REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

Chapter I

MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

A. United Nations Capital Development Fund (Agenda item 7(c))

1. For its consideration of the financial implications of this agenda item, the Committee had before it the Annual Report of the Administrator for 1980 on the UNCDF (DP/536). The Committee noted that the proposal that UNCDF reimburse UNDP for its administrative expenses had already been recommended by the Council to the General Assembly in previous years and the General Assembly deferred consideration of this matter to the thirty-sixth session. The Committee noted further that should this proposal be endorsed the administrative costs of CDF, which have hitherto been borne by the UNDP Administrative and Programme Support Costs Budget, would instead be borne by the resources of CDF itself, but that there would be no change in the amount of the actual costs involved.

B. United Nations Revolving Fund for Natural Resources Exploration (agenda item 7(d))

2. For its consideration of the financial implications of this agenda item, the Committee had before it the Annual Report of the Administrator on the UNRFNRE for 1980 (DP/537). The Assistant Administrator, Bureau for Special Activities of UNDP explained that the need for the additional authority to approve supplementary financing was due to time elements. As project work can proceed in some cases during certain seasons only, the lack of such authority could mean a delay of a year in project implementation. A hiatus situation, which at times could last up to one year with regard to project personnel and use of equipment, might exist if the conclusion of the Minimum Work did not coincide with a Governing Council session.

3. The Committee noted that the proposed delegation to the Administrator of authority to approve supplementary short-term funding is a limited addition to the authority granted to the Administrator last year to approve Minimum Work on a project in advance of a Governing Council decision (decision 80/29), and would result in expenditure against a
project not yet approved by the Council. On the other hand, if the Administrator were not granted this authority, a waste or loss of funds may result from delays in implementation. The Committee further noted that the granting of this authority would be conditional upon the availability to the Fund of uncommitted resources.

C. Implementation of the Plan of Action to Combat Desertification in the Sudano-Sahelian Region (agenda item 7(h)(ii))

4. For its consideration of the financial implications of this agenda item, the Committee had before it the Report of the Administrator (DP/543). The Committee noted that financial implications were foreseen and that the net amount of $925,500 being proposed for institutional support to the UNDP/UNEP joint venture during 1982-1983 was included as a separate line item in the UNDP Administrative and Programme Support Costs Budget, and would therefore be considered when the Committee reviewed the UNDP budget estimates for 1982-1983. With respect to the proposed programme support costs, the Committee noted that the amount proposed for 1982-1983 was $1,365,000. The Committee took note of the explanation by the representative of UNSO that this amount would be financed from the regional IPFs for Africa and for the Arab States.
REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

Chapter I

MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

Corrigendum

Paragraph 3, insert the following new penultimate sentence: "The Committee so noted that on a previous occasion, when seasonal considerations were involved, the Administrator had resorted to seeking prior approval of projects by correspondence (see Governing Council decision 80/29)."
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

Chapter I (continued)

MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

D. Action taken in response to decisions adopted by the Council at its twenty-seventh session, Report of the Administrator (agenda item 4)

1. For its consideration of the financial implications of this agenda item, the Committee had before it the Report of the Administrator on the action taken in response to decisions adopted by the Governing Council at its twenty-seventh session (DP/516).

2. The Committee recognized that the implementation by UNDP of the proposal contained in paragraph 7 of General Assembly resolution 35/80 on the role of qualified national personnel in the social and economic development of the developing countries would entail financial implications. The Committee expressed the view that any additional costs should be kept to a minimum.

3. The Committee suggested that the proposal for a one-time allocation of $80,000 to be funded from the Programme Reserve for the purpose of disseminating information on the national experience of countries in training qualified national personnel and enhancing their role in social and economic development should be drawn on only if needed for specialized consultant advice. The Committee considered that in carrying out the various activities envisaged in its implementation of General Assembly resolution 35/80, UNDP should primarily make full use of existing staff resources, as well as information already available in the United Nations system, including the IOB data bank in Geneva, in respect of the training and utilization of qualified national personnel.
E. Decision 2/10, "TCDC and the policies, rules and procedures of UNDP", adopted by the High-level Committee on TCDC at its second session (agenda item 8 (a))

4. For its consideration of the financial implications of this agenda item the Committee had before it the work programme for the 1983 session of the High-level Committee on the review of TCDC (TCDC/2/L.3) and a recommendation for an allocation of $1 million during the first two years of the third cycle (TCDC/2/L.4). The Director of the Special Unit for TCDC introduced the subject and provided further explanations on the decisions taken at the second session.

5. The Committee considered that the main financial implication of the recent decisions of the High-level Committee on the review of TCDC concerned the authorization of $1 million for TCDC promotional activities. The Committee noted that in document TCDC/2/L.4 the UNDP envisaged that if authorized, these funds could be provided from Programme Reserve resources. Some members considered that the amounts needed could be provided from regional and interregional IPFs. Most Members considered the amount recommended as reasonable, and further noted that the allocation of programme funds is within the purview of the plenary.

6. In the case of the Governing Council deciding to approve, from the Programme Reserve or other programme funds, the $1 million recommended for the continuation, during 1982 and 1983, of promotional activities of TCDC, this would imply a reduction of $324,000 from the administrative budget proposed for the Special Unit for TCDC, as that amount had been budgeted previously for the studies, now included within the $1 million foreseen from the Programme Reserve or other programme funds during the same period.

F. Programme Implementation: action taken in response to Governing Council decision 79/48 (agenda item 4)

7. In its review of the subject, the Committee had before it the report of the Administrator dealing with programme implementation of government execution (DP/558).

8. The Deputy Administrator, in his opening remarks on the financial implications of Government execution, provided a comprehensive background statement on the subject, including the matter of reimbursement of support costs. In this connexion, he noted that in compensating Governments for support costs incurred in the execution of technical assistance activities there may be savings realized in view of the difference between the 13 per cent support cost reimbursement rate applicable to Executing Agencies and a minimal support cost rate which is proposed to be paid to Governments. Some members of the Committee pointed out that the 13 per cent was an average figure, and that since there was limited UNDP experience with Government execution, and no concrete data was available to suggest that Governments could actually execute projects for less, the size of such compensation could not be easily determined. Other members felt that the question of support cost payments for Government execution should be decided as a policy question, as they could not see justification for payments.
9. Several members also noted the possible incidence of an increased administrative budget in implementing Government execution. The Deputy Administrator suggested that this possibility existed particularly in least developed countries where the capacity of Governments to organize implementation of technical assistance was limited, and therefore extra work could fall on UNDP field offices. It was not possible, however, to ascertain the costs involved since these would depend on the extent to which Governments in these countries decide to undertake Government execution. Members of the Committee suggested that in any case a comprehensive assessment of Government execution should be made prior to a determination of whether new posts were required.

10. The Committee also suggested that the Council request the Administrator to provide an analysis of a comparison of Government execution as opposed to other forms of execution.
GOVERNING COUNCIL  
Twenty-eighth session  
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE  
Rapporteur: Mr. Kakima NTAMBI (Uganda)

Chapter I (continued)

MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

D. Action taken in response to decisions adopted by the Council at its twenty-seventh session, Report of the Administrator (agenda item 4)

Corrigendum

Page 2, paragraph 8, line 7
For a minimal read some lower

Page 3, paragraph 9, line 2
After budget insert at UNDP headquarters and in field offices.

Page 3, paragraph 9, line 8
After execution insert a new sentence to read

The Deputy Administrator suggested that in the view of UNDP, any extra costs involved in strengthening field offices would be more than covered by the difference between the full 13 per cent which would be normally paid for project execution and what would be paid to those Governments which require reimbursement only for the extra costs involved for monitoring the projects.
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

Chapter I (continued)

MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

3. Programme planning and preparation for the third programming cycle, 1982-86: report on pre-investment activities (agenda item 5 (d))

1. For its consideration of the financial implications of this agenda item, the Committee had before it the report of the Administrator on pre-investment activities (DP/521).

2. The Committee expressed the hope that an evaluation of the effectiveness of the type of training provided would be undertaken in order to establish, in particular, whether this activity would lead to increased investment in developing countries.

3. The Committee noted UNDP's request for an allocation of $200,000 for 1982-83, as provided in the biennial budget (DP/548), to continue the special training in investment development for Resident Representatives and their deputies. It also noted that this amount would be taken into account by the Committee in the course of its consideration of the UNDP biennial budget as a whole.

4. The Committee was informed by the Administration that the amount of $100,000 approved by the Council at its twenty-seventh session for extending co-operative arrangements for pre-investment activities to agencies other than FAO, and for additional work on completed projects was not likely to be sufficient. An estimate made during the course of deliberations on this issue indicates that an additional $100,000 would be required for 1981. In this connexion, the Committee noted that the reference to this issue contained in the attachment to the 9 June 1981 letter of the President of the Council suggested that financial implications in connexion with these activities would relate to project budgets only.
1. Under agenda items 7 (a), (iv), (v) and (vi) of the Council's agenda, the Committee had before it the following documents:

(a) Operational reserve (DP/534);

(b) Budget estimates for UNFPA administrative and programme support services for the year 1982 and supplementary appropriations for the year 1981 (DP/531 and Corr.1 and Corr.2);

(c) Report of the Advisory Committee on Administrative and Budgetary Questions on UNFPA budget estimates (DP/532 and Corr.1); and

(d) The UNFPA audit reports (DP/533).

2. The Executive Director of UNFPA, in introducing the subitems, noted that, since last year's administrative and programme support budget submission, a number of changes had been made in the organizational structure of the Fund. He pointed out that the organizational changes and the transfers of posts and incumbents between Divisions would have no financial implications for either 1981 or 1982. The Executive Director drew the Committee's attention to a revised organizational chart for UNFPA which was being circulated as a replacement to the organizational chart contained on page 69 of DP/531, which indicated that the work of the Fund would be supervised on behalf of the Executive Director by one Deputy Executive Director and one Assistant Executive Director.

3. In the administrative budget for 1982, the greatest degree of economy had been exercised and therefore no new posts were being requested. The process of streamlining the Fund's operations would be supplemented by a more systematic assessment of the manpower needs of each organizational unit, to ensure that future requests for new posts would be kept to a minimum even in the face of an increasing workload.
4. Additionally, in order to reduce over-all administrative and programme support
overhead costs, the Executive Director was in the process of identifying those
internationally recruited UNFPA field co-ordinator posts which could be subject to
reductions in 1982 without adversely affecting the development and monitoring of the
Fund's programme. He referred to the savings to be realized by transferring nine
internationally recruited field co-ordinator posts to nationally-recruited programme
officer posts, thus reducing the number of internationally-recruited field
co-ordinator posts from 42 to 33.

5. The Executive Director drew the Committee's attention to Programme III of the
1982 administrative budget, which comprised UNFPA's work in the areas of programme
planning, appraisal and monitoring. In this Programme, the Office of Policy
Analysis and the Office of Evaluation had been merged into a single Policy and
Evaluation Division; the remaining two organizational units of Programme III had
been grouped into two Divisions: the Programme Division and the Technical Review,
Planning and Statistics Division.

6. The Executive Director recommended that the Council approve a minimum number
of reclassifications for 1982.

7. On a net basis, the administrative budget request of the Fund for 1982
amounted to $9.3 million, representing a net increase of $1 million over 1981, or
about 12 per cent over the 1981 approved budget, reflecting a sharp drop in the
rate of increase, when compared with the 22.5 per cent increase in 1981 over 1980
expenditures. The increases in the 1982 budget request resulted almost entirely
from inflationary increases in wages and prices. The 1982 budget estimates
represented 6.3 per cent of total anticipated resources for 1982. Adding the
projected costs of the programme-funded field staff, estimated at $4.5 million,
the percentage would be 9.4 per cent.

8. The Executive Director indicated that supplementary appropriations in the
amount of $1,249,500 were being requested for 1981 in order to meet non-recurrent
expenditures incurred as a result of the transfer of UNFPA headquarters
accommodations, in order to cover the costs of construction undertaken so as to be
in accordance with United Nations standards for office accommodations, as
recommended by the Advisory Committee on Administrative and Budgetary Questions and the
United Nations services consulted in this regard.

9. With regard to the request made at the twenty-seventh session of the Council
that the Executive Director undertake a review of the UNFPA operational reserve,
the Executive Director proposed that the Committee follow the recommendation of the
Council concerning the UNDP operational reserve and recommended that a target of
25 per cent of annual pledges be established for the operational reserve to be
met by the Fund by the end of the next four year work plan (1982-1985). This
would be realized by setting aside out of annual income an amount to be added to
the operational reserve. The Executive Director would present to the Council each
year an annualized replenishment schedule.
Summary of the discussion in the Committee

10. Members of the Committee expressed appreciation for the clarity and comprehensiveness with which the Executive Director had introduced the budget proposals.

11. The Committee expressed satisfaction with the restraint practiced by the Executive Director in proposing the 1982 administrative budget request and most especially with the fact that no new posts had been requested. Some members, while commending the Executive Director on his efforts to contain the budget request, expressed the desire of their Governments to see UNFPA and all other United Nations organizations reach the target of zero real growth in their administrative budgets. Some members noted that the 1982 administrative budget, at 9.4 per cent of total anticipated resources in 1982, was at a higher percentage than the 7.9 per cent target that the Executive Director had earlier indicated. Some members felt that the 12.9 per cent increase in the 1982 administrative budget over 1981, of which 12.2 per cent was a consequence of inflation and .7 per cent a result of real growth, was a minimum request and fully warranted. The fact that UNFPA had as a percentage of over-all resources one of the lowest administrative budgets within the United Nations system was favourably noted by some members. Some members felt that it would be desirable for the Fund to initiate a biennial administrative budget system, and to do so in such a manner as to attain synchronicity with the biennial administrative budget cycles of other United Nations organizations. Two members felt that the Executive Director should give thought to the setting up of an improved management information system. The need for accurate financial and cash flow forecasting was emphasized by some members.

12. Some members welcomed the new organizational structure of the Fund, and stated that the revised organizational chart introduced by the Executive Director was a great improvement over the original version contained in DP/531 and met their earlier concerns regarding potential confusion in the line of command and diffusion of the delegation of authority within the Fund. Some members felt that improvements could be made in the Fund's work through a redistribution of existing posts in such a manner as to further strengthen the substantive units of the Fund, especially in the areas of technical review and evaluation.

13. The Committee took note of the comments of the ACABQ in regard to the six proposed reclassifications, with some members indicating that the Executive Director had presented ample justification for the reclassifications he was requesting, noting in particular that the reclassification of the D-2 post of the Assistant Executive Director to the Assistant Secretary-General level was commensurate with the increased responsibilities of the Assistant Executive Director. With regard to the reclassifications of the D-1 post to D-2 level and the reclassification of the four Deputy Chiefs of the geographical branches from P-4 to P-5 level, while members concurred with the recommendations, some of them expressed their concern that the Fund not become top-heavy, and warned against "grade creep". One member was concerned about the appropriateness of the reclassifications at a time when UNFPA resources appeared to be diminishing in real terms. Some members were concerned with the possible future effect of the proposed reclassifications and indicated that the Committee's approval should not be interpreted as a "blank cheque" with reference to upgrading additional posts in the future.

