposals for dealing with the problems of third world countries adversely affected by recent price increases in a variety of commodities. It was hoped by many that the United Nations Emergency Programme, after mobilizing the

support needed to deal with the problems of the most severely affected countries, would lead, after the middle of 1975, to a longer-term set of arrangements encompassing the generality of third world countries.

Two broad categories of proposals have so far emerged. The first category comprises the "trust fund" proposals, two variants of which have been successively put forward. Both imply the raising of capital sums of the order of \$1.5 billion to \$2 billion per year for disbursement to the most severely affected countries as balance-of-payments support to help them adjust over time to the changed international economic situation.

Both versions also provide for the canalizing of moneys through separate institutional arrangements with decision-making power being distributed differently from that prevailing in today's international financial institutions.

The other category of proposals seeks of Governments not the capital sums involved, which would be raised by the World Bank in the international financial markets, but only contributions towards an interest subsidy which would enable the Bank to open what has been termed a "third window" on terms intermediate between the 8 per cent rate applicable to current IBRD lending and the commitment charge of 0.75 per cent governing IDA lending.

While these two categories of proposals - one for balance-of-payments support and the other project-oriented - have been advanced at different times in international discussion in an attempt to come up with other than ad hoc and purely bilateral solutions in the present emergency situation, it is clear that possibilities exist of bringing about alternative blends of these proposals. As a matter of pure logic, and assuming that Governments are willing to make finite contributions on an annual basis to third world countries adversely affected by the international situation, there is a certain awkwardness in splitting up any total contribution that may become available arbitrarily into an interest subsidy component, on the one hand, as in the "third window" proposal and a straightforward capital transfer, on the other, as in the trust fund proposals. Assuming that the capital sums required for disbursements can be raised in capital markets by the World Bank, there would seem to be more economic logic in devoting whatever governmental contributions are forthcoming to the purpose of interest subsidization, thereby permitting the raising of a substantially larger capital sum than is envisaged in either the current form of "third window" proposal or any version of the trust fund proposal.

It is possible, for instance, to think of a somewhat larger version of the "third window" proposal, which, while involving considerably smaller governmental contributions than any of the trust fund proposals envisage, would still permit the raising of a capital sum larger than the trust fund and "third window" proposals taken together. A study by the Trilateral Commission, a private European-Japanese-North American group, estimates that a governmental contribution of no more than \$900 million would suffice to enable an enlarged "third window" in the World Bank to borrow \$3 billion a year at 8 per cent from OPEC countries and lend it to lower-income countries at 3 per cent in loans with 20-year maturities and four-year grace periods. h/ The study recommends that such a "third window" subsidy fund be

h/ Richard N. Gardner, Saburo Okita and Berendjan Udink, OPEC, The Trilateral World and the Developing Countries: New arrangements for Cooperation, 1975-2000 (New York, Trilateral Commission, 1975).

managed along the lines of the Iranian trust fund proposal where representation and voting power are equally shared between traditional donor countries, OPEC countries and other developing countries. An even larger "third window" would be possible if, say, the \$1.5 billion to \$2 billion mentioned in the United States version of the trust fund idea could be devoted to interest subsidization. Any of these could have both programme and project subwindows, with, for example, the programme subwindow administered under joint Bank/Fund auspices. Doubtless, other permutations and combinations of interest subsidy alternatives and the associated capital sums to be generated thereby would be possible. It is suggested, therefore, that these be further explored with a view to fixing whatever interest subsidy is warranted.

Other recycling proposals

Proposals of the kind just discussed, either of the trust fund or "third window" variety, are not expected to make any substantial contribution to the recycling of the surpluses of OPEC countries. They are thought of rather as looking after the transitional adjustment needs of the most severely affected and poorer third world countries - the so-called fourth world - and the total sums required are small in relation to the probable size of OPEC surpluses on whatever basis these are estimated.

In a triangular world consisting of surplus OPEC countries, deficit developing countries and deficit developed countries, these surpluses could be absorbed in one of three ways. In the first place, the size of the OPEC surplus itself could be reduced by a rapid absorption by OPEC countries of imports of goods and services from the developed countries; in the extreme case, the size of this OPEC surplus would fall to match the oil deficit of the developing countries, with current account equilibrium being reached between OPEC and the developed countries. Another alternative is long-term investment by OPEC in the developed countries, in which case the surpluses are not extinguished but financed. The third possibility that has to be explored is that of investment in developing deficit countries of OPEC surpluses that can be recycled back to the developed countries in the form of expanded payment from developing countries for the capital goods and other developmental imports required of the latter. This possibility, it must be mentioned straight away, is not an alternative to the others but should be viewed as a very valuable and promising supplement. It has the singular merit of being capable of being set up in a manner which safeguards the interests of all parties involved in the transaction.

Typically, in the past, foreign investment was supplied to "host" developing countries in a packaged fashion; in other words, the investing firm provided both the technology and the finance, and in an increasing degree access to markets as well. What the present situation permits is really the "unbundling" of this package for the simple reason that, in the main, the sources of technology and the sources of financing have been divorced from one another as a result of the massive shift of funds to oil-producing countries. This creates opportunities for capital to come in on terms that offer to host developing countries a measure of bargaining and negotiating advantage which they did not previously enjoy, while assuring expanding markets for the technology and capital equipment of firms situated in the developed countries, and, at the same time, provided satisfactory arrangements are set up, both minimizing risks and offering profitable investment outlets to oil-

producing countries. What the oil producers would require above all would be adequate assurance that their investments could be protected against the political risks of nationalization and in part against the purely economic risks. So far as political risks are concerned, it is arguable that these are likely to be less serious than those that would be run by any OPEC country that places disproportionate amounts of investible funds in developed country economies. So far as economic risks are concerned, they could, in principle, be taken care of on the basis of the simple presumption that whenever a large mass of money seeks to find investment outlets - of the order of, for example, \$25 billion annually - enough projects will succeed to permit the successes to lock after the failures in a genuine insurance sense provided that some set of arrangements is devised to give concrete effect to this presumption.

The kind of underwriting of risks that is envisaged offers notable advantages both to developing and developed countries. In a significant sense it "opens up" the market for foreign investment by enabling smaller European producers to compete on equal terms with United States transnationals - a possibility that is valid only to the extent to which firms supplying technology may also seek joint equity participation with the oil producers in third world investment and that is worth considering to the extent to which it carries with it a continuing interest in better management of the joint venture. In this sense both several developed country capital exporters and developing host countries could gain a benefit. From the host developing country standpoint, it also has the further advantage that the rate of return which would warrant an act of foreign investment is likely to decline substantially.

As for the problem of devising arrangements for the underwriting of investment risks, elements of a solution again may be found in the interests of the developed countries. Clearly, firms supplying technology stand to gain substantially from the profitable investment in developing countries of OPEC surpluses which return to them in the form of orders for equipment and technology, and provide also for the financing of the deficits being run by the developed economies collectively. The market potential they face, may, indeed, be such as to persuade firms to supply their technology on the basis of an adherence to codes of conduct for the transfer of technology.

A proposal worth exploring, in the opinion of some, could take one or both of two forms. In the first place, joint ventures above a certain size could be registered under a United Nations or other suitable multilateral umbrella, provided they possess the following properties:

(a) A minority share of the total equity that is below some specified limit, say 15 to 20 per cent, for both the technology-supplying firm and the OPEC country supplying investment funds taken together;

(b) The technology is furnished in accordance with provisions of a suitable code of conduct to be internationally negotiated, possibly incorporating a principle of "fade out" in particular cases.

Investments so registered would then benefit from some form of multilateral investment insurance which would be extended to cover not merely the traditional political risks but also economic risks as well. Issues arise as regards the burden-sharing of premium contributions towards such insurance and as regards the

distribution of guarantees. But an assumption of a substantial component of the guarantee element at any rate collectively by the developed countries does not seem inequitable, in the view of some, considering the benefits they would derive from these arrangements and the unlikelihood of any guarantees being called upon to be honoured, given, as mentioned, the presumption that enough projects are bound to succeed to look after the failures in a genuine insurance sense.

