

**UNITED NATIONS
DEVELOPMENT
PROGRAMME**

Distr.
GENERAL

DP/1983/ICW/4/Add. 2
22 December 1982

ORIGINAL: ENGLISH

GOVERNING COUNCIL
INTERSESSIONAL COMMITTEE OF THE WHOLE
Second session
9-11 February 1983, New York
Agenda item 4

OPTIONS FOR THE LONGER-TERM FINANCING OF UNDP, BEARING IN MIND
THE NEED TO MOBILIZE INCREASED RESOURCES
ON AN INCREASINGLY PREDICTABLE, CONTINUOUS
AND ASSURED BASIS

Addendum

Prompt payment of contributions

Note by the Administrator

1. At the first session of the Intersessional Committee of the Whole (ICW) in September 1982, the suggestion was made that contributions to UNDP might accrue interest so as to encourage prompt payment of pledges. In his reply to this suggestion, the Deputy Administrator indicated that technically it might be possible provided that payments were made only on certain agreed dates and that the UNDP Treasury would be free to move funds out of the currency of payment if, in its judgement, these were necessary. The Deputy Administrator gave as his presumption that the reciprocal to the accrual of interest to contributions paid promptly would be the charging of interest on payments which did not meet the agreed payment schedule.

2. The tables which follow illustrate, using 1982 as an example, first, the impact on contributions of interest which might have been earned by UNDP if all contributions had been received on 1 January 1982 and if subsequent net monthly balances had earned interest at a rate of 10 per cent per annum; and second, the effect on the contributions of various countries of adding to these contributions apportioned interest earnings.

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Table 1

Estimate of interest earnings
in 1982 if all contributions had been paid on 1 January 1982
(million US dollars)

	<u>Inflow</u>	<u>Outflow c/</u>	<u>Balance</u>	<u>Interest on balance d/</u>
<u>Opening Balance</u> 162.8 <u>a/</u>				
January	719.1 <u>b/</u>	88.5	793.4	6.6
February	6.6	75.8	724.2	6.0
March	6.0	76.1	654.1	5.4
April	5.4	71.8	587.7	5.9
May	4.9	74.6	518.0	4.3
June	4.3	72.3	450.0	3.7
July	3.7	54.1	399.1	3.3
August	3.3	69.4	333.0	2.8
September	2.8	63.4	272.4	2.3
October	2.3	45.9	228.8	1.9
November	1.9	44.4	186.3	1.5
December	1.5	<u>48.8</u>	139.0	<u>1.1</u>
Totals		<u>785.1</u>		<u>43.8</u>

a/ Represents balance of cash and investment held as at 31 December 1981 for the main programme

b/ Represents total 1982 pledges valued at the official UN rate of exchange 1 January 1982

c/ Actual outflow - January to November. December outflow is projected estimate.

d/ Interest calculated using estimated weighted interest of 10 per cent. Assumes interest and principal refunded monthly and reinvested.

Table 2

Apportionment of estimated interest
which might have been earned had all contributions been
paid on 1 January 1982

<u>Country</u>	<u>Percentage</u> <u>of total</u> <u>pledges</u>	<u>(Millions US\$ or equivalent)</u>		
		<u>1982 pledge</u>	<u>Interest</u>	<u>Total pledges</u> <u>plus interest</u>
Australia	2	15.0	0.9	15.9
Austria	1	6.0	0.4	6.4
Belgium	2	16.9	0.9	17.8
Canada	6	43.2	2.6	45.8
Denmark	6	44.3	2.6	46.9
Finland	1	8.3	0.4	8.7
France	4	29.9	1.7	31.6
Germany, Fed. Rep. of	7	50.2	3.1	53.3
Italy	4	27.3	1.7	29.0
Japan	7	51.4	3.1	54.5
Netherlands	9	64.6	3.9	68.5
Norway	7	53.1	3.1	56.2
Sweden	9	63.7	3.9	67.6
Switzerland	2	18.3	0.9	19.2
United Kingdom	5	35.1	2.3	37.4
United States	18	128.2	7.9	136.1
Other	10	63.6	4.4	68.0
Total	100	719.1	43.8	762.9