/...
14. Some members expressed support for the cost savings resulting from the proposed transfer of internationally-recruited UNFPA field co-ordinator posts to nationally-recruited programme officer posts, while emphasizing the crucial role played by UNFPA's field representatives. They expressed their hope that restraints in the administrative budget would not impact unduly on activities at the field level. Noting the complexity of the UNFPA programme, one member suggested that the Fund should undertake a review of the plans to reduce the number of UNFPA field co-ordinators, while another member suggested that the Fund review overall staffing requirements with a view to strengthening the capabilities of the field staff, with field staff in priority countries to receive particular attention.

15. Many members supported the request for supplementary appropriations for 1981. Two members asked for assurances that the appropriations were for non-recurrent, extraordinary expenditures. One member indicated that he was concerned with the practice within the United Nations system of requesting supplementary appropriations, as United Nations organizations should live within their approved budgets, though UNFPA had a good record in this regard. Some members commented favourably on the commendable foresight shown by the Executive Director in consulting with the ACABQ at an early date concerning arrangements for the new UNFPA headquarters accommodations.

16. With regard to the UNFPA audit reports for 1979, one member noted the high level of unspent balances on the part of certain of the Fund's executing agencies, and emphasized that, in a time of reduced resources, such unspent balances should be minimized. Another member indicated the importance he attached to full and complete audit reports and noted that the UNFPA audit reports contained no auditing observations or comments.

17. One member pointed out that the increase in the UNFPA implementation rate made it necessary to increase the operational reserve, which should be fully-funded, and that it would have been preferable had the operational reserve been increased at the time when the Fund had unallocated resources. Some members pointed out that the operational reserve should not be construed as a supplement to cover shortfalls in contributions, but to cover uneven cash flow situations. Some members felt that the elements to be compensated for in the UNFPA operational reserve should be in accord with the arrangements made for UNDP's operational reserve as contained in paragraph 3 of Governing Council decision 80/50. Many members indicated that the operational reserve should be calculated on the basis of annual contributions, as opposed to annual pledges and agreed with the proposal of the Executive Director that 25 per cent be established as the level to be reached. Many members indicated that the time-frame for increasing the operational reserve to the 25 per cent level should be extended beyond the 1982-1985 period proposed by the Executive Director as that time-frame would require large amounts of funds to be added to the operational reserve out of total UNFPA resources which could be detrimental to the Fund's operational activities. Many members supported the suggestion of one member that a portion of the 25 per cent target be met annually during the period 1982-1985 linked to the level of annual contributions during that period, with the remainder to be met by 1989 at the latest and, should the situation permit, before 1989, with the increments proposed by the Executive Director for the period 1982-1985 reduced accordingly, and that the Executive Director submit to the Council annually a
replenishment schedule for the operational reserve, to be considered by the Council in conjunction with the UNFPA Work Plan.

Response of the Administration

18. At the conclusion of the debate, the Executive Director assured the Committee that he would not interpret its approval of the proposed reclassifications as a blank cheque for further reclassifications. He said that transfers of internationally-recruited field co-ordinator posts to nationally-recruited programme officer posts would not be to the detriment of the UNFPA programme, but would simply involve the transfer of responsibility to nationally-recruited programme officers in the UNDP resident representative offices. Basically, such transfers could be effected because of the reduction in the size of the UNFPA programme in some countries. The Executive Director indicated his willingness to go along with the suggestion that UNFPA adopt a biennial administrative budget system. He would report to the Council at its next session on how this change would be effected in order to synchronize with the administrative budgets of other United Nations organizations. The Executive Director also indicated that he would submit to the Council, at its next session, a report on the cost effectiveness of UNFPA subventions to other United Nations organizations for services rendered as compared with UNFPA undertaking these services on its own. He went on to say that the audit reports were presented in the standard United Nations format. Comments and observations on the audit reports were publically available to any delegation which might wish to see them. The unspent balances indicated in the audit reports reflected the unevenness of performance of the Fund's executing agencies in 1979. The Fund had been urging the executing agencies to spend the funds forwarded to them, and a senior consultant to the Fund had recently visited the agencies to negotiate for improvements in agency performance in this regard. The Executive Director indicated his agreement with the proposal that his suggested time-frame for replenishing the operational reserve be extended and that the 25 per cent target be calculated on the basis of the level of annual contributions.
REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

Chapter XI

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Corrigendum

1. Page 3, paragraph 11, ninth line

After earlier indicated, insert the following new sentence to read: It was pointed out by some members that the reason for this may have been the fact that the over-all resources of the Fund had not grown as foreseen.

2. Page 3, paragraph 12, fifth line

After within the Fund, insert the following new sentence to read: It was requested that the revised organizational chart be issued as a corrigendum to DP/531, and that the corrigendum incorporate the necessary textual changes.

3. Page 3, paragraph 13, second line

For some read many

4. Page 4, paragraph 17

The sixth sentence should read

Many members supported the suggestion of one member that a portion of the 25 per cent target be met annually during the period 1982-1985, linked to the level of annual contributions during that period, with the remainder to be met as soon as possible and preferably not later than 1989, with the increments proposed by the Executive Director for the period 1982-1985 reduced accordingly, and that the Executive Director submit to the Council annually a replenishment schedule for the operational reserve, to be considered by the Council in conjunction with the UNFPA work plan.
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

Chapter XI

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Attached is the draft decision recommended by the Budgetary and Finance Committee to the Governing Council.
UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Draft decision

The Budgetary and Finance Committee recommends that the Governing Council adopt the following draft decision:

The Governing Council,

Having considered the 1982 budget estimates for administrative and programme support services and supplementary appropriations for the year 1981 of the United Nations Fund for Population Activities (DP/531 and Corr.1 and 2), together with the report of the Advisory Committee on Administrative and Budgetary Questions (DP/532 and Corr.1), the report and recommendation of the Executive Director on the Operational Reserve (DP/534), and the Audit Reports of the United Nations Fund for Population Activities (DP/533),

1. Approves a supplementary appropriation under Programme II of the 1981 budget in the amount of $1,249,500 as submitted in document DP/531 to be allocated from the resources of the Fund to finance the non-recurrent expenditures incurred for office space planning, design and construction in connexion with the transfer to the new UNFPA premises;

2. Approves appropriations in the amount of $9,345,579 as submitted in document DP/531 to be allocated from the resources of the Fund to finance the 1982 administrative and programme support budget, including the reclassification of the Assistant Executive Director from the Director level (D-2) to the Assistant Secretary-General level, one post from the D-1 to the D-2 level and four posts from the P-4 to the P-5 level as follows:

<table>
<thead>
<tr>
<th>Programme</th>
<th>US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive direction and management</td>
<td>1,211,365</td>
</tr>
<tr>
<td>Administrative and public information support services</td>
<td>2,593,736</td>
</tr>
<tr>
<td>Programme planning, appraisal and monitoring</td>
<td>5,540,478</td>
</tr>
<tr>
<td>Total net</td>
<td>9,345,579</td>
</tr>
</tbody>
</table>

3. Requests the Executive Director to submit to the Governing Council at its twenty-ninth session a report on plans of the Fund to submit biennial budget estimates for administrative and programme support services with a view to achieving this in time for the biennium 1984-1985 of the budgetary cycle of the United Nations Development Programme and funds administered by the Programme;
4. Decides that the elements to be compensated for and covered by the Operational Reserve of the Fund shall be limited to:

(a) Downward fluctuations or shortfalls in resources;

(b) Uneven cash flows;

(c) Increases in actual costs as compared to planning estimates or fluctuations in delivery;

(d) Other contingencies which result in a loss of resources for which the Fund has made commitments for programming;

5. Also decides that the level of the operational reserve for each year shall be established at 25 per cent of the estimated contributions for that year, rounded off to the nearest $1 million, this target to be fully achieved as soon as possible and preferably not later than by the end of 1989. The reserve shall be fully funded and gradually increased by amounts set aside out of annual income taking into account the objective of retaining the level of delivery of projects in developing countries. The Executive Director shall present to the Governing Council an annualized replenishment schedule showing also drawdowns for that year in conjunction with the annual submission to the Council of his resource utilization projection included in the work plan of the Fund;

6. Decides that the operational reserve should be held in liquid assets which are irrevocably and promptly available for disbursements;

7. Takes note of the audit reports of the participating and executing agencies relating to funds allocated to them by the United Nations Fund for Population Activities as at 31 December 1979;

8. Agrees that the Executive Director shall be authorized to transfer credits between programmes of the reviewed 1981 and 1982 budgets, within reasonable limits, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions.
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER IX
SECTORAL SUPPORT

1. For the consideration of item 9 of the Council's agenda, the Committee had before it document DP/555, containing the report of the Administrator on sectoral support.

2. Introducing the item, the Assistant Administrator, Bureau for Programme Policy and Evaluation, indicated that the sectoral support activities carried out by agencies and financed by UNDP over the past two years had been found to respond to needs of developing countries and that UNDP should continue to finance such support in 1982-83. However, the funds available were not sufficient to cover the entirety of the needs for such support as put forth by agencies and outlined in the report. With respect to the services of Senior Industrial Development Field Advisers (SIDFAs) the Administrator, after consultation with the Executive Director of the United Nations Industrial Development Organization (UNIDO) proposed that the financing of such services should be maintained at the present level, while at the same time inviting Governments (excepting least developed countries) drawing upon the services of SIDFAs to contribute one-quarter of the cost of SIDFAs. The remaining funds should primarily be allocated to sectoral support activities carried out by other, smaller agencies.

Summary of the discussion in the Committees

3. Members expressed appreciation both for the Assistant Administrator's clear presentation of the subject and for the conciseness of the report. A majority of members indicated their support for the concept of sectoral support, particularly that carried out by the smaller agencies with no field representation...
and welcomed the proposals of the Administrator which they felt corresponded to an optimum solution of the problem posed by the difference between cost of meeting the needs for sectoral support and the funds available for such support during the third cycle.

4. Several members reiterated their view stated at the twenty-seventh session of the Council that a distinction should be made between SIDFA services and SIDFA posts. These members generally felt that the cost for SIDFA services should not be borne by UNDP, especially in view of the present financial constraints on the programme, but should either be paid for out of IPFs or by UNIDO. One member of this group indicated that UNDP financing of sectoral support should be gradually phased out during the third cycle, especially the financing of SIDFAs. This member also felt that UNIDO should take on an increasing share of the financing of the SIDFA programme and that the share financed by UNDP should decrease to zero by the end of the third programme cycle.

5. Several members also welcomed the consultations initiated by the Administrator with Governments drawing upon the services of SIDFAs so that some part of the cost of SIDFAs be met from national IPFs and/or other national sources, in response to decision 80/32 taken by the Council at its twenty-seventh session. Although members of this group had some general reservations about UNDP financing of sectoral support, in particular of the SIDFA programme, they endorsed the proposals of the Administrator for the future financing of sectoral support. In this connexion one member asked for an explanation of why the difference between the cost of a SIDFA and that of other sectoral support advisers was so great. Another member also wished to be informed of how the Administrator proposed to allocate the funds between Agencies other than UNIDO.

6. Other members stressed the importance of the sectoral support activities financed by UNDP, and expressed appreciation for the services rendered to Governments made possible through such financing. Two members of this group felt that UNDP should continue to finance the whole SIDFA programme, and that it was not appropriate to finance any part of the cost of SIDFAs from IPFs unless the Government so wished. With reference to the Council's decision on recipient Governments' co-financing of SIDFAs mentioned above, one member felt that UNDP should bear the full cost not only for least developed countries, but also for low-income countries. This member also viewed with concern the dissipation of scarce programming sources of UNDP, while stressing that sectoral support was of particular value to developing countries and should therefore be continued. Such activities should however be continuously reviewed so as to ensure their relevance to needs of developing countries.

7. Regarding the list of possible SIDFA services contained in the Annex to the report, members generally welcomed it as a considerable improvement over the list presented to the twenty-seventh session of the Council. However, some members pointed out that the services listed under point D. General were definitely

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functions carried out on behalf of UNIDO and that this was an additional reason why UNIDO should participate in the financing of the SIDFA programme. Another member pointed to the fourth function listed under point A. Programme support and development, which concerned the provision of information on the country’s industry sector as well as on its infrastructure, and requested that this passage be deleted from the list in view of what that member felt was a lack of clarity regarding the recipient of this information. Another member supported this proposal and pointed out that such information could be supplied by the country itself. It was subsequently agreed that this function be deleted from the list of possible SIDFA services. It was also agreed that some of the functions listed under point D. General should be specified as functions which could be carried out only if they did not detract from the carrying out of the other functions in the list.

8. The representative of UNIDO drew the attention of the Committee to the report of the thirteenth session of the Industrial Development Board 2/ in which the Board invited UNDP to expand the SIDFA programme to 50 posts in 1980. While appreciating the difficulties entailed by the financial constraints on the UNDP field programme, he reminded the Committee of the support for the programme expressed in many other intergovernmental bodies. The representatives of the Inter-Governmental Maritime Consultative Organization (IMCO) and the World Intellectual Property Organization (WIPO), also invited to address the Committee, expressed appreciation for the report and for the importance it accorded to the role of the smaller, highly specialized agencies.

Response of the Administration

9. The Deputy Administrator, replying to the question concerning the difference between the cost of a SIDFA and that of other regional advisers, indicated that since a SIDFA is permanently placed in the office of the resident representative, he incurs costs for local support, e.g. secretary, driver and office space. Other agencies' advisers on the other hand, are often stationed either in a regional institution, sectoral ministries, or are stationed in agency headquarters while travelling more or less constantly, and do therefore not incur these same local costs. Often sectoral support is carried out by consultants on short-term missions, the cost of which cannot be compared to those incurred by resident sectoral advisers. In addition, the selection of countries where the SIDFA is stationed has a large bearing on the total cost, due to the very high post adjustment in some countries. In reply to the question on how the sectoral support allocation would be apportioned between agencies other than the United Nations Industrial Development Organization, the Deputy Administrator indicated that consultations would be initiated with agencies following the present session of the Council, and that the Administrator would allocate the funds on the basis of these consultations bearing in mind specific Government requests for sectoral support. The Deputy Administrator informed the Committee that the amount indicated as available for sectoral support activities in 1982-83 was based upon an equal distribution over five years of the $30 million allocation for the cycle. In

2/ ID/B/247, para. 99.
view of the anticipated cost increases in the years to come, the Deputy Administrator cautioned the Committee that the resources available after 1982-1983 would decline in real terms.