An alternative tack along which the same set of notions can be developed consists in the adaptation of the idea of "international investment trusts" which would operate to assure to OPEC subscribers to any such unit trust a minimum rate of return which could be established actuarially on the basis of a presumption that "X" per cent of projects financed by the trust are bound to succeed. i/

A third possibility, in the opinion of some, is to institutionalize OPEC investment in inflation-proof World Bank bonds, which would be collectively guaranteed by the developed countries. The monies could then be routed to third world development on a straightforward commercial basis, through the same network of intermediary unit trusts as in the previous case. The difference would be that the World Bank would be the sole investor when it comes to investment in developing countries but would have to draw on the resources of the international investment banking community for the purpose of project development. If World Bank finance were made available on a joint venture basis involving it in equity participation, then it could accumulate over time the difference between its investment income and its obligation to oil producers for concessional lending to other developing countries. Its profits would, of course, be lower if it departed from the joint venture format and continued with its normal procedure of commercial lending.

A fourth possibility is to expand the existing International Finance Corporation, which invests in equity participation in developing country enterprises, by some agreed increase in its capital, subscribed in equal shares by the OECD and OPEC countries.

2. The restructuring of decision making in the World Bank

Voting power

The quota in the Bank serves a very different function from a country's quota in the Fund. Whereas in the Fund the quota serves as a prima facie measure of a country's right to gain access to Fund credit, no such right inheres in a country's quota in the Bank. For the major donor countries it represents, rather, a set of obligations in that any donor's quota is a function of its donations to the Bank which are then available for lending to other, and today mostly to developing, countries. The voting structure proceeds on the basis of 250 basic votes per country which is given to each country on an across-the-board basis, plus one additional vote for every hundred thousand dollars worth of contributions. Out of every 10 per cent of addition to the Bank's capital subscription by any donor, only 1 per cent need be paid in convertible currency and 9 per cent in the donor's own currency. The balance of 90 per cent represents callable capital and in effect

i/ See Roosa, Farmanfarmanian, Okita, et al., "How can the world afford OPEC oil?", Foreign Affairs (New York), vol. 53, No. 2, January 1975.

adds to the strength of the guarantee powers of the Bank as an institution. Moreover, it is open to any single donor to pre-empt the entirety of a proposed capital increase in the Bank framework by the down payment of 10 per cent of the total so that it is enabled in this way to prevent the erosion of its voting capacity in the Bank system.

The present capital subscription to the Bank is of the order of \$25 billion, of which 10 per cent has been paid in. The voting power of Part I countries, the principal donors, that is, represents 64.3 per cent of the total vote, of which the United States has been by far the largest donor, thus exercising an effective veto power controlling more than one fifth of the vote. The OPEC countries, as a group, represent 4.96 per cent of the total vote so that what for Bank purposes have been termed "other developing countries" have a total of nearly 31 per cent of the vote. j/ The share of the developing countries has been maintained in this voting structure despite their inability to contribute to the Bank's capital, largely for the reason that the Bank has expanded its membership since its inception. Since the voting power of each developing country is, by and large, limited to the basic vote each country receives on joining, it is the additions to the Bank's membership of developing countries over the years that have enabled the share of developing country voting power in the total to remain at the present level despite increases that have taken place in the Bank's capital structure with contributions coming principally from the donor countries which thereby automatically add to their share of the total voting power. In other words, historically, the growth in membership of the Bank from developing countries has served as an offset to the increase in the voting power of Part I countries that would have otherwise resulted with the growth in the subscribed capital of the Bank.

This situation defines the principal problem with the Bank's voting procedures that has to be considered. Now that the Bank's membership comprises virtually the entirety of the third world, the latter group's voting share of 31 per cent becomes threatened with erosion with any further expansion of capital subscription by Part I and OPEC countries taken together. One simple method of maintaining or improving the share of developing countries in the total is to effect an amendment to article V, section 3 (a) of the Bank's Charter so as to increase the basic vote from 250 for every member country to whatever amount is consistent with the desired voting share of developing countries. This way of handling the issue has the merit that the increase in basic vote is made on an across-the-board non-discriminatory basis which applies equally to Part I, OPEC and other developing countries.

While quotas in the Bank do not, as mentioned, give automatic access to credit, they are of crucial importance in determining the lending policies of the institution. Therefore, any greater degree of participation by developing countries in the working of the Bank must necessarily imply a significant increase in their voting share. Any such increase must however be consistent with the legitimate concern of lending countries to exercise a major influence in decision making for the reason that it is inevitable in a credit institution that those providing the monies would require to make sure that their investments are

j/ This category, it should be mentioned, includes countries which do not fall within the United Nations Group of 77. It includes China, Greece, Spain, Turkey and Portugal, so that, if adjustments are made for this, the share of the Group of 77 is somewhat lower, nearer 27 per cent.

safeguarded. Consistent with this constraint, however, the present situation permits a considerable margin of manoeuvre for the "other developing countries". One possibility, in the opinion of some, is that an equitable balance of interests for the various groupings of countries concerned would be an increase in the share of "other developing countries" to 40 per cent, of OPEC countries to 15 per cent, leaving the Part I countries with a reduced share of 45 per cent. In this situation, there would seem to be no warrant for altering the 80 per cent voting requirement for certain decisions. A pro rata reduction of the voting power of all Part I countries would no longer permit a veto to be exercised on Bank decisions by any single country, but by an appropriate grouping of Part I countries.

Secretariat

The representation of developing countries in the over-all structure of Bank/Fund staffing is today relatively weak. These institutions have a somewhat vital role in assessing country performance from the standpoint of appraising the need of a recipient to receive international credit. This function is common to both institutions. The present structure of the staffs of these institutions means in effect that decisions may tend to be taken at senior levels by staff who may have had no direct experience of living, working and making policy in a developing country. This particular tendency is aggravated to the extent that these institutions have in recent years been building up a career service through their junior professional programme in which able personnel are recruited directly from universities and remain in the service of the Bank/Fund and rise rapidly to senior positions. Where, as is increasingly the case, recruitment to the junior professional programme comes from developing countries, this process has the effect of cutting off senior policy makers in the institution from access to direct country experience in a policy-making capacity.

What this suggests is the need in the Bank system for considerably more cross-fertilization to occur at the staff level through, for instance, appropriate exchanges of personnel between member countries and the Bank staff. One way in which this might be achieved would be through an extended involvement of the Bank in technical assistance so that its personnel can receive the direct flavour of country experience in the field. Provision could well be made for senior-level appointments in the Bank to require a minimum period of work in the field. There should, in addition, be at the very high echelons of the Bank a substantial core of senior personnel from developing countries who have held responsible policy-making positions, so that Bank decision making can take into full account the socio-political complexities of developing countries that are sometimes missed in recommendations being currently made.

Annex III

LIST OF CONCLUSIONS AND RECOMMENDATIONS OF THE GROUP OF EXPERTS, PREPARED BY THE SECRETARIAT*

I. WHY RESTRUCTURING?

1. In its thirtieth anniversary year the United Nations has reached a turning point. In one direction lies the prospect of new capacity to cope with the central issues facing mankind in the decisive last quarter of the twentieth century. In the other direction lies the danger of a decline in the effectiveness of the United Nations. Which direction the Organization takes will be significantly influenced by the decisions on policy and structural questions which its Member States take in the months and years ahead. A world without a strong United Nations, in the opinion of the Group, is inconceivable. It is in the interest of every Member of the United Nations to make the Organization a more effective instrument for the strengthening of international peace and security and for international economic and social co-operation. (paras. 1 and 2).

2. The proposals of the Group of Experts for structural change are designed to enable the United Nations system to:

(a) Deal with international economic and social problems in a more effective and comprehensive manner, with better co-ordination throughout the United Nations system as a whole;

(b) Harmonize, as far as possible, the views and approaches of Member countries towards these problems;

(c) Contribute to a significant improvement in the transfer of real resources and technology to developing countries;

(d) Promote economic co-operation between States, including those with different social systems;

(e) Increase the capacity of the United Nations system to provide essential services for all its Members;

(f) Improve the management of United Nations resources available for assistance to the developing countries so as to maximize the benefit to these countries;

(g) Respond effectively to new opportunities, problems and challenges arising from changing requirements of world economic co-operation;

(h) Foster better utilization of the capabilities of developing countries for economic and technical co-operation among themselves;

* The present annex does not form part of the report of the Group of Experts on the Structure of the United Nations System and, therefore, has no official status. It has been prepared by the Secretariat at the request of the Group of Experts for the convenience of the reader, it being understood that a full appreciation of the Group's recommendations requires that the report be read in its entirety.