Recommendation of the Committee

10. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 81/......, the text of which appears in chapter .... of the Council's report to the Economic and Social Council (E/1981/......).
ANNEX

Draft decision

SECTORAL SUPPORT

The Governing Council

1. Takes note of the report of the Administrator on sectoral support (DP/555) and of the views and comments of members thereon;

2. Endorses the proposals of the Administrator contained in paragraphs 19, 23, 24, and 25 of the report;

3. Approves an allocation of $12 million subject to resource availability, to be used as follows:

   (a) $3.689 million for the biennium 1982-1983 to be used at the discretion of the Administrator primarily for the smaller agencies;

   (b) $8.311 million to cover the net costs to UNDP for the services of Senior Industrial Development Field Advisers (SIDFAs) during the biennium 1982-1983;

4. Requests the Administrator to urgently pursue the consultations initiated in response to decision 80/32, with a view to concluding agreements with Governments of countries drawing upon the services of SIDFAs, taking into account the particular situation of least developed countries, so that some part of the total net cost for these services shall be financed from national IFPs, and/or national sources, aiming at a share of one quarter of this cost; and

5. Invites the United Nations Industrial Development Organization to increase its share of the cost of the SIDFA programme so that it may correspond to the cost of the functions carried out on its behalf.
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima NTAMBI (Uganda)

Chapter IX. SECTORAL SUPPORT

Corrigendum

In the Annex, replace operative paragraphs 4 and 5 of the draft decision with the following text:

"4. Requests the Administrator to urgently pursue the consultations initiated in response to decision 80/32, with a view to concluding agreements with Governments of countries drawing upon the services of SIDFAs so that some part of the total net cost for these services shall be financed from national IPFs, and/or national sources, with a view to achieving to the extent possible a share of one quarter of this cost, taking into account the particular situation of least developed countries; and

"5. Invites the Secretary-General to make every effort to increase UNIDO's share of the cost of the SIDFA programme."

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GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER IX
SECTORAL SUPPORT

Corrigendum

1. In paragraph 4, third sentence, replace the words "One member" with the words "Several members".

2. Replace existing paragraph 10 with the following text: "The Committee recommends that the Governing Council adopt the draft decision contained in the annex below."
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER X.A

A. Request by the International Telecommunication Union for additional support cost reimbursement for 1980

1. For its consideration of agenda item 9 (i), the Committee had before it the note by the Administrator on the request by the International Telecommunication Union for additional support cost reimbursement for 1980 (DP/566) and resolution No. 857 adopted by the Administrative Council of the ITU at its thirty-sixth session which was brought to the attention of the Governing Council (DP/566/Add.1).

2. Several members expressed the opinion that the previous years' exceptional authorizations of additional support costs reimbursement to the ITU had been generous. Although the intent was not to set a precedent and was in the nature of exceptional arrangements, the Governing Council has been repeatedly approached with similar requests. Some members considered that it was in the interest of the system to make reimbursement procedures uniform and not to deal with ad hoc requests. They proposed not to give favourable consideration to the ITU request for reimbursement of that part of the 1980 deficit, on which the Administrator requested the Council's guidance.

3. Other members expressed understanding of the ITU predicament and further considered that since the current arrangements were being replaced with a new set of criteria from 1982, that would be the appropriate time for terminating the review of exceptional measures.

4. The representative of ITU explained the reasons for his agency's accepting a lesser rate of support cost reimbursement on two projects largely financed from cost sharing contributions, as referred to in paragraph 2 of document DP/566.
These measures, he explained, resulted from the extremely heavy equipment component of these two projects. The ITU deficit had not been created as a result of the partial waiver granted by the Organization for these projects.

5. Members agreed that the change in exchange rates taking place in 1981 may very well end up with savings on support costs expenditures incurred by ITU for 1981. Therefore, ITU's request for 1980 should be reviewed in 1982 when the accounts on support cost expenditures for the two years could be considered together so as to establish whether the 1980 deficit had been compensated for in 1981.
ANNEX

The Budgetary and Finance Committee recommends that the Governing Council adopt the following decision:

The Governing Council,

Takes note of the request of the International Telecommunication Union for additional support costs reimbursement for 1980 as contained in DP/566 and the Administrator's recommendation that the Council consider the reimbursement to the International Telecommunication Union of a deficit equivalent to $87,955 (at the May 1981 exchange rate),

Further notes that the average exchange rate of the United States dollar versus the Swiss franc has considerably improved in 1981, which should result in savings in International Telecommunication Union support costs expenditure for this year, and

Decides to review at its twenty-ninth session the International Telecommunication Union's request for reimbursement of $87,955 in respect of 1980, in conjunction with their accounts on support cost expenditure for 1981.
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER VI

AUDIT REPORTS

1. For its consideration of this agenda item, the Committee had before it the report of the Administrator (DP/557) containing the audited accounts and audit reports of the participating and executing agencies relating to their accounts on UNDP funds allocated to them, as well as the Administrator's comments on the substantive observations of the external auditors of the participating and executing agencies.

2. In introducing the item, the Deputy Director, Division of Finance, provided additional information on progress achieved regarding two items since the preparation of the Administrator's report: (a) review of agency insurance practices on equipment purchases; and (b) the possibility of commercial external auditors used by some organizations including in their future audit reports observations on substantive matters. On the question of a study of agency practices regarding insurance for the shipment of goods, he explained that the Interagency Procurement Services Unit (IAPSU) was currently carrying out a survey with the participation of 15 organizations, the results of which would be ready later in 1981. Concerning the possibility of commercial external auditors including in their future audit reports observations on substantive matters, he indicated that while replies had not been received from all organizations, the gist of the responses received suggested that commercial external auditors review the totality of the respective organizations' accounts and would disclose any adverse findings resulting from their audits. One organization indicated that its external auditors would respond to certain parts of the request.

3. Members expressed their appreciation for the Administrator's report and noted particularly that the addition by the Administrator of substantive comments on the
audit observations made by the external auditors of agencies was very welcome and helpful. Several members expressed their interest in seeing this practice continued in future years, perhaps with a brief tabulation of all the main audit comments and the Administrator's views and indication of action taken. Some members expressed the view that the responses from some agencies on the possibility of commercial external auditors including views on substantive matters were disappointing and considered that the Administrator should continue his efforts and further consult the organizations in order to obtain such views. Members expressed their satisfaction with the fact that IAPSU was undertaking a study on insurance practices followed by agencies. One member commented that follow-up on evaluation of fellowships should also be covered.

4. The Committee recommends that the Governing Council:

1. Take note with satisfaction of document DP/557 containing the audit reports of participating and executing agencies for 1979 as well as the Administrator's observations on substantive comments made by the auditors;

2. Request the Administrator to continue in future years the submission of such observations taking into account the views and suggestions made during the discussion;

3. Further request the Administrator to pursue consultation with executing agencies using commercial external auditors on the possibility of including in future audit reports observations on substantive matters and on paragraph 3 of the Governing Council decision 79/47 and report to the Council at its twenty-ninth session on the results achieved.
1. Under item 9 (a) of the Council's agenda, the Committee had before it for consideration the report of the Administrator (DP/547), which provided a general review of the financial activities of UNDP during 1980, the financial status at the end of 1980 and a forecast of activities in 1981 and 1982. It also contained information on other financial matters of recurring interest to the Council and identified items on which the Administrator sought the Council's guidance.

2. The Assistant Administrator, Bureau for Finance and Administration, in his introduction, emphasized the balanced growth of the programme in 1980, especially in the main area of programme delivery. He indicated that cumulative expenditure for the second programming cycle, if 1981 delivery targets were met, would amount to $2.4 billion, or 98 per cent of the adjusted IPFs established for the cycle. However, income during 1980 increased at only 3 per cent over 1979, mainly due to the non-payment of 1980 pledges during the year which resulted in a higher excess of expenditure over income, $43 million than had been projected. The Assistant Administrator also highlighted a recent trend in the payment pattern of many donors during the last two years, under which payments, rather than being paid early in the year, were phased over the course of the year. He cautioned that if this pattern continued, UNDP might need to draw down its operational reserve during the year to finance its operations. The Assistant Administrator also indicated the impact that exchange rate fluctuations have had on the level of pledges for 1981, since 31 December 1980. He stated that the significantly reduced level of resources now anticipated might result in a considerable reduction in expenditures in 1982 reversing the trend of steadily expanding programme delivery established over the past three years.
3. The Assistant Administrator also highlighted other items on which the Council's guidance and/or approval was sought, including a request for the carry-over of the committed balance of the programme reserve at the end of the second cycle as an add-on to the authorized level of the Programme Reserve for the third cycle and an increase in the level of the special industrial services programme to meet expected delivery during 1981. He also referred to the increasing requests for assistance from Governments for loans for the construction of accommodation in the field, and stated that a detailed report would be presented to the next session of the Council.

Summary of the discussion of the Committee

Income and expenditure

4. Members were unanimous in expressing satisfaction at the level of programme delivery and praised the Administrator for the effective planning process. One member called it remarkable that programme delivery for the second cycle was likely to amount to 98 per cent of the IPFs for the period. Another member referred to the high level of unliquidated obligations and inquired whether it represented a difficulty in spending. He requested further information on its possible impact on cash flow. Most members expressed concern over the non-payment of some 1980 pledges during the year, the change in payment patterns and their possible impact on the liquidity position of UNDP. Support was expressed for an appeal by the Council to member Governments to pay outstanding contributions promptly and as early in the year as possible. One member stressed that many donor countries faced economic difficulties because of world-wide inflation and appealed to UNDP to economize in its administrative expenditures in order to provide maximum assistance to beneficial field projects. He further stated that UNDP should operate within existing resources.

Cost sharing

5. Some members expressed concern over the level of outstanding receivables related to cost sharing at the end of 1980. One member recalled previous Governing Council decisions on the subject which required that cost sharing payments be made in advance of expenditures being incurred. He stated that cost sharing activities should not be expanded in scope and that a greater share of the managerial and administrative resources of UNDP should not be diverted from the main programme to these activities. Another member requested the Administrator to closely monitor cost sharing collections and expenditures and to call any problems to the attention of the Council at the next session if necessary. One member asked if interest were earned on cost sharing funds held by UNDP and if so whether it could be added to the donor country's contribution.

Programme Reserve

6. Members expressed support for the Administrator's proposal that the funds which has been committed but unexpended at the end of 1981 should be carried over
to the 1982-1986 period as an add-on to the authorization of the Programme Reserve for that period. Some members stated that all such unspent funds should be scrutinized carefully and only those which were actually needed for expenditure during 1982 should be carried over.

Special industrial services

7. Members generally supported the Administrator's request for an increase in the level of the authorization for the Special Industrial Services Programme by $0.7 million. One member, who supported the Administrator's request stated, however, that the amount allocated for these activities should not have been exceeded. Another member stated that the SIS programme was considered an important one by his Government and that no restrictions should be placed on its use. Several members requested the Administrator to submit a report at the next session of the Council on special developments in the activities of this programme.

Investment

8. Several members inquired as to the reasons for the decrease in the rate of return on UNDP investments. One member stated that the loss resulting from exchange rate fluctuation was considerable in spite of the fact that some 64 per cent of UNDP's funds were invested in US dollars. A member wished to know the justification for placing a large share of UNDP's investments in the Bahamas and Cayman Islands. Another member requested information on the criteria used in selecting institutions in which investments were made.

Loans to Governments for the construction of accommodation in the field

9. Several members expressed concern at the increasing requests for loans for construction of office premises. Members stated that the original purpose of the Reserve was to finance loans for housing and only in exceptional cases for office premises. Many members requested that a special report on the issues involved in providing loans for office accommodation should be submitted to the Governing Council at its next session. One member stated that as these requests should generally be known well before the loans were made, the Council should be provided information on the design criteria, total space and cost estimates for proposed office premises in order to help the Council monitor the use of this reserve more carefully.

Response of the Administration

10. The Assistant Administrator, the Deputy Director of Finance and the Chief of the Treasury Section responded to the questions raised during the discussion. With respect to the carry-over of the unexpended funds of the Programme Reserve to the next cycle, the Deputy Director assured the Council that Programme Reserve projects were periodically scrutinized and that existing projects would be again scrutinized very carefully to ensure that only needed funds would be carried over. As to the SIS programme, he explained that when it became apparent that the
executing agency, to which authority for this programme had been delegated, had overcommitted beyond the authorization, the Administrator took steps to limit such commitments. He expected the 1981 expenditure to be limited and the request of $0.7 million was required to meet mainly ongoing activities. He further explained the scope of the programme and stated that projects were limited to urgent requests of short duration, the assistance for which lies in the range of $50,000-$100,000. Revised guidelines were being written to ensure that the services were made available mainly to less developed countries.

11. As to cost sharing, he explained that so far UNDP's general resources had not been utilized to finance cost sharing activities. The level of cost sharing receivables remained high because of lags in revising project budgets and payment schedules. He further explained that, if for any reason payments were delayed in a year, expenditures were charged to the IPF of the country. As to interest being earned on cost sharing funds, he stated that cost sharing amounts were co-mingled with other UNDP funds, and did earn interest on investments. However, such interest income was not separately identifiable.

12. Responding to the question on the level of unliquidated obligations, he explained the system of accrual accounting used in UNDP's accounts and stated that the level, while high, did not represent a difficulty in spending, but rather represented valid contractual obligations of the agencies set up according to criteria specified by UNDP. Concerning the losses on exchange, he explained that certain holdings of UNDP were in non-convertible currencies, over which UNDP had little control. Other currencies, required by UNDP for operational purposes, were not moved by UNDP for the sole reason of avoiding the possible losses due to exchange rate fluctuations. He further stated that UNDP did not move its funds for speculative reasons and tried to limit its exposure to possible losses through prudent management of the available funds.

13. In responding to the questions on investments, the Chief of the Treasury Section stated that UNDP's policy was that funds should be readily available where and when needed for programme purposes. For this reason, the primary consideration was to invest the funds in institutions and currencies from which they could be drawn or transferred at short notice, in response to operational needs. UNDP, along with the United Nations, conducted an annual review of the major institutions in which they place funds, to ensure that UNDP funds did not form a major liability of these institutions. The investment of funds in the Bahamas and Cayman Islands was in US dollars. These funds were placed with major institutions and "booked" by the institutions outside of the United States in the Eurodollar market. The rates of interest in this market were higher than those available in the domestic market. Responding to the question on letters of credit, he explained that based on an agreement with the Government concerned, letters of credit were encashed on a quarterly basis, based on a formula established for this purpose. Such letters of credit were irrevocable and payable on demand but accrued no interest. At present, UNDP held some $27.8 million in uncashed letters of credit. Negotiation on their encashment was continuing. In 1981, these arrangements were changed so that the Government concerned would pay in cash the same as all other contributors to UNDP.