(i) Make the United Nations a more effective instrument for the establishment of a new, more rational and just international economic order (para. 14).

3. While the members of the Group may place a somewhat different emphasis on the factors mentioned below, they are in agreement that the following represent major problem areas where structural improvements will be necessary if the United Nations system is to realize its potentialities as an instrument for development and international economic co-operation: (1) fragmentation of effort, (2) decision making, (3) methods of work, (4) levels and type of representation, (5) the artificial separation of planning and operations, (6) the quality of the international staff, (7) functions not yet adequately performed in the institutional structure, (8) problems of universality of membership, and (9) regional structures (paras. 15-25).

4. The Group of Experts had neither the time nor the resources to develop fully detailed answers to the nine basic structural problems identified above. What it has sought to do in its report is to provide, in broad outline, a picture of what a restructured United Nations system might look like, and a number of practical first steps to implement that institutional design. The Group has confined itself to recommending reforms that can be initiated by the General Assembly itself and which do not require amendment of the Charter. The Group recognizes that many of the proposals made in its report will require some time for their full discussion and implementation, yet it believes that some of them can and should be set in motion by the General Assembly this year to provide a clear signal to the world that the urgently needed process of institutional revitalization has in fact begun. Without that, talk of structural reform will lack real credibility (para. 26).

5. The Group is proposing major changes in the central structures of the United Nations. Its proposals call for new approaches to the handling of economic items in the General Assembly, a major reform in the Economic and Social Council and its subsidiary bodies, and new consultative procedures to encourage agreed solutions leading to speedy implementation by Governments. They also call for the creation of a new post of Director-General for Development and International Economic Co-operation to provide leadership to the central Secretariat and the entire United Nations system, and for the consolidation of funds for technical co-operation and pre-investment activities in a United Nations Development Authority (UNDA), headed by an Administrator who would serve as a deputy to the Director-General (para. 27).

6. In moving towards the institutional design put forward in the report, it will be essential to ensure that, at every stage in the reform process, the enlightened self-interest of Member States in development and international co-operation will be promoted rather than sacrificed. Decisions taken to strengthen the central institutions are inevitably linked to decisions in some key sectoral areas (para. 28).

7. For example, some members of the Group feel that the appointment of a Director-General for Development and International Economic Co-operation, as envisaged in the report, and the agreement that he should be a national from a developing country when the Secretary-General is from a developed country, should be conditioned upon the gradual incorporation into the central Secretariat of those portions of the UNCTAD secretariat that are not dealing with sectoral trade questions. For other members of the Group, however, the creation of UNCTAD reflected the widespread feeling that the then existing structure of the Economic and Social Council was not serving the international community and especially the

developing countries sufficiently well. These members feel that the incorporation into the central structure of those portions of the UNCTAD secretariat not dealing with trade questions, and especially those concerned with development financing and international monetary issues, should only take place when developing countries are satisfied that the new central structure is able to deal adequately with such questions. In their view, progress in the field of monetary reform, especially revisions in the distribution of voting rights under the weighted voting system of the World Bank and the International Monetary Fund, is an essential prerequisite. The same principle applies to the incorporation of the intergovernmental organs of UNCTAD into the revitalized central structure. These members feel, moreover, that pending the development of an adequate institutional framework for dealing comprehensively with trade questions - an ITO or other device - it would not be realistic to expect any such incorporation of either the Secretariat or the intergovernmental components of UNCTAD into the central system (para. 29).

8. To take account of the above concerns, the Group recommends that in its first biennial period the Economic and Social Council should not establish negotiating groups of the kind outlined in chapter II, section D to deal with subjects under consideration in UNCTAD. At the end of this initial two-year period there should be a review to decide whether the central structures are working sufficiently well to warrant further progress in the direction of strengthening the central institutions. The Group further agrees that during this transitional period, the decision-making process of UNCTAD should be improved by the application of the consultative procedures proposed in the report (para. 30).

9. Similarly, with respect to the subject of operational activities, in chapter II, section F, some members of the Group feel that the eventual consolidation of the various existing funds into the new UNDA and the designation of the Administrator of UNDA as deputy to the Director-General for Development and International Economic Co-operation must be dependent upon the negotiation of satisfactory arrangements regarding the composition of the new Operations Board and the division of responsibility between that Board and the Council and the UNDA Administrator, as well as a satisfactory definition of the status of the Administrator. The Group, therefore, recommends that these views be accepted as part of the general understanding governing the implementation of the proposals regarding the new UNDA, while noting its expectation that such concerns can be taken care of in negotiations within a two-year period (para. 31).

10. The Group envisages a process of institutional restructuring which could be initiated immediately by the seventh special session of the General Assembly and unfold over a five-year transitional period, during which the many difficult questions involved could be resolved to the satisfaction of all the Members. At every stage during the five-year period the General Assembly could examine the measures needed to implement the restructuring with a view to ensuring a fair balance of advantages to different groups of Member States, and all the measures would be reviewed at the end of the five-year period to ensure that the restructuring in the centre and the sectoral areas was mutually compatible and regarded as satisfactory by the membership as a whole (para. 32).

II. CENTRAL STRUCTURES FOR GLOBAL POLICY MAKING, PROGRAMMING AND PLANNING AND OPERATIONAL ACTIVITIES

1. General Assembly

1.1. Whenever issues of global significance need urgent and separate consideration, special sessions of the General Assembly, on the pattern of the sixth and seventh special sessions, or special sessions of the proposed "Development Committee" (see recommendations 1.3-1.6), should, after careful preparation, be convened rather than ad hoc world conferences (para. 37 (a)).

1.2 There should not be a fixed periodicity for any global conferences; a decision as to the best timing and approach and the most suitable arrangements for the consideration of a given issue should be taken by the Assembly, on a case-by-case basis, in the light of developments. For this purpose, the possibility of convening special sessions of the General Assembly or special sessions of the proposed Development Committee should be explored a/ (para. 37 (b)).

1.3 The Second Committee of the General Assembly should be renamed the Committee on Development and International Economic Co-operation (to be known as the "Development Committee"). Consideration should be given to transferring from the Third Committee to the Second Committee, on a case-by-case basis, those items on social development that might more appropriately be dealt with in the Second Committee, bearing in mind the need to avoid overloading the Second Committee's agenda (para. 39 (a)).

1.4 The agenda of this Committee should be organized around meaningful clusters of issues (rather than be based on a mechanical consolidation of some of the items that traditionally appear on the agenda of the Second and Third Committees), reflecting an integrated approach to the economic and social aspects of development (para. 39 (b)).

1.5 Some days during the meeting of this Committee should be organized for discussions and decision making at senior or ministerial level on key issues that are ready for decision (para. 39 (c)).

1.6 The Economic and Social Council should be consulted in the elaboration of the Committee's agenda and should be asked to prepare its discussions and submit draft recommendations for action by the Committee (para. 39 (d)).

1.7 The Third Committee should be renamed the Committee on Social Problems, Human Rights and Humanitarian Activities (para. 39 (e)).

2. Economic and Social Council

2.1 The General Assembly at its forthcoming special session should reaffirm the Council's central role with respect to global policy formulation and implementation and the setting of priorities for the system as a whole (para. 44).

2.2 The Council should organize its programme on a biennial basis, with its calendar subdivided into frequent subject-oriented sets of short sessions spread throughout the calendar year (except during the General Assembly period). These sessions would

a/ The above recommendations, of course, have to be read subject to the understanding mentioned in paragraphs 7 and 8 above. It is understood that the fourth session of UNCTAD would take place as scheduled and that a decision on the fifth session would be made in connexion with the review of the transitional arrangements in the light of the effectiveness of the central institutions.

take place in New York, Geneva or in other cities, such as Nairobi, depending on the subject-matter and the location of the relevant secretariat units. A typical calendar of the Council under these arrangements would be as follows:

(a) An initial substantive session (presumably in January of the first year) devoted to the identification, in the light of the General Assembly's debates and decisions and an analysis and assessment of the economic and social situation, of the themes and issue areas to be included in the Council's programme of work and the preparation on that basis of the Council's calendar;

(b) Short subject-oriented sessions devoted to policy-making in respect of the major issue areas identified as requiring policy decision would then follow throughout the two years; the programme for these sessions should be set so as to ensure that all sectors at present covered by the Council's subsidiary machinery, such as population, environment, natural resources, science and technology, social development, human settlements etc., would all be discussed either in their present form or in some appropriate regrouping, over the two-year cycle;

(c) The calendar would also include, every year, a one-week ministerial session (which might be held during the last week of June) devoted to an over-all policy review, focusing mainly on world economic questions, including trade, monetary and financing issues related to development, and to the preparation, on the basis of the results of the preceding meetings, of a policy statement to be submitted to the General Assembly for its consideration and adoption;

(d) This ministerial session would be followed each year by two sessions of about two weeks each, to be held preferably during the month of July, to carry out in succession: (i) a review, in alternate years, of programme budgets and medium-term plans, respectively, of the entire United Nations system, b/ and (ii) a review of the operational activities of the system, including, in particular, the activities of the United Nations Development Authority proposed below (see recommendation 6.3 below) (para. 46).

2.3 The Council should establish small negotiating groups to deal with key economic issues identified by it as requiring further negotiations with a view to bringing about agreed solutions (see in this connexion recommendation 4.1 below) (para. 49).

2.4 The General Assembly should recommend to Member States that they take all the steps necessary to ensure the systematic attendance of higher-level and more specialized government representatives at the Council's meetings, it being understood that the composition of such delegations would be governed by the specific subject-matter to be considered at any given session (para. 51).

2.5 The United Nations should provide travel expenses for a number of delegations from capitals to meetings of the Council, along the lines of the present practices in respect of the General Assembly and the meetings of the functional commissions of the Council (para. 50).

2.6 The executive heads of the specialized agencies and programmes concerned should be urged to participate as actively as possible in the Council's review of issues impinging upon their fields of responsibility (para. 52).

b/ As explained in chap. II, sect. E on Planning, programming and budgeting, the Council's review of the programme budget and medium-term plan of the United Nations proper would be undertaken with a view to adopting decisions thereon, whereas the Council's review of the plans, programmes and budgets of the specialized agencies would be for the purpose of co-ordination, bearing in mind the constitutional autonomy of the agencies.

2.7 The Council should assume direct responsibility for the work now performed by its existing subsidiary bodies. As a result, the permanent commissions and committees of the Council would be discontinued, except for the following bodies: the regional commissions; the Statistical Commission; the Commission on Narcotic Drugs; the Committee for Development Planning; the Commission on Transnational Corporations; and the Commission on Human Rights. The Council should, over a two-year cycle, address itself to all of the sectors now covered by its subsidiary machinery, either in their present form or in some appropriate regrouping (para. 54).

2.8 The Council should be assisted by a subsidiary body in connexion with its responsibility with regard to the programme budgets and medium-term plans of organizations and their co-ordination (see recommendations 5.7-5.8 below) (para. 55).

2.9 As already provided for in the Council's rules of procedure, any country not a member of the Council which was especially interested in a particular sectoral issue should be permitted to participate in the relevant discussion with all rights of membership, except the right to vote (para. 57).

2.10 Since the discontinuance of a number of subsidiary bodies dealing with sectoral areas could create considerably greater pressure for representation in the Council, the General Assembly and the Council should consider the suggestions mentioned in paragraph 58, and other possibilities, with a view to meeting this problem (para. 58-59).

2.11 Countries not members of the Council should be eligible to participate in the Council's negotiating groups with the same rights as members (in this connexion, see recommendations 4.1 and 4.2 below) (para. 60).

2.12 The Council should assume direct responsibility for the work now performed by the Committee on Natural Resources, the Committee on Science and Technology for Development, the Committee on Review and Appraisal, the Committee on Crime Prevention and Control, the Population Commission, the Commission for Social Development, the Commission on the Status of Women, and the Committee on Housing, Building and Planning, all of which would cease to exist (para. 61 (a)).

2.13 The Committee on the Application of Science and Technology to Development should cease to exist. Instead, to provide the United Nations in general and the Economic and Social Council in particular with ready access to the resources of the world scientific community, small ad hoc groups of scientists should be convened on a case-by-case basis to study specific problems and formulate recommendations which would then be taken into account by the Council in the formulation of relevant policies. c/ The establishment of such groups, which would be based on rosters of scientists representing a wide range of scientific disciplines, would provide the Council with the necessary flexibility to deal, as appropriate, with diverse and constantly changing issues (para. 61 (b)).

c/ The United Nations Scientific Committee on the Effects of Atomic Radiation, being a subsidiary body of the General Assembly, would not be affected. On the other hand, the United Nations Scientific Advisory Committee would be discontinued.

2.14 A science adviser to the Secretary-General should be appointed. He should be an individual of international eminence and recognized competence, to serve as a link between the Secretary-General and the world scientific community. His main function would be to provide timely advice to the Secretary-General to help him anticipate the impact of advances in science and technology and identify the options that their application presents, especially for the benefit of the developing countries (para. 61 (b)).

2.15 The Council should assume direct responsibility, through the device of subject-oriented sessions as described above, for the policy functions in respect of environmental issues at present being carried out by the Governing Council of UNEP. Inasmuch as responsibility for managing the UNEP Fund would be assumed by the proposed Operations Board responsible for all pre-investment funds (see recommendation 6.4), the Governing Council of UNEP would be discontinued. The environment secretariat would remain in Nairobi, subject to the authority of the Director-General for Development and International Economic Co-operation (para. 61 (c)).

3. Secretariat support facilities

3.1 In recommending the following changes in the central Secretariat, the Group of Experts anticipates that there would be no increase in staffing costs; indeed, these changes may result in substantial savings that could be utilized for operational purposes (para. 69).

Reorientation of the Department of Economic and Social Affairs

3.2 A necessary first step towards strengthening the analytical capabilities of the Secretariat and enabling it to concentrate its efforts on the task of providing support, on an interdisciplinary basis, for the policy-making function of the Council, is to divest the Department of Economic and Social Affairs of its sectoral technical functions in the economic and social field and, particularly, of its sectoral operational responsibilities (para. 70).

Director-General for Development and International Economic Co-operation

3.3 Within the United Nations Secretariat, a new post of Director-General for Development and International Economic Co-operation should be established. This official would be directly responsible to the Secretary-General, would serve as primus inter pares among the heads of United Nations organizations and agencies dealing with economic and social affairs and would be in charge of directing all activities at present being carried out by the Department of Economic and Social Affairs and the various United Nations offices and programmes with respect to research, policy-making support, interagency co-ordination and operational activities. The autonomous position of the specialized agencies would, of course, not be affected, but the new Director-General would seek to promote improved system-wide co-operation. He would chair the proposed Advisory Committee on Economic Co-operation and Development mentioned below (recommendation 3.8). He would need to be assisted in this task by two Deputy Directors-General, one for Research and Policy, and the other to serve as Administrator of the new United Nations Development Authority. Under these arrangements, the existing post of Under-Secretary-General for Economic and Social Affairs would cease to exist (para. 71).

3.4 The Director-General should be appointed by the Secretary-General and confirmed by the General Assembly. Careful procedures would need to be established for the process of selection of the candidate, to ensure that the individual chosen enjoys the confidence of all groups of countries. The implementation of this and related proposals should be carried out in a manner that ensures the fullest understanding and co-operation of the specialized agencies as this is a necessary basis for the successful operation of the system envisaged here (para. 73).

3.5 The post of Director-General should be assigned to a national of a developing country, at least during those years when the post of Secretary-General is occupied by a national of a developed country. If the post of Secretary-General were occupied by a national of a developing country, this arrangement would have to be reviewed. (It should be understood that the reference to developed and developing countries is to be interpreted as embracing countries with different social systems.) The post of Administrator of the new United Nations Development Authority and that of Deputy Director-General for Research and Policy could then be allocated, respectively, to a national of a developed country and a national of a developing country (para. 74).

3.6 The Director-General should be elected for his five-year term at the same time as the Secretary-General is elected for his five-year term. However, if the proposals in the Group's report are accepted, the Director-General could be appointed on an interim basis in time for his appointment to be confirmed by the General Assembly at its thirtieth session (para. 74).

3.7 As it builds its capacity for global intersectoral analysis, the Director-General's staff should progressively be able to function as an early-warning system geared to providing timely and effective advice to the intergovernmental organs on major emerging developments in the economic sphere requiring their urgent action. In order to play this role effectively, this secretariat should have at its disposal a flexible mechanism for drawing upon the expertise and knowledge of existing international organizations, national Governments and the private sector generally (para. 75).