/...
14. Responding to the questions on the housing loans, the Assistant Administrator assured the Council that these loans would be primarily used for housing and not for office accommodation. However, he called attention to the large number of requests received which reflected a serious situation in the field. He said that the Administrator would provide a special report to the Council at the next session on this subject which would set out the full magnitude of the problem.
ANNEX

Draft decision recommended by the Budgetary and Finance Committee

The Governing Council,

Having reviewed the Administrator's report on the annual review of the financial situation 1980 (DP/547),

(a) Takes note with satisfaction of the continuing steady growth in programme expenditure;

(b) Notes the increasing level of amounts outstanding to the United Nations Development Programme and in this respect:

(i) Calls upon Governments to pay amounts due to UNDP for 1981 and prior years, in full, before the end of calendar year 1981;

(ii) Requests Governments which are unable to make such payments during calendar year 1981, to indicate to the Administrator by 31 October 1981, the definitive date, in early 1982, when payment will be made;

(iii) Calls upon Governments to pay their annual pledge to UNDP as early as possible in the year for which the pledge is made, but in any event, not later than 1 July of that year;

(iv) Requests Governments unable to make payments in accordance with (iii) above, to inform the Administrator at the beginning of the year of alternative payment dates, which in any event should not, on average, have a date later than 1 July; and

(v) Further requests the Administrator to establish with donor Governments payment schedules and to report to the Council on the results thereof each year;

(c) Authorizes the carry-over of the committed balance of the Programme Reserve as at 31 December 1981, as an add-on to the authorized level of the Programme Reserve for the third cycle;

(d) Authorizes an increase in the level of special industrial services from $17.5 million to $18.2 million for the 1977-1981 cycle, and further authorizes the transfer to $0.7 million from the Programme Reserve to the special industrial services for this purpose;

(e) Reaffirms decision 79/43 of the Governing Council, taken at its twenty-sixth session, with respect to loans to Governments for accommodation and requests the Administrator to submit a detailed analytical report on the loans to Governments for accommodation of field personnel, both in terms of housing and office accommodation, at its twenty-ninth session;
(f) Reaffirms decision 79/35 of the Governing Council, taken at its twenty-sixth session, with respect to cost sharing arrangements; and

(g) Reaffirms decision 25/16 operative paragraph 5 of the Governing Council, taken at its twenty-fifth session, with respect to an increase in the investment of funds in developing countries.
Chapter II. ANNUAL REVIEW OF THE FINANCIAL SITUATION.

Corrigendum

1. After paragraph 9, insert the following heading and new paragraphs:

"Accumulating non-convertible currencies"

10. In discussing the matter, members agreed that the various related issue be taken together, namely, paras. 16 (a), (b) and (c) of decision 80/30 taken at the twenty-seventh session, Financial Regulation 3.5 of DP/522 and addenda, and the review of the financial situation 1980 (DP/547). Many members expressed their deep concern about the level of accumulating non-convertible currencies held by UNDP and the impact that continuous increases would have on the level of resources available on programming and implementation. Some members stated that contributions in accumulating non-convertible currencies were a form of tied aid which was inconsistent with the multi-lateral nature of the Programme. Several other members felt that the matter was not significant noting that some success had been achieved in the use of these currencies and that it was only the addition of several other countries' currencies to the list which made the problem appear worse than it was.
11. One member suggested that four principles should be established in dealing with non-convertible currency contributions: no special or extraordinary action should be taken by UNDP with respect to the utilization of these currencies; an accumulation in excess of one year's contribution should result in the currency being declared non-usable; conversion of the currencies should be at an acceptable exchange rate or the Administrator should have the authority not to accept the currency; and, that if UNDP accumulated an amount in excess of three years' contribution from a Government, the Administrator should be advised to return the amount held to the Government. Several members from developing countries who shared the concern, indicated that a suitable solution in the spirit of compromise would have to be found to settle the issue.

12. Several members indicated that the matter was broader than initially defined as it also encompassed equitable distribution in the procurement of goods and services for UNDP-funded activities and the burden sharing of member Governments of the cost of the programme. Some members indicated that the difficulties experienced in using the currencies had been artificially created and that expertise, goods and services were available in those countries contributing accumulating non-convertible currencies sufficient to fully utilize the amounts presently held by UNDP. If competitive bidding were waived, the amounts could be fully utilized. Several members indicated that the Administrator had made extensive efforts to find a solution to the problems of accumulation and that he could not be requested to continue making such extraordinary efforts which were becoming very costly. They reiterated their long-held view that such efforts represented preferential treatment and that contributions had to be used in the normal course of operations without particular efforts. One member stated that his government, which hitherto had partially contributed in non-convertible currency, would in future pay in fully convertible currency, and called upon other Governments to do likewise.

2. Renumber the existing paragraphs accordingly.
3. After existing paragraph 14, add the following new paragraph:

"18. The Deputy Administrator responded to questions on non-convertible currencies. He advised the Committee of the change in holding of accumulating non-convertible currencies between 1976 and 1980 highlighting significant changes. He also indicated that no accumulating non-convertible currencies are held in the Operational Reserve."
In the Annex, replace the entire text of the draft decision with the following:

"The Governing Council,

Having reviewed the Administrator's report on the annual review of the financial situation 1980 (DP/547),

(a) Takes note with satisfaction of the continuing steady growth in programme delivery;

(b) Notes with concern the increasing level of amounts outstanding to the United Nations Development Programme and in this respect:

(i) Invites Governments to pay amounts due to UNDP for 1981 and prior years, in full, before the end of calendar year 1981;

(ii) Urges Governments which are unable to make such payments during calendar year 1981, to indicate to the Administrator by 31 October 1981, the date, in early 1982, on which they expect to make payment;

(iii) Calls upon Governments to pay their annual pledge to UNDP as early as possible in the year for which the pledge is made, in order to avoid potential liquidity problems;

(iv) Requests the Administrator to consult with donor Governments to what extent payment schedules can be established and to report to the Council at its 29th session on the results thereof;
(c) Authorizes the carry-over of the committed balance of the Programme Reserve as at 31 December 1981, as an add-on to the authorized level of the Programme Reserve for the third cycle;

(d) Authorizes an increase in the level of special industrial services from $17.5 million to $18.2 million for the 1977-1981 cycle, and further authorizes the transfer to $0.7 million from the Programme Reserve to the special industrial services for this purpose;

(e) Reaffirms decision 79/43 of the Governing Council, taken at its twenty-sixth session, with respect to loans to Governments for accommodation and requests the Administrator to submit a detailed analytical report on the loans to Governments for accommodation of field personnel, both in terms of housing and office accommodation, at its twenty-ninth session;

(f) Reaffirms decision 79/35 paragraph 8 of the Governing Council, taken at its twenty-sixth session, with respect to cost sharing arrangements; and

(g) Reaffirms decision 79/34 operative paragraph 11 of the Governing Council, taken at its twenty-sixth session, that the Administrator continue his efforts to increase the placement of UNDP funds in developing countries on the basis of safety, profitability, liquidity and convertibility."
REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima NTAMBI (Uganda)

Chapter II. ANNUAL REVIEW OF THE FINANCIAL SITUATION

Corrigendum

1. In paragraph 2, end of third sentence: for "... a higher excess of expenditure over income, $43 million than had been projected."; read "... an excess of expenditure over income."

2. In paragraph 9, the third sentence should read as follows: "Many members requested that a detailed, analytical report on the loans to Governments for accommodation of field personnel, both in terms of housing and office accommodation, should be submitted to the Council at its next session."
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Mtambi (Uganda)

CHAPTER IV
INTEGRATED SYSTEMS IMPROVEMENT PROJECT

1. Under agenda item 9 (d), the Committee had before it the progress report of the Administrator (DP/INF/30), the specific sections pertaining to the Division of Management Information Services (DMIS) in the supplementary budget estimates for the period 1980-1981 (DP/550), the budget estimates for the biennium 1982-1983 (DP/548) and the ACABQ reports on these budget estimates (DP/551 and DP/549).

2. The Integrated Systems Improvement Project (ISIP) progress report described the status of implementation of the information projects started under ISIP, the benefits and capabilities of these initial versions and the utilization of funds for developing these systems. Further, the Administrator's progress report provided background on the organization and staffing requirements of DMIS needed to provide for continuity in UNDP systems development activities and effective systems maintenance from 1981 onwards. More detailed information on the functions of the additional staff requested for DMIS was included in the supplementary budget estimates for 1980-1981 (DP/550) and the budget estimates for 1982-1983 (DP/548).

3. In his introductory statement to the Committee, the Deputy Administrator highlighted the current status of the major ISIP systems as presented in DP/INF/30. The Deputy Administrator also referred to the previous discussion in the 1980 ISIP progress report concerning the installation of a small in-house computer, and noted that the computer was required to provide the requisite technical environment for the UNDP financial systems and had been recommended in the report on Phase I of ISIP. He indicated that the decision to acquire such a facility had proved to be correct for the development and testing of these ISIP financial systems and emphasized that the UNDP computer environment would be constantly monitored since UNDP hardware was leased and changes could be made should the need arise.
4. At the invitation of the Chairman, the Director of DMIS provided the Committee with a detailed explanation of the responsibilities and resource requirements of DMIS which had assumed the functions of ISIP in June 1980. He noted that the ISIP systems work was done mainly by outside consultants, and emphasized the need for building up the Division's capabilities to maintain the systems developed under ISIP and to assist in planning and managing the development of new systems intended to serve the management functions of such specialized organizational units as the Office of Projects Execution. Although ISIP work continued into 1981, none of the 9 DMIS/ISIP professional posts funded under ISIP in 1980 had been funded in 1981.

5. The Director emphasized that even though the in-house staff resources required for maintenance and day-to-day operational support would increase, this increase would be more than offset by the reduction in the funds needed for outside consulting services. This would actually represent a decrease in the total costs for systems development and maintenance in 1982-1983 as compared to previous years and the level of staffing proposed for DMIS reflected the fact that the peak period for developing new management information systems in UNDP was over.

**Summary of the discussion in the Committee**

6. A number of members expressed their continuing support and confidence in the ISIP systems and thanked the Deputy Administrator and the Director of DMIS for their comprehensive statements.

7. The majority of the Committee members recommended approval of the Administrator's proposals for DMIS to continue and complete the work started under ISIP, which was essential to the control and management functions of UNDP. However, while they supported the build-up of the necessary technical staff in DMIS to maintain the ISIP system, members requested assurance that no supplementary budget would be presented for DMIS in the years to come. Several delegations particularly welcomed the creation of integrated and compatible systems within the United Nations and the extension of UNDP's system development efforts to other activities such as UNFPA. Further, one member indicated that Governments could benefit from a review of the ISIP/DMIS system development efforts and suggested that UNDP facilitate this.

8. Some members noted ACABQ's misgivings about examining staff increases in the 1980-1981 supplementary budget which would have been preferable to review in the context of the 1982-1983 budget submission. Several members also expressed concern about receiving the supplementary request for DMIS 1981 staffing at such a late stage in the development of the ISIP systems. Two members supported in principle the comments of the ACABQ on UNDP's proposals for DMIS and in the opinion of several, ACABQ would have benefited from the additional information provided by the Director of the Division in his speech to the Committee. These members would also have welcomed the opportunity for technical specialists in their own Governments to review, as part of the original documentation circulated in May, the additional information provided by the Director on the organization and staffing of DMIS.
9. In reiterating his Government's support for ISIP and the strengthening of the Division to maintain the ISIP systems, one delegate requested UNDP to provide the Committee with a revised 1981 proposal including only those posts critical for work in 1981. Several members also requested the Administrator to consider the use of existing vacancies and the redeployment of posts from less critical units to meet the Division's additional staff requirements.

10. Another member requested information on the UNDP decision to install its own computer facility and was concerned that this was acquired without the prior authorization of the Council.

Response of the Administration

11. The Deputy Administrator thanked Committee members for their thoughtful observations and expressions of confidence in UNDP's system development activities. He welcomed the review of these activities by interested Governments. With regard to the timing of the request for supplementary funds for the Division, the Deputy Administrator recalled the in-depth review of ISIP activities in June 1980, and the Council's decision at that time to defer any decision on the 1980-1981 budgetary allocations for ISIP/DMIS until June 1981. Further, he recalled the Council's decision in June 1980, requesting the Administrator to review and report to the Council in June 1981 on the role and functions of DMIS including the level of staff and other resources needed for successful completion, maintenance, operation and enhancement of UNDP's information systems.

12. Also, the Deputy Administrator noted that in June 1980, when members of the Committee were informed that a small computer was required to provide the technical environment needed for the UNDP financial systems, there were no adverse comments by members of the Council. He also pointed out that had UNDP not acquired the IBM 4331, computer time would have had to be funded elsewhere and that this was not a net cost increase.

13. The Deputy Administrator assured members that only those posts that were absolutely essential for DMIS would be filled in 1981 and that no supplementary budget would be presented for the Division over and above the 1982 and 1983 budget request. He also brought to the members' attention that ACABQ had been provided with a written explanation of the Division's staffing proposals.

14. The Assistant Administrator, Bureau for Finance and Administration, noted that UNDP would not be able to fund the Division's 1981 supplementary requirements from vacancies as there had already been a reduction of the funds authorized by the application of the 2.5 per cent turnover deduction. Also, with regard to the redeployment of posts to DMIS, he assured Committee members that the Administration was taking a hard look at UNDP's organization and functions in the context of the desk-to-desk study and would report to the Governing Council in June 1982 on any recommended changes in the organization and staffing patterns.
15. The Director of DMIS clarified a number of points raised by Committee members concerning the proposed staffing arrangements and provided a statement of the minimum funding needed in 1981 for the Division to carry out its functions effectively. He noted that no staff were recruited in 1981. However, four technical staff posts funded by ISIP in 1980 and critical to ongoing ISIP work were carried forward in 1981 on L-series contracts.
In paragraph 3, third sentence, insert after the word "decision" the words of UNDP".

In paragraph 8, the first sentence should read as follows: "Some members noted CABQ's misgivings about the Administrator's proposing staff increases in the 1980/1981 supplementary budget rather than in the context of the 1982/1983 budget submission."

To the end of paragraph 8, add the following sentence:

"As it was, the late provision of relevant and detailed technical information to Governments made the Administrator's proposals in effect a fait accompli."

Replace, existing paragraph 10 with the following text:

"A member asked whether the UNDP Governing Council had ever authorized UNDP to install its own computer facility and deplored the practice of action taken in advance of Governing Council approval."
DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER IV

Integrated Systems Improvement Project (ISIP) (continued)

Recommendation of the Committee

The Budgetary and Finance Committee recommended acceptance of the Administrator's progress report on ISIP and approval of the Administrator's budget estimates for the Division of Management Information Services (DMIS) for the biennium 1982-1983. The committee also recommended approval for DMIS supplementary staffing for the 1980-1981 biennium with a reduction in funding of $104,000.
REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima NTAMBI (Uganda)

Chapter VII. INTERAGENCY PROCUREMENT SERVICES UNIT

1. For its discussion of agenda item 9 (h) the Committee had before it the report of the Administrator contained in document DP/559.

2. The Assistant Administrator, Bureau for Special Activities, informed the Committee that in its fourth year of operations the Interagency Procurement Services Unit (IAPSU) continued to make progress in assisting the United Nations system to achieve procurement of goods and services at the lowest possible cost; and that the cooperation of the agencies with IAPSU had been encouraging. The agencies, although not in a position at this time to assist in the funding of IAPSU, would continue seconding experts and providing supportive advice as required. The first phase of the study on the feasibility of unifying procurement rules and procedures had been completed and IAPSU was prepared to produce a summary report on existing commonality of procurement rules and procedures.