Advisory Committee on Economic Co-operation and Development

3.8 A new interagency mechanism, to be known as the Advisory Committee on Economic Co-operation and Development, should be established, under the chairmanship of the new Director-General for Development and International Economic Co-operation. The Managing Director of IMF, the President of the World Bank, the Secretary-General of UNCTAD, the Executive Director of UNIDO, the Directors-General of the ILO, FAO, UNESCO and WHO, the Executive Secretaries of the regional commissions, the Deputy Director-General for Research and Policy and the Administrator of the new United Nations Development Authority would be ex officio members of this Committee. The Director-General of GATT would also be invited to join the Committee, d/ and the executive heads of other United Nations agencies and programmes would be invited, as necessary, to attend. The main task of the Committee would be to review the world economic and social situation and bring to the attention of high-level meetings of the Economic and Social Council, together with its own assessment and recommendations, all issues which, in its view, require international decisions and actions. Whenever possible, alternative policy options should

d/ See recommendation 9.2 proposing that GATT and the United Nations enter into a mutually satisfactory agreement providing for a formal relationship, including exchange of information and closer administrative collaboration.

be developed for submission to the Council, either by the Committee as a whole or by any of its members (paras. 77-78).

Joint research, planning and programming staff

3.9 A small "joint unit" should be established within the new Director-General's Office to be composed of high-level staff seconded by the various organizations of the system - for a longer or shorter duration depending on central requirements - and such other highly qualified officials as may be required by the Director-General. This joint staff, whose members would be responsible to the new Director-General and would not, therefore, formally represent the agencies to which they belong, would have the following functions:

(a) To serve as a centre for global policy analysis and assessment, in support of the work of the Advisory Committee and the Economic and Social Council; and

(b) To serve as a system-wide planning bureau for the elaboration, on the basis of general policies and priorities laid down by the Council, of short- and medium-term plans to serve as guidelines for the programmes of individual organizations. It would also develop budgetary proposals for joint programmes in close collaboration and consultation with the Department of Administration and Management of the United Nations Secretariat and the relevant organs and offices of the specialized agencies (paras. 80-82).

Deputy Director-General for Research and Policy

3.10 The staff under the Deputy Director-General for Research and Policy should be structured along intersectoral lines and should be so organized as to ensure that expertise on major aspects of development and international economic co-operation is available to it. This staff would have the responsibility of digesting and analysing material and inputs coming to the centre from the various sectoral components of the system and of preparing on that basis concise documentation for action by the Economic and Social Council (para. 83).

Administrator of the United Nations Development Authority

3.11 To ensure harmony between planning and operations, it would be useful to establish a post of Administrator of the United Nations Development Authority, who would be responsible for the functions now being carried out by the Administrator of UNDP and the executive heads of other United Nations voluntary programmes and funds for technical assistance and pre-investment activities (excluding, for the time being, the Executive Director of UNICEF (see recommendation 6.1)). In addition, this official would also serve as a Deputy to the Director-General for Development and International Economic Co-operation. It is recognized that the eventual consolidation of United Nations funds in the new UNDA and the designation of the Administrator of UNDA as Deputy to the Director-General for Development and International Economic Co-operation must be dependent on the negotiation of satisfactory arrangements with regard to the composition of the new Operations Board and the division of responsibility between the Board and the Economic and Social Council and the Administrator of UNDA, as well as a satisfactory definition of the status of the Administrator. It is

expected that these negotiations could be concluded within a two-year period (para. 84).

Co-ordination arrangements

3.12 The Inter-Agency Consultative Board (IACB) of UNDP and the Environment Co-ordination Board (ECB) should be merged with ACC. However, the Programme Working Group and the Meeting of Environmental "Focal Points", the two subsidiary bodies that now back up IACB and ECB, should be maintained and function as subsidiary bodies of ACC (paras. 87-88).

3.13 In order to avoid duplication, ACC should be kept regularly informed of the work of the new Advisory Committee on Economic Co-operation and Development (see recommendation 3.8 above) (para. 89).

3.14 With respect to the responsibilities at present assigned by ACC to its Preparatory Committee, the executive heads should be invited to carry out these responsibilities themselves, or if those responsibilities have to be delegated to another body, that they be represented on that body by their deputies who would have full authority to act on their behalf (para. 90).

3.15 Steps should be taken for a progressive reorientation of the work of the subsidiary bodies of ACC towards joint programming and planning. The progress made in this direction, and the obstacles faced, should be regularly and fully reported to the intergovernmental organs concerned (para. 91).

Personnel practices and policies

3.16 Member States and those who bear the principal responsibility for the management of the international civil service should rededicate themselves to the Charter requirements concerning the recruitment of staff (para. 93 (a)).

3.17 Competitive examinations for United Nations service should be held and recruitment requirements with regard to academic and other formal qualifications should reflect the diversity of cultural and socio-economic settings in the different regions of the world. Countries in a subregion or region should be permitted, on the basis of mutual agreement, to pool the number of secretariat posts allocated to them for purposes of satisfying the requirements of equitable geographical distribution (para. 93 (b)).

3.18 A programme of "pre-recruitment training" should be undertaken to assist developing countries, particularly the least developed among them, in the training of candidates for posts subject to geographical distribution. While the main purpose of such an operation should be to train candidates for United Nations service, the programme should also envisage training for national civil service since developing countries, especially the least developed, cannot be expected to send their best technicians unless the programme, at the same time that it provides training for service in the United Nations system, helps to satisfy national needs for skilled personnel (para. 93 (c)).

3.19 Steps should be taken to increase the proportion of women in the professional category, especially at the senior level (para. 93 (d)).

3.20 A United Nations Fellows Programme should be established to bring to the United Nations system young people of superior ability from all regions of the world (para. 93 (e)).

3.21 To upgrade the skills of United Nations staff members, bring them up to date on new developments in their fields, improve their morale and enhance prospects for career development, the following measures should be taken:

(a) Consideration should be given to reviving the Staff College project as part of the development of new and improved training facilities. The Staff College would not only provide common training to officials coming from different agencies but would also give them the opportunity to exchange experiences and establish personal relationships of lasting professional value once they return to their respective posts throughout the United Nations system. It would thus help generate a system-wide sense of common identity that would make a singular contribution to the cohesion of the United Nations family of agencies;

(b) In view of the rapid pace of change in the various areas of United Nations interest and action, staff members should be encouraged to take sabbaticals in universities or institutes of advanced study to refresh and enhance their knowledge and skills;

(c) Staff rules concerning retirement should be applied more rigorously;

(d) Personnel rules and practices, particularly in respect of language allowances for professional staff pursuant to General Assembly resolution 2480 B (XXIII), should be set and applied to avoid any discrimination against staff whose mother language is not one of the official languages of the United Nations;

(e) Measures should be taken to improve the United Nations system of career development, including greater staff mobility within and between different United Nations agencies;

(f) The promotion process should do more to reward ability and initiative, and administrators should show more willingness to eliminate unproductive staff;

(g) There should be better and more frequent communication between high-level and lower-level staff since the latter are often not adequately informed about the work of the Organization and this adversely affects their morale (para. 94).

3.22 The United Nations agencies should move towards a unified personnel system, including a unified system of salaries, grading, conditions of service and recruitment. The International Civil Service Commission should be given additional powers and responsibilities to enable it to achieve the objective of a unified personnel system as stated (para. 95).

3.23 In order for the United Nations to be able to secure the services of highly skilled specialists, it should have the flexibility to resort to fixed-term appointments as necessary (para. 96 (a)).

3.24 The search for talent should not be limited to foreign ministries and United Nations missions. An effort should also be made to recruit outstandingly qualified

persons from the academic and scientific communities and from private corporations or state enterprises (para. 96 (b)).

3.25 Careful balance should be achieved in recruitment policy between the requirements for specialists in their respective fields and the employment of high-level generalists with particular experience in field activity who are in a position to understand the multidisciplinary and intersectoral aspects of development and international economic co-operation (para. 96 (c)).

4. Consultative procedures

4.1 Consultative procedures would normally be initiated at any early stage in the discussion of a given subject and before the stage of the passing of resolutions, but the procedures could also be initiated at the end of a process of debate or even after a decision where this seemed to be appropriate. It would be for the Economic and Social Council, if the recommendations in this section were accepted, to work out these consultative arrangements in appropriate rules of procedure which would specify, among other things, the kinds of subjects on which consultative procedures could take place (para. 98).

4.2 The following arrangements are recommended for a system of negotiating groups under the restructured General Assembly and Economic and Social Council:

(a) At the request of the General Assembly or the Economic and Social Council, or upon the motion of one tenth of the members of either body, a small negotiating group would be constituted by the Council to seek agreement on a specific action proposal or related action proposals in the field of development and international economic co-operation. e/ Negotiating groups would be of manageable size, normally between 10 and 30, f/ and would include countries principally interested in the subject-matter whether or not they were members of the Council. During the initial two-year period, negotiating groups would only be constituted by majority vote of the General Assembly or the Council;

(b) Negotiating groups would normally be created at the beginning of the Council's biennial calendar, although they could be created at other times when the need arises. These groups would operate for periods of one or two years, subject to renewal as determined by the Assembly or the Council. The Council would be kept informed by the negotiating groups of the progress being made by them. During the two-year period, the General Assembly and the Council would be free to consider subjects under discussion in the groups and to vote resolutions thereon, but in deciding upon whether to vote a particular resolution, the General Assembly and the Council would take into account the progress of the negotiations;

e/ This follows the UNCTAD formula, and would require a minimum of 14 countries in the present General Assembly or six in the present Council. The precise definition of the type of proposals subject to consultative procedures would be defined by the Council in an appropriate rule of procedure.

f/ The Group could be smaller than 10, of course, if the majority of members of the General Assembly or the Council so desired. Each group would be open to all countries with an interest in the subject-matter. However, in case the size of the group became unmanageable, it would be open to the Council to select the participants with a view to making the group as representative as possible and promoting agreement in the Council and the General Assembly.

(c) Each negotiating group would function under the guidance of a full-time chairman with the assistance, as necessary, of a small representative bureau of vice-chairmen, all of whom would be proposed by the Secretary-General and confirmed by the General Assembly or the Council, depending on where the proposal for the group originated. The full-time chairman would serve for the duration of the group;

(d) Each negotiating group would operate on the basis of unanimity. When a negotiating group reached agreement, it would report to the Council, which would adopt the agreement, refer the matter back to the negotiating group for further consideration, or take such other action as it deemed appropriate. Upon approval by the Council, the agreement would be passed to the General Assembly, which could approve the agreement, refer the matter back to the group, or take some other action;

(e) The Council should consider possible arrangements designed to ensure the implementation of policy decisions taken by the General Assembly or the Council after use of the consultative procedures. The aim of these arrangements would be to promote the necessary action by United Nations Members within the time horizon required. Action would include the negotiation of formal international agreements, where appropriate, and consideration should be given to instituting arrangements to ensure that such agreements were effectively implemented (para. 103).

5. Planning, programming and budgeting

5.1 The appropriate intergovernmental bodies and secretariat units charged with programming and budgeting should develop a thematic approach to priority setting through such devices as the establishment of intersectoral programmes, to the degree that this is compatible with the managerial considerations underlying the incremental approach which is at present the dominant one in the United Nations and some agencies (para. 114).

At the interagency level

5.2 The United Nations and the specialized agencies should take immediate steps to adopt comparable (not necessarily uniform) programme-budget presentations and a common methodology of programme classification and description of content. Regular reports should be submitted to the competent intergovernmental organs indicating the progress made in this direction and identifying possible constraints (para. 116).

5.3 Appropriate steps should be taken throughout the United Nations system to synchronize budget cycles and to set time-tables for budget preparation, review and approval that will permit the General Assembly and the Economic and Social Council to review the budgets of the specialized agencies prior to their adoption (para. 117).

5.4 To provide Member Governments and United Nations organizations with a clearer picture of the activities carried out by the Organization, irrespective of their source of funding, whether assessed or voluntary, the following steps should be taken: (a) the United Nations and the agencies should provide to the extent possible full and compatible information on extrabudgetary resources in their

programme budgets; (b) country programming periods should be harmonized with agency medium-term planning periods; (c) the UNDP and other funds, which it has been proposed to consolidate, should prepare "project budgets" for the same period as the agency budget periods; and (d) UNICEF's programme cycles and methodologies, as far as its development-related projects are concerned, should be harmonized with those of the new UNDA and the relevant agencies (paras. 118-120).

5.5 The results of prior consultations on medium-term plans should be regularly reported to the Economic and Social Council (through CPC) and to the governing bodies of the agencies in question, and a joint interagency planning unit should be established for the purpose of preparing system-wide medium-term plans (para. 123).

5.6 The results of prior consultations on the work programmes should be reported to the Economic and Social Council (through CPC) and to the governing bodies of the agencies in question, and the United Nations and the agencies should utilize the system of programme budgeting to develop their co-operation in related programme areas into joint programming (para. 127).

At the intergovernmental level

5.7 To assist the Council in the performance of the expanded functions envisaged for it in the fields of programming and planning, CPC should be strengthened to make it a more effective body for reviewing programmes and determining priorities and, thus, for achieving a coherent and deliberately chosen balance among the wide-ranging activities of the subordinate bodies of the United Nations. For this purpose, CPC needs higher and more expert representation and should be able to devote far more time than at present (several weeks) to this important and complex task (para. 130 (a)).

5.8 As a long-term goal, the United Nations should work towards a single body to advise the Economic and Social Council as well as the General Assembly with respect to the review, approval and evaluation of both programmes and budgets. This could be a small body representative of the different groups of Member States composed of highly qualified individuals nominated by Governments but serving in their personal capacity. The ACABQ, whose small membership of 13 adequately balances the groups of developed countries, developing countries and socialist countries, might eventually be transformed into such a body. Alternatively, the membership of CPC might be adjusted to make it the small, balanced group necessary for this task. A first step towards the establishment of a single programme and budget body might be to promote more frequent and effective consultations between CPC and ACABQ (para. 130 (b)).

5.9 A mechanism should be established for continuing supervision and evaluation of programme implementation for the purpose of furnishing the competent intergovernmental organs with information on programme management and execution and on the progress made towards achieving programme objectives. Towards this end, a small body of independent experts, functioning on a full-time basis, should be created. Alternatively, the Joint Inspection Unit should be transformed into such a body (para. 132).

At the secretariat level

5.10 High-level machinery should be strengthened for centralized policy direction with respect to programming and budgeting in the United Nations itself. The high-level programme and budget review machinery established by the Secretary-General should be further developed with a view to the rationalization of the United Nations programming and budgeting process (para. 133).

5.11 As proposed in recommendation 3.9 above, the joint staff to be created within the Office of the new Director-General for Development and International Economic Co-operation should serve, inter alia, as a system-wide planning bureau for the elaboration, on the basis of the general policies and priorities laid down by the Economic and Social Council, of short- and medium-term plans to serve as guidelines for the programmes of individual organizations. In addition, it should have the function of developing budgetary proposals for joint programmes in close collaboration and consultation with the Department of Administration and Management of the United Nations Secretariat and the relevant organs and offices of the specialized agencies (para. 133).

6. Operational activities

Consolidation of operational activities and funds

6.1 All United Nations funds for technical assistance and pre-investment activities should be consolidated for the purpose of more effective policy making, administration and management into a new United Nations Development Authority. Certain small funds for capital investment should also be consolidated, as hereinafter specified, in UNDA. For the time being, UNICEF is not included in this consolidation. This move could, however, be considered at some future stage, taking into account the unique character of UNICEF's role within the system. With respect to trust funds established by individual donors, their future disposition would be subject to further study and negotiation among interested parties (para. 141).

Maintenance of separate identity of funds

6.2 In the consolidation of funds under a single administrative and management structure, the separate identity of the funds would be maintained so that donors would continue to have the right to earmark contributions for particular purposes, a right which the Group believes will encourage a higher level of total contributions. Therefore, under the consolidated administration, management and policy-making structure being proposed, separate accounts should be kept for identified programmes and existing practices for earmarking funds to particular programmes should be permitted to continue (para. 142).