3. Administrative instructions related to advance reporting on UNDP-assisted business opportunities had been issued to all UNDP resident representatives and the executing and participating agencies and such notices would now appear regularly in Development Forum's business edition.

4. A "General Business Guide" for the use of potential suppliers had been published. Copies would be distributed to permanent United Nations missions in New York and Geneva. The Guide would be updated on a yearly basis. A "Company Profile Form" had also been prepared which served to readily identify potential suppliers of goods and services. The information contained in these forms was intended to promote wider geographical distribution of procurement sources through its use by the various agencies.
5. The Sixth Interagency Procurement Working Group meeting in February 1981 had provided IAPSU with invaluable advice and comments on the IAPSU work programme which would be taken into account in its future activities.

6. The agencies had been consulted on the question of future funding of IAPSU and it had been concluded that they would not be in a position to contribute funds at this time due to severe financial constraints within their regular budgets. In view of the fact that IAPSU's programme produced savings primarily, in respect to the IPF-funded assistance, the Administrator had decided to recommend to the Council that IAPSU activities continue to be financed by UNDP.

Summary of discussion in the Committee

7. Several members commended IAPSU for its activities, which most found had been particularly encouraging. A number of members expressed agreement that the activities of IAPSU needed to be strengthened, particularly in the areas of increasing procurement from developing countries and encouraging procurement of common-user items in connexion with the utilization of accumulated non-convertible currencies.

8. One member noted that within the third programming cycle, the number of notices appearing in the Development Forum business edition regarding business opportunities emanating from UNDP-assisted projects should show substantial increase. It was further stated that the efforts of potential suppliers will be eased by the publication of these notices.

9. It was agreed by several members that the opening of a IAPSU liaison office in Geneva was a positive step. More suppliers would now have easier access to information regarding United Nations procurement activities, and IAPSU could more effectively work with participating and executing agencies located in Europe. In the view of one member, the IAPSU/Geneva Office was understaffed and his delegation would prefer to see an increase in personnel for the office.

10. Several members made reference to the fact that the share of United Nations procurement in their respective countries was not equitable. It was suggested that additional efforts be made by IAPSU to redress this imbalance. One member stated that efforts should be directed to reach the smaller firms rather than concentrating on large, multinational corporations. Diversification of suppliers should be pursued forcefully in the export supply markets of developing countries.

11. One member questioned the lack of progress on unification of procurement rules and procedures, although realizing that IAPSU was not to blame.

12. Several members expressed the wish that IAPSU submit a report on the issue of "life-cost vs. initial cost". It was stated that inclusion of life-cost as a factor in selection for procurement would have a positive effect on increasing procurement from under-utilized donor countries.

13. Several delegates questioned why the participating and executing agencies could not participate in the financing of IAPSU activities.
Response of the Administrator

14. The Assistant Administrator expressed appreciation for the strong support expressed for IAPSU and noted that favourable comments regarding the establishment of a liaison office in Geneva. He acknowledged the emphasis on the furnishing of advance information on projects and stated that the rate of such notices was expected to increase. He further acknowledged that achieving more equitable geographical distribution of the United Nations system's procurement was a continuing mandate and that the identification of procurement sources in developing countries was an important objective. In response to queries as to why the agencies would not contribute to the financing of IAPSU activities, he stated that savings made possible through IAPSU activities for a large part go back to the IPF and recipient countries. It was therefore reasonable to expect that the cost of IAPSU activities should be funded by UNDP, which was responsible for the IPF. A decision on the increase of IAPSU/Geneva staff is not likely at this time, since the general trend now is to reduce administrative costs. The slow progress on unification of procurement rules and regulations was basically due to the fact that IAPSU could not insist on co-operation in dealing with autonomous agencies. A rather cautious approach to this problem was needed. IAPSU would undertake a study on life-cost vs. initial-cost as a procurement factor, and would report on findings to the Governing Council, as well as reporting on progress in increasing procurement from developing countries.

Recommendation of the Committee

15. The Budgetary and Finance Committee recommends that:

The Governing Council,

(a) Note with satisfaction that the executing and participating agencies continue to support IAPSU; and

(b) Decide that IAPSU shall continue to be funded under the heading of "Support services for UNDP-executed projects", to be financed from overheads received on projects executed by UNDP.

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REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima NTAMBI (Uganda)

Chapter VII. INTERAGENCY PROCUREMENT SERVICES UNIT

Corrigendum

In paragraph 15, replace the entire text of the draft decision with the following:

"The Governing Council,

(a) Note the report of the Administrator on IAPSU (DP/559);

(b) Note with satisfaction the work performed by IAPSU and express its support for a further development of that work, particularly in respect to procurement from developing countries;

(c) Note with appreciation that the executing and participating agencies continue to co-operate with IAPSU; and urge the Agencies to participate also in the financing of IAPSU's activities; and

(d) Decide that IAPSU shall continue to be funded under the heading of 'Support services for UNDP-executed projects', to be financed from overheads received on projects executed by UNDP."

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81-17491
GOVERNING COUNCIL
Twenty-eighth session
June 1981

DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER V
AGENCY SUPPORT COSTS

1. For its consideration of agenda item 9 (f), the Committee had before it the report of the Administrator on agency support costs (DP/566 and addenda).

2. Introducing the item, the Deputy Administrator drew the attention of the Committee to the main issues dealt with in the report, to the various specific recommendations made by the Administrator as well as to those items on which additional guidance of the Council was required. He drew the Committee's attention to paragraph 49 of the report which contained the main body of recommendations for the Council's review and approval.

A. Application of UNDP support costs reimbursement arrangements to other similar programmes under the jurisdiction of the Governing Council

Summary of the discussion in the Committee:

3. Several members of the Committee questioned the Administrator's recommendation to approve, as an interim measure, a support cost reimbursement rate of 4 per cent on expenditures in respect of UNCDF and UNSO-funded activities and the Administrator's recommendation to differentiate between capital assistance and technical assistance activities. They expressed the view that in adopting Governing Council decision 80/44, the intention was to adopt one uniform support cost reimbursement rate for all activities. Some members agreed with the distinction made in the Administrator's report between capital assistance and technical assistance and supported some kind of differential rates. Some members remarked that the proposed interpretation of the major emphasis of a project, as
set out in paragraph 9 of the report, was quite arbitrary and could result in serious distortions in the composition of the project so that it contained at least 25 per cent technical assistance component to qualify for the full support cost reimbursement of 13 per cent. Several Agency representatives expressed the view that this proposal, if adopted, would mark a departure from the contents and spirit of decision 80/44. Other Agency representatives indicated that based on decision 80/44, their governing bodies had in fact approved application of a 13 per cent overhead rate to all of their extrabudgetary activities.

Response of the Administration

4. The Deputy Administrator in his response indicated that the language in decision 80/44 directed payment of 13 per cent for technical assistance activities and activities of a similar nature under the jurisdiction of the Governing Council. While it was undeniable that the mandate of UNDP is to carry out technical assistance activities, it was equally and correctly true that both UNCDF and UNSO, by virtue of the projects they financed, were essentially carrying out capital assistance projects. He stated further that the Rhodes report dealt only with UNDP-funded activities.

B. Support cost flexibility arrangements

Summary of the discussion in the Committee:

5. Members were supportive of the thrust of the Administrator's proposals for reimbursement of support cost flexibility to smaller Agencies. Several, however, considered that both the amount suggested in the Administrator's recommendations, $20 million as the maximum expenditure for which flexibility can be requested, and the maximum rate of 25 per cent of project expenditures, for minimal delivery, were excessive and proposed a reduction in these amounts. Other members considered the Administrator's proposed scale as reasonable and equitable, and offered a longer term solution to this question, which would not need to be reviewed by the Council within several years. While noting one Agency's views in this regard, the members were unanimous in supporting the Administrator's proposal that eligibility for support cost flexibility reimbursement should be limited to Executing Agencies which are autonomous organizations within the United Nations system.

Response of the Administration

6. In responding, the Deputy Administrator explained that the scale proposed by the Administrator was intended to serve both as a long-term solution to this question and to respond to the requirements of some of the smaller Agencies who, by virtue of their mandate could not pay, out of their regular budgets, deficits that may be incurred in implementing UNDP-financed activities. He further stated that the proposed formula for the smaller Agencies was also intended to cover exchange rate fluctuations, thereby avoiding double compensation to smaller
Agencies. The Deputy Administrator indicated that at present, there is no limit on the amount that UNDP could pay to an Agency under existing flexibility arrangements.

C. Reimbursements related to currency exchange fluctuations

7. Committee members were unanimous in supporting the Administrator's view that decision 80/44 was intended to apply only to future exchange rate fluctuations and that the base for calculations for such fluctuations should be 1981 in respect of 1982. Members of the Committee also agreed that the calculation of possible losses would not be cumulative. Each year's trigger point should be based on the preceding year's rate of exchange. In connexion with the trigger mechanism, members considered the Administrator's proposals to be generous and that the trigger point for compensation in cases of losses on exchange should be higher than the 6 per cent or 10 per cent proposed in the Administrator's report. In this latter connexion, members felt that no distinction should be made between Agencies having different levels of implementation. Some members further stated that Agencies which requested reimbursement of losses resulting from exchange rate fluctuations from UNDP should likewise be subject to repayment of gains on exchange to UNDP, in that event. Members agreed that since the concept of repayment of gains on exchange would apply only to those Agencies which would avail themselves of the provisions on compensation for losses, that no such reimbursement in respect of 1982 should be expected from such Agencies in the event that currency fluctuations would so justify.

D. Ex-post facto reporting on total Agency support costs

8. Several members expressed their disappointment over the fact that no suitable format had been developed for ex-post facto reporting of Agency support costs. They reiterated the fact that the Governing Council had the full right to have factual, comparable information from Executing Agencies on how support costs had been spent. Members reiterated their hope that the Administration would be able to submit an agreed format to the twenty-ninth session of the Council which would meet the requirements set forth in decision 80/44, subparagraph (g).

E. Support cost arrangements for OPE and UNV for project execution

Summary of the discussion in the Committee:

9. Several members asked why support cost reimbursements should be made to OPE and UNV as both organizations have administrative budgets within the total UNDP programme support and administrative services budget. One member requested the legislative basis for UNDP execution of projects. One member suggested that current procedures should continue. Another member stated that in accordance with paragraph 2 (d) of decision 80/44 no Agency that could identify actual support costs required for UNDP-funded activities should receive more than that amount in reimbursement. One member expressed serious concern regarding the possible...
implications of the proposal that OPE should charge a lower support cost rate than 13 per cent. He asked the Administration to advise whether a differential rate would put OPE in competition with the specialized agencies. Other members stated that no Agency should be reimbursed in support costs more than the actual support costs that it incurred.

Response of the Administration

10. The Deputy Administrator stated that the legislative decision providing the basis for UNV to execute projects was General Assembly resolution 31/131, operative paragraph 1 and General Assembly resolution 31/166, operative paragraph 15. He further indicated that support cost reimbursement to OPE was basically an accounting entry within the UNDP account. In reply to a question, he confirmed that a lower support cost rate for OPE would put it in competition with the Executing Agencies. He further explained that the OPE budget was reviewed and approved by the Governing Council as a separate gross appropriation line within the biennial budget. Miscellaneous income was not given to OPE but rather reverted to UNDP as an offset against the appropriation. The question was what support cost rate was to be applied when OPE executed non-UNDP-funded technical co-operation activities.
AGENCY SUPPORT COSTS

1. For its consideration of agenda item 9(f), the Committee had before it the report of the Administrator on Agency support costs (DP/566) and addenda).

2. Introducing the item, the Deputy Administrator drew the attention of the Committee to the main issues dealt with in the report, to the various specific recommendations made by the Administrator as well as to those items on which additional guidance of the Council was required. He drew the Committee's attention to paragraph 49 of the report which contained the main body of recommendations for the Council's review and approval.

A. Application of UNDP support cost reimbursement arrangements to other similar programmes under the jurisdiction of the Governing Council

Summary of the discussion in the Committee:

3. Several members of the Committee questioned the Administrator's recommendation to approve, as an interim measure, a support cost reimbursement rate of 4 per cent on expenditures in respect of UNCDF and UNSO-funded activities and the Administrator's recommendation to differentiate between capital assistance and technical assistance activities. They expressed the view that in adopting the Governing Council decision 80/44, the intention was to adopt one uniform support cost reimbursement rate. Some members agreed with the distinction made in the Administrator's report...
between capital assistance and technical assistance and supported differential rates. Some members remarked that the proposed interpretation of the major emphasis of a project, as set out in paragraph 9 of the report, was quite arbitrary and could result in serious distortions in the composition of the project under which a technical co-operation component of at least 25 per cent technical assistance would be introduced to qualify for the full support cost reimbursement of 13 per cent. Several Agency representatives expressed the view that this proposal, if adopted, would mark a departure from the contents and spirit of decision 80/44. Other Agency representatives indicated that based on decision 80/44, their governing bodies had in fact approved application of a 13 per cent overhead rate to all of their extra-budgetary activities.

Response of the Administration

4. The Deputy Administrator in his response indicated that the language in decision 80/44 directed payment of 13 per cent for technical assistance activities and activities of a similar nature under the jurisdiction of the Governing Council. While it was undeniable that the mandate of UNDP is to carry out technical assistance activities, it was equally true that both UNCDF and UNSO, by virtue of the projects they financed were essentially carrying out capital assistance projects.

B. Support cost flexibility arrangements

Summary of the discussion in the Committee:

5. Members were supportive of the thrust of the Administrator's proposals for reimbursement of support cost flexibility to smaller Agencies. Several, however, considered that both the amount suggested in the Administrator's recommendations, $20 million as the maximum expenditure for which flexibility can be requested, and the maximum rate of 25 per cent of project expenditures, for minimal delivery, were excessive and proposed a reduction in these amounts. Other members considered the Administrator's proposed scale as reasonable and equitable, and offered a longer term solution to this question, which would not need to be reviewed by the Council within several years. One Agency viewed the proposed new limits on flexibility entitlements with some concern, as they offer very little room for compensation in the event of adverse exchange rate fluctuations. While noting
the views of the United Nations the members were unanimous in supporting the Administrator's proposal that eligibility for support cost flexibility reimbursement should be limited to Executing Agencies which are autonomous organizations within the United Nations system.

Response of the Administration

6. In responding, the Deputy Administrator explained that the scale proposed by the Administrator was intended to serve both as a long term solution to this question and to respond to the requirements of some of the smaller Agencies who, by virtue of their mandate could not pay, out of their regular budgets, deficits that may be incurred in implementing UNDP-financed activities. He further stated that the proposed formula for the smaller Agencies was also intended to cover exchange rate fluctuations, thereby avoiding double compensation to smaller Agencies. The Deputy Administrator indicated that at present, there is no limit on the amount that UNDP could pay to an Agency under existing flexibility arrangements.