Integration of intergovernmental policy making organs

6.3 There should be a single governing body responsible for reviewing the operational activities of the United Nations system as a whole and providing over-all policy guidance within the context of global development strategies. The Economic and Social Council is the appropriate body to perform this policy-making

function since it is fitting that global policy making on operational activities be part of the responsibilities of the body charged with the task of formulating global development policies. This arrangement would not only promote the integration of global policy and operations but would also avoid the duplication of discussions that debates in the various governing bodies and the subsequent Council review of reports of the voluntary programmes and funds entail. For this purpose, the Economic and Social Council should include in its programme of work an annual session devoted to a global review of operational activities (see in this connexion recommendation 2.2) (para. 143).

Integration of management bodies

6.4 There should be a consolidation, as early as possible and under appropriate administrative arrangements, of intergovernmental structures such as the UNDP Governing Council, the UNEP Governing Council, the United Nations/FAO Intergovernmental Committee of the World Food Programme, and the Board of Governors of the Special Fund, and these bodies should be replaced by a single Operations Board which would be responsible for the conduct of the general operations of UNDA and would exercise all the powers delegated to it by the Economic and Social Council. The mandate of the Operations Board would extend to all operational funds currently administered by the United Nations, UNDP (including the Capital Development Fund, the United Nations Volunteers programme and the United Nations Revolving Fund for Natural Resources), UNFPA, UNEP (including the United Nations Habitat Human Settlements Foundation), WFP and the Special Fund. Its membership should be relatively small (18-27) and equitably balanced between net donors and net recipient countries. There should also be appropriate representation of countries with different social systems. It would be in a position to function on a year-round basis, as necessary, and would not be confined to members of the Economic and Social Council. It could establish subgroups to deal with subjects not directly related to economic and social development, such as a subgroup for disaster relief and emergency assistance, and a subgroup for drug abuse control or other activities. The Board and its subgroups would be in close contact with the Administrator to assist in management functions (paras. 144-145).

Integration at the secretariat level

6.5 In the consolidation of funds under the proposed United Nations Development Authority, the separate identities of certain administrative units should be maintained, notably in the case of population, environment and other areas where this would facilitate fund raising or operations (para. 146 (ii)).

6.6 The present Department of Economic and Social Affairs, which would become part of the secretariat under the authority of the Deputy Director-General for Research and Policy, should be relieved of the responsibilities at present performed by the Office of Technical Co-operation, which would be transferred to UNDA, when established. The sectoral/technical functions of ESA should be progressively transferred to other parts of the system as soon as satisfactory arrangements can be worked out, with the understanding that certain technical functions would remain at the centre. The secretariat units performing functions cutting across sectoral areas, such as statistics and public administration, would continue to provide, as appropriate, the necessary substantive support services (para. 146 (iii)).

6.7 The eventual consolidation of funds into the new UNDA and the designation of the Administrator of UNDA as Deputy to the Director-General for Development and International Economic Co-operation must be dependent upon the negotiation of satisfactory arrangements with respect to the composition of the Operations Board and the division of responsibility between the Board and the Economic and Social Council and the UNDA Administrator, as well as a satisfactory definition of the status of the Administrator. It is expected that these negotiations could be concluded within a two-year period (para. 148).

Execution of projects

6.8 Management decisions with respect to the execution of projects should be governed by considerations as to which means of implementation are the most economical and effective so that savings in administrative costs may be made available for development purposes. The long-term requirements of recipient countries, particularly with regard to institution building and the development of national expertise, must also be fully borne in mind. Recipient countries should be given greater flexibility with respect to the execution of field projects. Towards this end, the administering authority should study the best method of implementation in close consultation with the recipient country, taking into account the latter's capabilities. Responsibility for the execution of projects need not be automatically assigned to the specialized agencies, but could be entrusted to: the recipient Government itself; institutions in the recipient country; appropriate consultants, universities, contracting agencies or firms etc.; institutions of other developed or developing countries; the new United Nations Development Authority; regional commissions (particularly for regional and subregional projects) (para. 150).

Information systems

6.9 The new UNDA should have access to a co-ordinated information system ensuring (a) the effective and co-ordinated collection and evaluation of data by the various agencies and branches concerned, and (b) the compatibility and reliability of data to be used by decision makers at the national and international levels. To this end, the greatest degree of co-operation between the national and international agencies concerned will be required (para. 152).

Evaluation

6.10 An independent system of evaluation and monitoring of projects should be set up by UNDA, in co-operation with other United Nations agencies, to ensure that at the critical stages of project operations a process of independent evaluation should take place benefiting from all relevant intellectual inputs, including those of the government authorities concerned, the executing agency directly responsible and other agencies whose contribution can be relevant to the proper evaluation of the project. This independent system should also call on outside advice. It would present its report to the Administrator of UNDA (para. 153).

Supporting systems for project implementation

6.11 The UNDA should initiate a general review of procedures covering the recruitment of experts, the procurement of equipment and subcontracting arrangements at all levels, with the assistance of all agencies operating in the field, using the advice of the World Bank, UNICEF and, if possible, the regional commissions, the regional banks and national assistance agencies. The aim of this review would be, inter alia, to ensure that field projects receive the necessary logistical support taking full advantage of local supplies and equipment as well as local potential in the fields of transportation, communications and other relevant aspects which may also be made use of in connexion with projects in other countries of the region. In this connexion, full use should be made of the experience accumulated by the United Nations Field Service in the operation of transport, communications and maintenance systems. The Field Service's experience has, so far, been used to support peace-keeping activities; its potential could, however, also be utilized in appropriate circumstances to support development activities (para. 154).

Role of the resident representative

6.12 The resident representatives, who play a key co-ordinating role at the country level, should represent the whole United Nations system within a country in the economic sphere. There should be full implementation of the Consensus adopted by the Governing Council of UNDP in the summer of 1970 and later in the year by the General Assembly, which, inter alia, provides that the resident representative should have ultimate authority on behalf of the Administrator for all aspects of the programme at the country level and should, "subject to the agreement of the organizations concerned, be the central co-ordinating authority on their behalf for the other development assistance programmes of the United Nations system" (General Assembly resolution 2688 (XXV)) (para. 155).

Relations with IBRD and other agencies

6.13 The new UNDA should establish the closest possible working relations with the World Bank. Moreover, the recommended merger of the other voluntary funds with the new UNDA will make it possible for the country programmes to cover a broader range of operations, including those in the fields of population, environment and so on. Therefore, the country programmes of UNDA and the World Bank should, in the future, be co-ordinated and harmonized (para. 157).

6.14 There should be the fullest possible exchange of information, experience, ideas and personnel between the United Nations and the Bank. Towards this end (a) there should be the closest possible contacts between headquarters staff in the new UNDA and in the World Bank; (b) in field operations, UNDA should, in suitable cases, engage staff from other agencies, including IBRD, on an individual basis; (c) whenever possible, UNDA/IBRD/IMF country missions should be organized jointly (para. 158).

6.15 It is advisable that Member States establish within their Governments, arrangements for high-level co-ordination and review of multilateral affairs and operations, where they have not already done so (para. 161).

7. Regional structures

7.1 Structural changes will be necessary in the regional commissions, at both the intergovernmental level and the secretariat level, to align them with the structural pattern proposed for the centre. It is recognized that there may be significant differences in the requirements of the various regions in this respect: developing regions, such as Asia, Africa and Latin America, may require a structure, and may need to adopt policy objectives somewhat different from those of ECE, most of whose members are developed countries with different political conditions (paras. 164-165).

7.2 On the operational side, the regional commissions should play a more active role in identifying, initiating, formulating and executing regional and subregional programmes and projects (para. 168 (a)).

7.3 Subject to the observance of agreed criteria and standards, decentralization of activities to the regional commissions should include all responsibilities relating to their substantive and administrative support services. In addition, the International Civil Service Commission should be asked to consider the feasibility of greater decentralization to the regional commissions with respect to the recruitment of staff (para. 168 (b)).

7.4 Since all sectoral and regional studies on the economic situation should be made to converge in the Economic and Social Council, the regional commissions should perform their fact-finding task not only in connexion with their regional responsibility but in such a way as to contribute to the Council's global assessment. It would be necessary, therefore, for the commissions to single out in their fact-finding processes those elements that have significance beyond the regions and which are, as a result, of particular relevance to the centre (para. 168 (c)).