C. Reimbursements related to currency exchange fluctuations

7. Committee members were unanimous in supporting the Administrator's view that decision 80/44 was intended to apply only to future exchange rate fluctuations and that the base for calculations for such fluctuations should be 1981 in respect of 1982. Members of the Committee also agreed that the calculation of possible losses would not be cumulative. Each year's trigger point should be based on the preceding year's rate of exchange. In connection with the trigger mechanism, members considered the Administrator's proposals to be generous and that the trigger point for compensation in cases of losses on exchange should be higher than the 6 per cent or 10 per cent proposed in the Administrator's report. In this latter connection, members felt that no distinction should be made between Agencies having different levels of implementation. Some members further stated that Agencies which requested reimbursement of losses resulting from exchange rate fluctuations from UNDP should likewise be subject to re-payment of gains on exchange to UNDP, in that event. Members agreed that since the concept of repayment of gains on exchange would apply only to those Agencies which would avail themselves of the provisions on compensation for losses, that no such reimbursement in respect of 1982 should be expected from such Agencies in the event that currency fluctuations would so justify.
D. **Ex-post facto reporting on total Agency support costs**

8. Several members expressed their disappointment over the fact that no suitable format had been developed for ex-post facto reporting of Agency support costs. They reiterated the fact that the Governing Council had the full right to have factual, comparable information from Executing Agencies on how support costs had been spent. Members reiterated their hope that the Administration would be able to submit an agreed format to the twenty-ninth session of the Council which would meet the requirements set forth in decision 80/44 sub-paragraph (g).

E. **Support cost arrangements for OPE and UNV for project execution**

Summary of the discussion in the Committee

9. Several members asked why support cost reimbursements should be made to OPE and UNV as both organizations have administrative budgets within the total UNDP programme support and administrative services budget. One member requested the legislative basis for UNDP execution of projects. One member suggested that current procedures should continue. Several members stated that in accordance with paragraph 2(d) of decision 80/44 no Agency that could identify actual support costs required for UNDP-funded activities should receive more than that amount in reimbursement. They also felt that in the interest of uniformity and in order to avoid an indirect subsidy of UNDP's administrative and programme support budget, non-UNDP-funded projects executed by OPE should be charged the same rate as UNDP-funded projects. One member expressed serious concern regarding the possible implications for the relationship between UNDP and the Agencies of the proposal that OPE should charge a lower support cost rate than 13 per cent, and that perhaps the matter should be reviewed by the ACABQ. He asked the Administration to advise whether a differential rate would put OPE in competition with the Specialized Agencies. Other members stated that no Agency should be reimbursed in support costs more than the actual support costs that it incurred.

Response of the Administration

10. The Deputy Administrator stated that the legislative decision providing the basis for UNV to execute projects was General Assembly resolution 31/131, operative paragraph 1 (which states "Considers the UNV programme to be a major operational unit of the United Nations for the execution of youth programmes, ..."
especially pilot projects...”) and General Assembly resolution 31/166 operative paragraph 1 (which requests the Administrator, inter alia, "to develop further and expand the activities of UNV in the field of domestic deployment services"). He further indicated that support cost reimbursement to OPE was basically an accounting entry within the UNDP account. In reply to a question he confirmed that a lower support cost rate for OPE would put it in competition with the Specialized Agencies. He further explained that the OPE budget was reviewed and approved by the Governing Council as a separate gross appropriation line within the biennial budget. Miscellaneous income was not given to OPE but rather reverted to UNDP as an offset against the appropriation. The question was what support cost rate was to be applied when OPE executed non-UNDP-funded technical co-operation activities.
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima NTAMBI (Uganda)

CHAPTER V

AGENCY SUPPORT COSTS (continued)

Recommendation of the Budgetary and Finance Committee

The Budgetary and Finance Committee recommends that:

The Governing Council,

Recalling the provisions of its decision 80/44 on Agency support costs,

Having considered the report of the Administrator prepared pursuant to that decision contained in document DP/556 and addenda,

Reiterating its recommendation in decision 80/44 to agencies to review their operational support systems, working methods, arrangements and staffing with a view to bringing about significant reductions in overall support costs,

1. Decides that the support cost reimbursement arrangements being applied at present for capital assistance and technical co-operation activities financed from UNCDF and UNSO resources shall continue pending completion of further consultations between the Administrator and the agencies on a support cost reimbursement formula reflecting the particular support requirements of capital assistance, bearing in mind the desirability of such a formula reflecting previously agreed principles including, inter alia, simplicity and universality of application, as well as the principle set out in paragraph 2 (d) of decision 80/44, which provides that, where actual support costs can be identified no reimbursement in excess of actual costs shall take place;

81-17511
2. Requests the Administrator to submit appropriate proposals related to operative paragraph 1 above to the twenty-ninth session of the Governing Council;

3. Decides that only autonomous organizations within the United Nations system shall be eligible for support cost flexibility arrangements;

4. Approves support cost flexibility arrangements for eligible executing agencies whose levels of annual delivery do not exceed $15 million, according to the following scale:

(a) Delivery level of $5 million or less: Reimbursement of support costs provided that the total reimbursement to the agency, consisting of 13 per cent of delivery plus the amount granted under flexibility arrangements, does not exceed 22 per cent of delivery,

(b) Delivery level between $5 and $10 million: Reimbursement of support costs provided that the total reimbursement to the agency, as defined in (a) above, does not exceed 19 per cent of delivery,

(c) Delivery level between $10 and $15 million: Reimbursement of support costs provided that the total reimbursement to the agency, as defined in (a) above, shall decrease by 1 per cent of delivery, from 18 per cent to 13 per cent for every increase of $1 million in delivery from $10 million to $15 million.

The Administrator shall ensure that at no time would an executing agency receive less in total reimbursement under flexibility arrangements for delivering a higher programme level than it received for delivering a lower programme level;

5. Decides that in respect of currency exchange fluctuations dealt with in paragraph 2 (e) of its decision 80/44, the following guidelines and procedures shall apply:

(a) Executing agencies which are organizations within the United Nations system and not eligible for support cost flexibility arrangements may submit to the Governing Council, through the Administrator, requests for compensation for losses sustained in respect of support cost reimbursements as a result of currency fluctuations. Such requests will be considered only in those cases where the average annual currency exchange rate of an agency's headquarters location has appreciated by at least 11 per cent vis-à-vis the US dollar between one year and the next and provided that the total support cost reimbursement to an agency does not exceed 14 per cent of its UNDP project delivery for the year in question.

(b) Executing agencies which are organizations within the United Nations system and not eligible for support cost flexibility arrangements shall return to UNDP all gains realized in respect of support cost reimbursement resulting from currency fluctuations when the average annual currency exchange rate of an agency's headquarters location depreciates by more than 11 per cent vis-à-vis the US dollar between one year and the next unless the agency concerned can demonstrate to the Governing Council, by data submitted through the Administrator, that its actual support costs for the year in question exceed 13 per cent of its UNDP project delivery and provided that as a result of the gains returned to UNDP the total support cost reimbursement to an agency does not fall below 12 per cent of its UNDP project delivery for the year in question.

/...
(c) The minimum 11 per cent fluctuations in annual currency exchange rates quoted in (a) and (b) above shall not be cumulative from year to year; each current year shall constitute the base against which the next year's average annual exchange rate is compared (i.e. a rolling base).

(d) Paragraphs (a) and (b) above shall take effect as from 1 January 1981 with 1981 serving as the base year for the calculation of 1982 exchange rate fluctuations, it being understood that, where an executing agency has not availed itself of the provisions of paragraph (a) above, those of paragraph (b) will not apply.

6. Approves reimbursement of support costs to OPE in respect of executing projects of a technical co-operation nature based on the same rates as those in effect for other executing agencies, within the limits set forth in paragraph 2 (d) of decision 80/44 and that the support cost reimbursement for non-UNDP funded projects shall be at a uniform rate limited to that associated with the actual level of support costs of OPE in respect of executing technical co-operation activities;

7. Decides to review the provisions of operative paragraphs 5 and 6 above at its thirty-first session;

8. Decides to review the question of reimbursement to UNV of costs related to non-UNDP financed activities at its twenty-ninth session following consideration of the report on UNV activities to be presented by the Administrator (decision number 81/1) and further requests the Administrator to present related proposals on the specific question of reimbursement;

9. Urges the Administrator and the agencies to continue their efforts to develop a suitable format for ex post facto reporting to the Governing Council on agency support costs, providing such information as mentioned in paragraph 2 (g) of decision 80/44 and to report thereon to the Governing Council at its twenty-ninth session;

10. Takes note of the report of the Administrator on support cost flexibility arrangements for smaller agencies (DP/556/Add.2) and the views and comments thereon

11. Authorizes the Administrator to treat the WMO request for flexibility reimbursement in respect of 1981 delivery on the basis of criteria for support cost flexibility reimbursement for 1982 onwards.
Governing Council
Twenty-eighth session
June 1981

Draft Report of the Budgetary and Finance Committee

Rapporteur: Mr. Kakima Ntambi (Uganda)

Chapter X

Other Matters (continued)

Fisheries Vessels Pool

1. For its consideration of agenda item 9 (i), the Committee had before it the report of the Administrator on the Fisheries Vessels Pool (DP/563).

2. In his introduction of the subject, the Deputy Director of Finance highlighted some of the main aspects covered in the report. He further informed the Committee that at the request of the Administrator, FAO had approached a number of UNDP Resident Representatives to ascertain whether Governments would be willing to avail themselves of the fisheries vessels from the pool, in view of the projected high costs of operations. He added that information received to date on this subject was limited, and a few responses were not encouraging. He also stated that the Administrator's proposals for funding the new vessels were not intended to be limited to consideration of accumulated non-convertible currencies, although at the end of the first cycle sufficient amounts of such currencies were retained in UNDP books, and had not been taken into account for the second cycle planning.

Summary of the discussion in the Committee

3. Several members, while supportive in principle of the pool concept, wondered whether under present UNDP financial circumstances the acquisition of costly new vessels was justified. They further questioned the validity of the proposals made in DP/563 in view of the projected high costs likely to be charged to project budgets for use of the vessels. One member expressed the view that the concept of the vessels pool was valid as applied prior to the IPF system, but needed to be
reviewed and revised. He added that financing of new vessels from within the
IPF system should be considered as a main option. Some members suggested that
vessels available from other sources which required some refitting could perhaps
be available at lower cost. A number of developing countries supported the
Administrator's proposals and expressed the view that those vessels which otherwise
would not be available to developing countries should be acquired for the benefit
of these countries. This was, in their view, particularly relevant since the
utilization of non-convertible currencies would not cut into the IPF resources
available for the second or third cycle. Members, however, were generally not
supportive of the proposal to acquire the vessels with limited competitive bidding
or complete waiver thereof. A number of members expressed the view that since the
Administrator's report did not provide a comprehensive picture on the operations
and requirements of the vessels pool, a fuller and more detailed report would be
required to be submitted to the twenty-ninth session of the Governing Council.
Submission of the report well ahead of time to permit sufficient time for its study
was considered particularly important.

Response of the Administration

4. The Deputy Administrator, in his response, highlighted the benefits derived
from the use of vessels in the fleet and the new conditions created by the Law of
the Sea Conference, in particular the extended economic zones which opened up vast
areas for fisheries development by developing countries. He emphasized that while
there were not sufficient expressions of interest from Governments at this point
for use of these new proposed vessels, it should be borne in mind that most
Governments generally submit requests only when the actual need became apparent.
This did not reduce the importance for careful advanced planning in such an area
particularly since the lead time for the acquisition of vessels was approximately
three to four years. He suggested that one possibility for financing the vessels
pool would be to "loan" funds from central resources which would be reimbursed from
fees to be levied from use of the pool.

Further comments of the Committee

5. Members generally felt that a hasty decision would not be proper in such an
important matter involving substantial finances and that a more comprehensive
report to the twenty-ninth session should provide ample time for a careful review
of the subject from its various angles.

6. On the basis of the discussion, the Budgetary and Finance Committee recommends
for the Council's approval the following decision:
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER X

FISHERIES VESSELS POOL

Recommendation of the Budgetary and Finance Committee

The Budgetary and Finance Committee recommends that:

The Governing Council,

1. Takes note of the Administrator's report (DP/563) on the Fisheries Vessels Pool and the need for additional vessels;

2. Requests the Administrator to submit a report to the twenty-ninth session of the Governing Council on the continued need to further develop the fisheries vessels pool, taking into account potential requests for assistance from developing countries;

3. Further requests the Administrator to formulate proposals on the financing of vessel acquisition, utilization and maintenance, taking into consideration such possibilities as financing from IPF resources; and

4. Decides that proposals should be based on the assumption of full international competitive bidding.
CHAPTER III

UNDP FINANCIAL REGULATIONS (continued)

Recommendation of the Budgetary and Finance Committee

The Budgetary and Finance Committee recommends that:

Chapter III. UNDP FINANCIAL REGULATIONS

1. Under item 9 (c) of the Council's agenda, the Committee had before it for consideration the Administrator's proposals for revised financial regulations (DP/552, DP/552/Add.1, DP/552/Add.1/Corr.1, DP/552/Add.2, DP/552/Add.2/Corr.1, DP/552/Add.3) as well as the comments of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the proposed regulations (DP/553).

2. Introducing the item, the Director of Finance stated that the primary objective of the proposed revision of the UNDP Financial Regulations, was to develop a set of regulations which would meet the long-term requirements of UNDP, including those covering financial policies related to programming and project formulation and execution. In doing so, every effort was made to harmonize the substance of these regulations with that of the comparable United Nations Financial Regulations. As requested by the Council, the revised regulations were presented to the ACABQ and the Administrator was very appreciative of the improvements suggested by the Committee which are reflected in the corrigenda to DP/552/Add.1 and Add.2.
3. The Director further stated that the Administrator considered that, for practical administrative reasons and for reasons of efficiency and economy, the proposed Regulations should cover all funds administered by UNDP, with the unique requirements of these funds being reflected in Annexes to the Regulations. In this connexion, since the delegation of authority by the General Assembly to the Governing Council to formulate Regulations in respect of funds administered by UNDP was not clear in all applicable instances, the Administrator has suggested that the Governing Council may wish to request the General Assembly to grant this authority to the Council in respect of all funds currently entrusted to the UNDP for administration as well as for those Funds and Programmes which the General Assembly or the Secretary-General may decide to so entrust in future. Based on the decision of the Governing Council in this respect, the Administrator would proceed to develop the appropriate annexes to the Regulations. The Director went on to state that although paragraph 3 of DP/552 envisaged the preparation of these annexes in time for their submission to the Council at its twenty-ninth session, after appropriate review by the ACABQ, the work involved is so critical and voluminous that the proposed schedule may prove to be optimistic.

Summary of the discussion in the Committee

4. In making general statements, several members pointed out the importance of a well established set of regulations for effective financial management of an international organization such as the UNDP which administers a significant volume of financial resources. Many members commended the Administration for formulating a comprehensive set of regulations which meet the special needs of UNDP. A number of members emphasized that, except where absolutely necessary, the proposed regulations should not exceed authority deriving from present and existing legislation. Some members thanked the ACABQ for the thorough review it had made of these regulations and for the changes and improvements which it had suggested.