7.5 In performing their policy making functions, the regional commissions should make a distinction between strictly regional matters and those that extend beyond the region or apply to more than one region. In the latter case, the proposals from the commissions should be designed to assist the Council in the performance of its global policy making function. In their policy making, the regional commissions should be guided by the policies laid down by the Council (para. 168 (d)).

7.6 The economic commissions should promote and intensify regional economic co-operation that best corresponds to the needs and interests of the regional community as well as those of the global community (para. 168 (e)).

8. Co-operation among developing countries

8.1 The United Nations system should be geared to undertake more specific measures to accelerate co-operation among developing countries in trade, industry and agriculture, as well as in other related fields of development. Therefore, the General Assembly at its seventh special session should give consideration to initiating a programme of action in respect of co-operation among developing countries and also set up joint machinery for follow-up action (paras. 171 and 174).

III. STRUCTURES FOR SECTORAL ACTIVITIES

9. Trade

9.1 The following issues should be carefully examined in appropriate forums as a matter of priority:

(a) The possibility of bringing GATT into closer association, on a formal basis, with United Nations central organs, and the possibility of strengthening GATT/UNCTAD relations;

(b) The strengthening of GATT in various ways. The following possibilities for strengthening GATT were particularly emphasized by members from developed market economy countries:

- (i) The negotiation of a new code of trade liberalization which would be administered by an inner group of countries adhering to the code, possibly under special procedures. The arrangements under which the existing GATT is administered on a one nation one vote basis would not be altered. The higher level of obligations in the new code of trade liberalization might be made available via the most favoured nation clause to GATT Contracting Parties not parties to the code;
- (ii) The negotiation of new rules on export controls and access to supplies;
- (iii) The negotiation of a new uniform "escape clause" provision, covering the exceptional resort to import restrictions;
- (iv) Elimination of the "grandfather clause" in GATT, permitting Contracting Parties to maintain pre-1947 import restrictions otherwise inconsistent with GATT rules;
- (v) Improved procedures for advance notification, consultation, the submission of complaints (possibly by private parties as well as Governments), the settlement of disputes by independent panels of experts, and arrangements to deny the benefits of GATT to Contracting Parties which act inconsistently with the Agreement in ways not sanctioned by the Contracting Parties as a group;

(c) The strengthening of UNCTAD in various ways. Members from developing countries strongly favoured equipping UNCTAD with the elements necessary for its gradual transformation into a comprehensive international trade organization;

(d) Measures to eliminate voluntary agreements, such as the Long-term Cotton Textile Agreement, which permit quantitative restrictions in derogation of traditional GATT norms, and the establishment of new rules limiting resort to quantitative restrictions;

(e) The possibility of establishing an international trade organization which, in effect, would incorporate UNCTAD and GATT into a single organization with two chambers, one concerned with broad policy and the other with trade negotiations, but using a common secretariat;

(f) The possibility of establishing an umbrella commodity organization standing by itself or as a "third chamber" in a new international trade organization;

(g) In defining the mandate of any new international trade organization that might ultimately come into existence, consideration would have to be given to the question of whether it should deal not only with trade issues but also with other issues such as restrictive business practices, transfer of technology, private investment, and transnational enterprises (paras. 177 and 179 (a)).

9.2 GATT and the United Nations should enter into a mutually satisfactory agreement providing for a formal relationship, including exchange of information and closer administrative collaboration (para. 179 (b)).

9.3 As a longer-term objective, there should be an evolution towards the creation of an international trade organization to deal with trade issues in a comprehensive manner (para. 179 (c)).

9.4 Any structural change in the field of trade should not be allowed to interfere with the multilateral trade negotiations now being carried out under GATT auspices (para. 180).

10. International monetary reform g/

10.1 The following issues should be carefully examined in appropriate forums as a matter of priority:

(a) Recycling of petrodollars through IMF to help both developed and developing countries deal with balance-of-payments problems related to the higher costs of energy, food, fertilizer and other imports;

g/ Only those members of the Group from countries participating in the International Monetary Fund subscribe to the recommendations contained in this section.

(b) Ways of rectifying the imbalance between countries that has characterized the process of international liquidity creation over the past four years, both between developed and developing countries, on the one hand, and within these two groups of countries, on the other;

(c) The need for a symmetrical adjustment mechanism, with a degree of international surveillance of the adjustment process, including exchange rates and macro-economic policies;

(d) Better international management of global liquidity, with SDR becoming the principal reserve asset and the role of gold and reserve currencies being reduced;

(e) The need for interim steps in the direction of longer-term reform, including the possibility of establishing a gold substitution account in the International Monetary Fund which would permit the substitution of monetary gold stocks for SDR and the redistribution of some parts of the resulting book-keeping profits to the developing countries;

(f) Measures to enable developing countries, particularly those most seriously affected, to adjust to a higher level of international prices in a manner consistent with their development needs, possibly through the establishment of facilities within the International Monetary Fund; in this context, the trust fund category of proposals would require consideration as one possibility;

(g) Measures to enable developing countries to have indirect access to Fund resources in ways unrelated to their quotas, through IMF support for international funds, e.g., in agriculture;

(h) The examination of voting power in the Fund, including the question of the power of veto on decision making by a single member; more generally, the possible increase of the share of developing countries to the range of 45-50 per cent of the total, with a substantially greater access of developing countries to IMF credit;

(i) Consideration of changes in the staffing of the Fund to provide for a greater role for developing countries in senior positions and of arrangements to enable career members of the Fund staff to have the experience of working in developing countries, perhaps through suitable links with UNDP's technical assistance programmes (paras. 181 and 182 (a)).

10.2 The distribution of voting rights under the weighted voting system in the International Monetary Fund should be revised to reflect the new balance of economic power and the legitimate interest of developing countries in a greater voice in the operation of that institution (para. 182 (b)).

11. Development financing h/

11.1 The following issues should be carefully examined in appropriate forums as a matter of priority:

h/ Only those members of the Group from countries participating in the World Bank subscribe to the recommendations contained in this section.

(a) The possibility of establishing a "third window" in the World Bank, and of enlarging its resources beyond the \$1 billion currently under discussion;

(b) Improving procedures to alleviate the debt problem of developing countries on terms consistent with their long-term development;

(c) Ways of canalizing investments of OPEC countries to other developing countries under suitable bilateral or multilateral auspices. This may also include appropriate forms of triangular co-operation between developed countries, OPEC countries and other developing countries. Consideration should be given to:

(i) appropriate guarantee mechanisms for such investments; (ii) the acceptance of a suitable code of conduct governing the transfer of technology associated with such investment; and (iii) principles governing the mixture between debt and equity in investments which take place on a joint venture basis;

(d) The examination of voting power in the World Bank, including the question of the power of veto on decision-making by a single member; more generally, the possible increase of the share of developing countries to that of parity with developed countries;

(e) Consideration of changes in the staffing of the World Bank to provide for a greater role for developing countries in senior positions, and of arrangements to enable career members of the Bank staff to have the experience of working in developing countries, perhaps through suitable links with UNDP's technical assistance programmes;

(f) The possibility of co-operation between OECD/DAC and OPEC countries in the exchange of information on aid programmes;

(g) Measures to encourage more effective development efforts by the aid recipients (paras. 183 and 184 (a)).

11.2 The distribution of voting rights under the weighted voting system in the World Bank should be revised to reflect the new balance of economic power and the legitimate interest of developing countries in a greater voice in the operations of that institution (para. 184 (b)).

11.3 The "third window" in the World Bank should be established (para. 184 (c)).

12. Industrialization

12.1 UNIDO should assume the task of examining global trends concerning supply and demand in the various industrial and related sectors with a view to the better exchange of information on sectoral economic policies (para. 190).

IV. MEANS OF IMPLEMENTATION

13. Committee on the structure of the United Nations system

13.1 The Secretary-General should appoint a committee on the structure of the United Nations system, to study and report regularly to the General Assembly on the progress of the restructuring effort (para. 194).

13.2 If it is decided to implement the institutional design proposed in the report, it will be desirable that actions by the General Assembly or other organs of the United Nations system be consistent with the recommended structural reforms. Some continuing arrangement would, therefore, be necessary during the period of restructuring for evaluating proposals that may be made to ensure that they are consistent with this design. Accordingly, all institutional proposals, including proposals for the holding of special conferences, should be referred to the committee mentioned above for an advisory opinion before being decided upon by the General Assembly or other intergovernmental body (para. 195).