5. Many members stated that they were prepared to accept most of the regulations as presented and some regulations with minor drafting changes. However, on other regulations, they expressed reservations which needed to be discussed in the Committee. The agreed amendments to DP/552/Add.1 and Add.1/Corr.1 are reflected in the Annex to the decision of the Committee on this issue.

6. On the question of Funds and Programmes administered by UNDP, members expressed agreement that the UNDP Financial Regulations should apply with annexes formulated where appropriate, and that the Governing Council should request the General Assembly to authorize it to formulate Financial Regulations in this respect. In this connexion and referring in particular to Regulation 1.1, it was clearly understood that the UNDP Financial Regulations would not apply to UNFPA since the Governing Council has approved separate Financial Regulations for this Fund. For the purposes of clarity, Annex 1 of the UNDP Financial Regulations would so specify.

7. The Committee reached consensus on the provisions of Regulation 4.1 authorizing the Administrator to establish trust funds. Several members had
reservations. However, they expressed their understanding that the Administrator would use utmost caution in exercising this authority and would establish trust funds only after a thorough review of the requirements. These members also emphasized the provision in the Regulation stipulating that only the Governing Council could establish trust funds which directly or indirectly involve additional financial liability for UNDP. Members agreed that the Administrator should present to the Governing Council at its twenty-ninth session brief guidelines setting forth the fundamental principles and bases under which he would exercise this authority.

8. Members of the Committee discussed the provisions of Regulation 7.5 concerning inter-country programmes presented to the Governing Council. On the understanding that there would be a continuation of the current practice which provides that the Governing Council of UNDP will consider the proposed programmes and decide on their final content and orientation, Regulation 7.5 as proposed by the Administrator was left unchanged.

9. Some members expressed reservations on the wording of paragraph 7.10 (d) since it appeared to anticipate, in respect of Government execution, the outcome of the review to be undertaken by the Administrator and submitted to the Governing Council at its next session. Other members, however, considered that the Administrator's proposed text reflected the existing situation, and simply, as a matter of protocol, listed recipient Governments as the first category among executing agencies.

10. With regard to subparagraph (a) (iii) of Regulation 11.2 concerning the Operational Reserve, some members, while recognizing that the subparagraph was taken verbatim from Governing Council decision 80/50, expressed concern on the wording of this provision in that it might lead to the use of the Reserve for purposes other than those intended.

11. In introducing proposed Regulation 14.4 dealing with procurement of equipment, supplies and services by UNDP and the Executing Agencies, the Deputy Administrator stated that conflicting instructions on this subject have been issued to UNDP by governing bodies in the form of various resolutions, including inter alia CA/Res.2683 (XXV) and CA/Res.3405 (XXX). He stated that UNDP required specific guidance from the Council on how to proceed with the implementation of these provisions. The present situation has led to dissatisfaction among some members who have pointed out the disproportion in the volume of goods and services provided to the United Nations system by member countries in relation to their contributions to UNDP. While recognizing that no strict proportions are sought, nonetheless UNDP needed to be sensitive to the parliamentary concerns of many countries.

12. During the discussion of the item, some members favoured the insertion of the term "international competitive bidding" in Regulations 13.5 and 14.4. One member stated that proposed Regulation 14.4 had no parallel in existing regulations and therefore went beyond existing policy and legislation. Other members maintained that the concept of international competitive bidding was in existing legislation and referred specifically to paragraph 41 of CA/Res.2683 (XXV). One member said...
that no preferential treatment should be given to any country in procurement as the United Nations system should pay the minimum price for goods and services in order to maximize the assistance to the developing countries: this was possible only through international competitive bidding and any other procedure would constitute the payment of a subsidy to certain countries.

13. Other members who favoured the Regulation 14.4 as proposed, stated that it was consistent with paragraph 44 of the Consensus resolution and that any changes to the latter can only be made by the General Assembly. One member stated that, while no strict parity between contracts and contributions is sought or feasible, greater efforts should be made to provide procurement opportunities to developing countries, and to developed countries which have obtained only small shares so far.

In this connexion, he suggested certain financial rules, including those for advertisement of contracts, bidding and award which would permit fair procurement opportunities. Another member stated that no real competitive bidding existed as many firms from developing countries and the socialist countries are not in a position to participate effectively in such bidding. One member made reference to the Buenos Aires Plan of Action for the promotion of TCDC which further emphasized equitable geographical distribution. He stated that national self reliance, the promotion of which is a primary objective of UNDP, would be helped by greater participation of developing countries in United Nations procurement.

14. The Deputy Administrator stated that the Administrator required an unambiguous regulation which would permit him to implement the wishes of the Council. He further stated that if the Committee wished him to do so, he would present to the Council the proposed guidelines referred to in Regulation 14.4.

15. One member requested clarification on the relationship between Regulations 14.1 and 14.4, specifically as to whether the Administrator's guidelines on procurement could take precedence over agency Financial Regulations. The Administration confirmed, after consulting the United Nations Legal Office again on this specific issue, that the Administrator's guidelines legally take precedence over agency Financial Regulations where UNDP funds are involved and that in the event of conflict, the guidelines referred to in Regulation 14.4 are binding.

16. In view of the fact that Governments have attached the highest importance to this issue, proposals for the formulation of Regulations 13.5 and 14.4, and amendments thereto, were put forward by many members in an effort to reach a consensus on this issue. After considerable discussion and negotiation during both formal and informal meetings and contacts a consensus was reached and is reflected in the Annex to this decision.

17. In connexion with the proposed Regulations concerning voluntary contributions, a member proposed insertion of a new Regulation 3.6 after Regulation 3.5 as contained in DP/52/Add.1 as follows: "A voluntary contribution to UNDP shall be deemed readily useable if previous accumulations of contributions from the donor country amount to less than the contribution itself." The proposed new regulation is intended to clarify the provisions of the Administrator's proposed Regulation 3.5. A number of members supported the new Regulation, stressing the
inter-dependency of these two Regulations. However, since the newly proposed
Regulation 3.6 was not available in languages at the time of discussion nor had the
Administrator's proposed Regulations 3.5 and 3.6 been considered by the Committee,
these were referred to Plenary for consideration and decision.

Furthermore, Regulations 12.3 and 12.4 on Management of currencies were not
considered by the Committee pending the outcome of negotiations on
non-convertible currencies and were therefore referred to Plenary for consideration
and decision.
The Budgetary and Finance Committee recommends that:

The Governing Council,

Having considered the Administrator's proposed revision of the Financial Regulations of the United Nations Development Programme as contained in DP/552, and addenda and corrigenda,

Noting with appreciation the observations of the Advisory Committee on Administrative and Budgetary Questions as contained in DP/553,

1. Approves the proposed UNDP Financial Regulations as contained in DP/552/Add.1 and DP/552/Add.1/Corr.1 as amended by the Annex to this decision;

2. Requests the General Assembly to authorize the Governing Council of UNDP to formulate Financial Regulations in respect of all funds administered, or to be administered in future, by UNDP, thereby amending, in particular, the relevant provisions in the annex to General Assembly resolution 31/77, which established the United Nations Special Fund for Land-locked Developing Countries, and those in General Assembly resolution 2186 (XXI) and 2512 (XXIV) concerning the United Nations Capital Development Fund;

3. Requests the Administrator, should the General Assembly take the action requested in operative paragraph 2 above, to prepare, where appropriate, annexes...
to the UNDP Financial Regulations covering the unique requirements of the Funds and Programmes entrusted to the UNDP for administration, for consideration and approval by the Governing Council after their having been reviewed by the ACABQ:

4. Requests the Administrator to present to the Governing Council at its twenty-ninth session, brief guidelines setting forth the fundamental principles and bases under which he would exercise his authority to establish trust funds, granted under the provisions of Regulation 4.1;

5. Requests the Administrator to circulate the Financial Rules, promulgated in accordance with Financial Regulations 14.1, to members of the Governing Council, for information, at least 30 days before they become effective, thereby amending its request as contained in operative paragraph 5 of its decision 80/38;

6. Requests the Administrator to present to the Governing Council at its twenty-ninth session the guidelines developed pursuant to UNDP Financial Regulation 14.4;

ANNEX

Reg. 1.1

The UNDP Financial Regulations shall not be applicable to UNFPA. Annex I of the UNDP Financial Regulations will state: "The UNDP Financial Regulations are not applicable to UNFPA which operates under its own Financial Regulations and Rules as approved by the Governing Council in a decision taken at the 415th meeting of its seventeenth session (E/5466, para. 202 (f))".

Reg. 2.1 (f)

Delete the last sentence "However the Administrator ..." (refer new article III and new Reg. 3.1 below).

Reg. 2.2 - B

Delete "all foreseen".

Reg. 2.2 - C (iii)

Add at the end: "received by UNDP".

Reg. 2.2 - C (iv)

Add at the end: "received by UNDP".

Reg. 2.2 - E (i)

Replace the last word "desirable" with the word "justifiable".

/...
Reg. 2.2 - P (ii)

Insert the word "accounting" between the words "independent" and "entity".

Reg. 2.2 - P (ii)

Insert the word "accounting" between the words "independent" and "entity".

Reg. 2.2 - P (y)

Delete in its entity. Renumber subsequent definitions under P. (Refer Reg. 2.2 - S below).

Reg. 2.2 - S

Insert "Special Programme Resources" and include the definition set forth for "Programme Reserve" deleted under 2.2 - P (v) above.

New Article 3

Retitle "Accountability".

New Reg. 3.1

Text to be the last sentence of currently proposed Reg. 2.1 (f) without the first word "However", and insertion of the words "of UNDP" after the word "Administrator". (The text to read "The Administrator of UNDP is fully ...").

Note: All subsequent Articles and Regulations to be renumbered accordingly

Reg. 3.5

Not approved pending consideration by the plenary.

Reg. 3.6

Not approved pending consideration by the plenary.

Reg. 3.7

In the preambular paragraph, replace the words "shall be" with the word "are".

In subparagraph (b) of Reg. 3.7, replace the first two sentences by the following: "(b) by making available, either in cash or in kind or both, a substantial part of the project's requirements, normally at least that part payable in local currency, except in cases of hardship". The text would continue with "In the light of policies ... project document".

Reg. 3.8

In the first sentence, replace the words "shall be" with the word "are".

/...
Reg. 3.14

To read: "Individual donations of a value in excess of $25,000 shall be accepted only with the prior approval of the Governing Council".

Reg. 4.1

Replace, in the second sentence, the word "may" by the word "shall" and add in the third sentence the words "in detail" after the word "reported".

Reg. 6.2

Insert the word "expected" before the words "... resources formulated ...". Add a new sentence at the end as follows: "In cases where it would seem that the objective had been overestimated, the Governing Council would take the necessary measures to revise the over-all target referred to in Regulation 6.1 above".

Reg. 6.4

Replace the words "Programme Reserve" with the words "Special Programme Resources".

Reg. 7.10 (d)

Replace the first clause of the second sentence "To the extent ... Government or Governments" by the words "Keeping in mind the principle of Government execution, ".

Reg. 7.10 (e)

To read:

"Under conditions established by the Governing Council, the Administrator is also authorized, subject to the agreement of the requesting Government or Governments, to contract for the services of other agencies, private firms or individual experts in the execution of projects and to assign projects to a governmental or intergovernmental institution or agency not part of the United Nations system, or to UNDP itself for execution."

Reg. 7.10 (f)

Insert the words "authorized by the Governing Council" after the words "Executing Agencies".

Reg. 8.7

Last clause to read as follows: "... statements as may be requested by the Governing Council or as the Administrator may deem necessary and useful".
Reg. 11.1

Insert the word "accounting" before the word "entities" in the last line.

Reg. 11.2 (a)

In the last paragraph, after (iv), after the words "regular session and" replace the remainder of the text with the following: "between sessions, to Members of the Governing Council as may be prescribed by the Council or whenever the situation in the Administrator's opinion so merits".

Reg. 11.3

Insert the word "accounting" before the words "... entity and trust fund".

Reg. 12.3

Not approved pending consideration by the plenary.

Reg. 12.4

Not approved pending consideration by the plenary.

Reg. 13.1 (a)

Add the following to the end of the present text: "and circulate the Financial Rules to Members of the Governing Council for information at least 30 days before they become effective".

Reg. 13.3

Revised text to read as follows: "The Administrator may make such ex gratia payments not exceeding $40,000 as he deems to be necessary in the interest of UNDP, provided that such payments shall be submitted to the General Assembly and the Governing Council with the accounts".

Reg. 13.5

To read: "In conformity with decisions taken by the General Assembly, in particular in resolution 2688 (XXV), annex, paragraphs 41, 42 and 44, and resolution 3405 (XXX), annex, and guidelines issued by the Governing Council, the Administrator shall be responsible for the purchasing of equipment and supplies and the contracting of services where budgetary provision has been made in the biennial budget and in the budgets of projects which UNDP itself executes.

Reg. 14.4

To read: "Notwithstanding the provisions of Regulation 14.1, the Administrator may issue guidelines, regarding the procurement of equipment, supplies and services in accordance with the principles approved by the General Assembly and in particular
the Consensus of 1970, resolution 2688 (XXV), annex, paragraphs 41, 42 and 44 and resolution 3405 (XXX), annex. Such guidelines shall be drawn up in consultation with the executing agencies which are organizations of the United Nations system and submitted to the Members of the Governing Council in accordance with Regulation 13.1".

Reg. 16.2

Delete the words "any such" after the words "shall submit". The text would then read "... shall submit audit reports annually ...".
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima NTAMBI (Uganda)

Chapter VIII. BUDGET ESTIMATES FOR 1982-1983 AND
SUPPLEMENTARY ESTIMATES FOR 1981

Draft report - Budget estimates

1. For its consideration of agenda item 9 (b) of the Council's agenda, the
Administrator had submitted the following documents for consideration by the
Budget and Finance Committee:

(a) DP/550 and Corr.1 containing the supplementary estimates for 1980-1981
amounting to a net total increase of $31.3 million above the original
net estimate (DP/396) of $168.6 million;

(b) DP/548, the budget estimates for the biennium 1982-1983 amounting to a
net amount of $261.2 million (inclusive of United Nations Capital
Development Fund and United Nations Volunteers). This represents an
increase of $92.6 million or 55 per cent over the approved 1980-1981
(DP/550) the requested increase is $61.41 million or 31 per cent;

(c) DP/551, the report of the Advisory Committee on Administrative and
Budgetary Questions on the supplementary estimates for the period
1980-1981;

(d) DP/549 and Corr.1, report of the Advisory Committee on Administrative
and Budgetary Questions for the budget estimates for the biennium

2. The Assistant Administrator, Bureau for Finance and Administration, in
introducing the budget proposals expressed his concern over the continued high rate

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of world inflation. He pointed out that inflation and its effects are responsible for more than 90 per cent of UNDP's requested budget increases and, although the budget requests for 1982-1983 represented an annual increase of approximately 13 to 15 per cent per year, that in real terms, excluding the effects of inflation, the proposals represented an increase of only 2.5 per cent over the years 1981-1983.

3. The Assistant Administrator explained why the Administrator had found it necessary to request additional posts as part of the supplementary estimates. He noted that ACABQ had questioned the timeliness of certain budget proposals which in the opinion of the ACABQ could have been delayed until the biennium 1982-1983. Members were advised that the commitment on zero growth to the twenty-seventh session of the Governing Council had been made on the explicit understanding that new functions and true exigencies could be included in the zero growth concept. In the opinion of the Administrator all of the new posts met these supplementary criteria. He also stated that it should be the Governing Council which retained the right to consider, approve or reject any proposal of the Administrator for additional resources related to specific activities.

4. In regard to staff support for the Interagency Task Force, the Assistant Administrator noted that this very valuable function was currently being funded out of temporary services and since the administration foresaw the function on a continuing basis he was therefore requesting permanent support positions.

5. Permanent staff for the Emergency Co-ordination Unit was given top priority by the Assistant Administrator. He enumerated many security-related problems UNDP staff were encountering throughout the world. He stressed the requirement for continuous on-the-spot advice and the necessity for headquarters to respond to the legitimate needs of staff in the field who are working and living in very difficult conditions.

6. In regard to the request for additional staff for the United Nations Volunteers, the Administrator noted the level of Volunteers was approximately 1,000. He informed the Committee that the ratio between staff and Volunteers with the inclusion of the requested new staff would be 1 to 21 which is significantly higher and more efficient than the 1979 staff/Volunteer ratio of 1 to 17.

7. In regard to the advance recruitment for the United Nations Capital Development Fund, the Assistant Administrator stated that the advance recruitment of staff had been necessary to assure an increased programme delivery. It had also in the Administrator's opinion been within the authority granted in decision 79/21.

8. Finally, in noting that the ACABQ had expressed considerable concern on the uncertainty surrounding the non-funded posts which had been mentioned in DP/548, the Assistant Administrator proposed the introduction of a separate appropriation line in the 1982-1983 estimates, "Transitionary measures in 1982 due to reallocation of posts between duty stations". The appropriation would be to cover the temporary costs for non-funded posts and expenses related to employee termination.

/...
Summary of the discussion in the Committee

9. Members strongly supported the recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that the new budget items properly belonged in the biennial budget for 1982-1983 and should not be considered in a supplemental context.

10. In response to the introduction made by the Assistant Administrator, members were unanimous in expressing serious concern at the overall level of the proposed budgets. Considering the uncertain resource situation faced by the UNDP in the next few years, the proposed ratio of administrative costs to programme delivery was at a level which members found inappropriate. UNDP could not ignore world-wide economic realities and should not consider itself insulated from the effects of world-wide economic difficulties. Most Governments were facing considerable budgetary constraints while UNDP seemed to ignore all those elements. Available resources for development assistance were becoming scarce and, since Governments needed to establish priorities in development assistance between multilateral and bilateral modes, it became more and more difficult to defend a programme, the administrative cost of which increased by 55 per cent from one biennium to the next.

11. Whereas most members agreed that a zero-growth budget had to be the objective, they could not accept that the proposed 1982-1983 biennial budget met this criteria.

12. Members stated that supplementary estimates should be limited to unavoidable increases due to inflation or currency fluctuations or to implementation of specific requests of the legislative organs. They should not be used to make new administrative proposals at the end of a biennium. In this connexion the Committee underlined the importance of Governing Council decisions which related to delegating financial authority to the Administrator being more precisely formulated in future.

13. Several members felt that the Committee should set the financial frame within which the Administrator would have to operate, taking into account the views of the Governing Council with respect to relative priorities. The Administrator's responsibility would then be to make do with the resources allocated and to redeploy his resources as judged necessary to ensure the execution of the priority programmes.

14. Noting that the dominant element in the budgets were staff and related costs, members stated that it was vitally important that staff members be controlled. Several members wondered whether the time had not come to establish a freezing of UNDP staff levels.

15. Several members suggested that a larger degree of redeployment of staff and posts should take place, clearly reflecting the shift in programme expenditures between the geographical regions. New posts could be proposed only as a last resort when all avenues for redeployment of staff had been exhausted.
16. Several members expressed concern at the cost impact of what they saw as a tendency to upgrade posts. In their view, the Administrator needed to halt this development. Another member noted the unhealthy grade structure in UNDP as compared with other organizations with a field character.

17. Members generally expressed great interest in the field survey missions which were about to leave and wished to receive more information on the terms of reference. Members looked forward to the report to the Council at its next session and expressed the hope that the field office survey would provide a basis for a decrease in administrative costs.

18. Concerning UNDP's role as a service institution to other organizations, members felt that further consideration should be given to the question of how these costs were distributed. Some suggested that service charges to be levied from other organizations could be estimated after the field office survey had been completed.

19. Several members, while acknowledging the increasing cost of maintaining field offices, pointed out that the maintenance of these offices was required by the programme's principle of universality. A number of members, while recognizing the validity of these arguments, were of the opinion that the moment may have come for a general review of the organization in UNDP with a possible regrouping of some of these country offices into one office under a regional representative. This would be a reversal of the recent trend which would make a significant contribution to the containment of costs which the resource situation may require, but it was an idea that needed further study.

20. Members, while acknowledging that there was no escape from world-wide inflation and that there may be rapid inflation increases in many developing countries, stated that the Administrator, to the extent possible, should endeavour to absorb the effects of inflation within approved appropriations.

21. Noting that the Interagency Task Force (IATF) was experimental and not permanent, and that its support staff were presently covered by reallocation of existing staff resources, members suggested that the request for additional resources should not be met.

22. Concerning the United Nations Capital Development Fund, several members questioned whether the Administrator had correctly interpreted decision 79/21, and felt that the Committee in this instance had been presented with a fait accompli as the 14 posts that were requested had already been filled. The rapid increase in the number of CDF staff was noted with dismay by some members. Other members thought the Administrator had correctly interpreted the decision and were prepared to approve the posts requested for CDF which for a long time had been understaffed. Some noted that the formulation of decision 79/21 could lead to different interpretations; and therefore, members were willing to recognize that the Administrator had not exceeded his authority in this very particular instance.

/...
23. Concern was expressed by members that an increase in the number of Volunteers had been used by the Administrator, on a misinterpretation of decision 80/41, to present additional staffing requests for UNV. Several members requested that additional staff requested for UNV should also be linked to a further discussion on the role of UNV, about which some of the members had reservations.

24. Whereas some members concurred with ACABQ, recommending deferral of a decision on the establishment of the Emergency Co-ordination Unit (ECU) until full consideration could be given to the question of a global security fund for the United Nations as a whole, other members did not believe that the safety of UNDP personnel would be best served by delaying action on this request and therefore supported the request. The Committee stressed that the security of United Nations system staff was the primary responsibility of the host Government and that UNDP should become involved primarily on humanitarian grounds.

25. With regard to the request for two additional posts, some members questioned whether it would not be possible to redeploy staff. A number of members, however, were prepared to support the request for additional funds for the security equipment with the caveat that it "must be justifiable equipment".

26. Members expressed concern that the office established in the Democratic People's Republic of Korea (DPRK) would require 25 people. Members requested further explanation why 25 posts were needed and requested a comparison of the staffing in similar offices.

27. Members were seriously concerned at the implications of the proposed handling of "non-funded" posts stating that in their opinion it was not the correct solution. As long as these staff were paid they should be on funded posts. Some considered that only when a reduction in posts became available in some countries could there be increases in posts in countries with increased IPPs. A member offered the opinion that the appropriation of $2.5 million requested for this purpose could only be authorized with the proviso that the Administrator obtain the advance concurrence of ACABQ before any of those resources were committed.

28. Concerning TCDC promotional activities, some members noted that the number of proposed studies had been very sharply reduced. A member noted that reliance on the programme reserve for TCDC promotional activities would reduce the biennial budget by $324,000.

29. As regards the request for additional staff for the Division of Management Information Services, it was agreed that the request for posts and funds in 1980-1981 and in 1982-1983 should be considered in conjunction with agenda item 9 (d), the Administrator's report on the Integrated Systems Improvement project. (The report on this agenda item reflected the discussion and agreements reached thereon. See chap. IV above.)

30. The Committee noted that changes in the volume of OPE project activities may result in temporary increases in its staffing requirements: the Committee agreed that, for this purpose, it would consider proposals submitted by the Administrator at the next session of the Governing Council.

/...
31. The Committee noted that in DP/559, paragraphs 7 and 9, the Administrator had stated that if the Governing Council approved the proposals contained therein concerning the collection of information on procurement sources in developing countries, an amount of $80,000 for consultants would have to be financed from the appropriate line of the biennial budget. The Committee, considering that the Administrator should give this task high priority, recommended that the necessary funds be accommodated within the relevant appropriation which the Committee had recommended.

32. A member referring to the revised format for the draft appropriation decisions was prepared to accept the "lump sum" approach with regard to the aggregate amount on line (i) "UNDP (excluding OPE)" but only with the understanding that this acceptance recognized the transitional nature of 1981 and 1982 and that the Administration would submit proposals to the twenty-ninth session of the Governing Council providing further details of the "lump sum" appropriated under this line.

Response of the Administration

33. The Assistant Administrator for the Bureau for Finance and Administration responding to the questions raised during the discussion, stated that he had taken careful note of the comments made by the members and shared their concern, as to the level of the administrative costs, as a proportion of total programme expenditure. However, it would not be responsible if the Administrator were not to explicitly show the staffing needs of new functions like the ECU or DMIS or respond on a timely basis to the managerial needs of CDF and UNV.

34. Regarding the estimates of inflation in the proposed budget, the Assistant Administrator stated that they were subject to a great degree of uncertainty in view of the difficulties of making such estimates, especially when the joint effect of both inflation and currency movements needed to be considered. However the estimates were based on detailed projections received from individual field offices which were subsequently verified with a major bank in New York as well as with the International Monetary Fund. Responding to a question concerning the effect of the strengthened US dollar, the Assistant Administrator stated that it would be favourable inasmuch as some savings would be realized in costs relating to post adjustments, general field service salaries and salaries of locally recruited field staff. However, he considered it prudent to continue with the present estimates rather than resort to supplementaries, in the event of later adverse currency inflationary movements which was the case for the 1979 and 1980-1981 budgets.

35. In responding to the suggestions on achieving concentration of representation by the closing of some field offices and conversion of others into regional offices, the Assistant Administrator cautioned that it would be necessary to consider carefully the impact of such actions on the quality and servicing of the programmes. In addition, consultations would need to be held with the host countries concerned. He suggested that the Council should provide specific guidelines to the Administrator, if it wished him to pursue this matter further.
36. Regarding the field office survey, the Assistant Administrator stated that it would be based on responses to a comprehensive questionnaire completed by over 60 per cent of the staff members in field offices. Additionally, missions were being undertaken to a representative sample of 20 field offices, which represent a cross-section of programme characteristics: e.g., countries with increasing IPFs, countries with decreasing IPFs, offices with responsibilities for more than one country, least developed countries, island countries, etc. The data thus collected should provide a fair basis for identifying potential areas in field offices in comparison with each other, for work simplification, rationalization and elimination. Present plans called for the conclusions of the field survey team to be available to the Administrator by November 1981. A report containing his recommendations will be submitted to the Council in June 1982 and guidance sought on particular issues. While the character and extent of staff redeployments will need to be confirmed by the field office survey, the present budgetary request reflects staffing decreases in Latin America, Arab States and Europe and increases in Africa and Asia and the Pacific.

37. The Assistant Administrator, responding to members' inquiries, stated that the Emergency Co-ordination Unit (ECU) in New York was a clearing-house for information from practically all field offices and was frequently consulted for advice. It also served as the link between the United Nations Security Co-ordinator and UNDP field offices.

38. The Assistant Administrator assured the Council that expenditure on security equipment will only be made where the requests were fully justifiable. He stated that currently some 30 countries were estimated as having actual or potential security problems. However, such security problems had occurred in over 80 countries and have affected both UNDP and United Nations system personnel. The Assistant Administrator also stated that, in view of the comments made by several members, the Administrator would agree to staff the ECU in 1981 through redeployment of existing resources. However, the request for security equipment would stand.

39. The Assistant Administrator of the Bureau for Asia and the Pacific (RBAP) responded to the questions raised on the staffing of the field office in the Democratic People's Republic of Korea. He stated that the local staffing requirements of the Pyongyang Office had been determined in a lengthy process which included a preliminary reconnaissance visit in 1978 by the Assistant Administrator, and an RBAP mission in 1980 for consultations on programme and logistical arrangements. The final staff size had been established on the basis of the estimate of programming needs made by the Resident Representative and taking into consideration staffing levels of other offices handling programmes of equivalent complexity and IPFs. He also provided details of staff requirements in comparison with other similar field offices.

40. The Assistant Administrator for the Bureau for Special Activities, in responding to members' comments on UNV, stated that he regretted that decision 80/41, paragraph 5 had been misinterpreted. The Administrator had read the spirit of this decision as an authority to proceed with advance recruitment and to request the Council to approve the establishment of additional posts already in 1981 as the
target of 1,000 Volunteers had already been reached. The Assistant Administrator, BFA, welcomed the intention that, in future, decisions with financial implications would be formulated more precisely so that situations such as this one would be avoided.

41. The Executive Secretary of the United Nations Capital Development Fund (CDF), in response to the remarks of members, stated that, starting from a low base, CDF project delivery had increased considerably in 1980 and that he expected that project approvals and delivery would further increase in 1981-1982. He said that it was essential that CDF staff undertake missions to countries at the project identification and formulation stage in order to advise Governments and the resident representatives on CDF operational policies regarding project eligibility. Similarly, CDF also undertook periodic monitoring and evaluation missions to help resident representatives monitor CDF projects which were usually located in remote areas. The Executive Secretary quoted decision 79/219 paragraph 6, which requested the Administrator to give due regard to the need for speedy and efficient staffing arrangements in the Fund as the authority for the Administrator to proceed with advance recruitment against the 14 posts now being requested. The Executive Secretary confirmed that all 14 posts had been filled.
GOVERNING COUNCIL
Twenty-eighth session
June 1981

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima NTAMBI (Uganda)

CHAPTER VIII

BUDGET ESTIMATES FOR 1982-1983 AND SUPPLEMENTARY
BUDGET ESTIMATES FOR 1980-1981 (continued)

Recommendation of the Budgetary and Finance Committee

The Budgetary and Finance Committee recommends that:

I

BUDGET ESTIMATES FOR 1982-1983

The Governing Council,

Having considered the 1982-1983 budget estimates for the biennial budget of the United Nations Development Programme and the Funds administered by the United Nations Development Programme (DP/548),

Concerned about the rate of increase of the biennial budget particularly at a time when the resources for programming purposes are becoming scarce,

Considering that the Administrator's assumptions on cost increases should be revised,

1. Takes note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/549) and requests the Administrator to
submit the budget estimates to the Advisory Committee on Administrative and Budgetary Questions in sufficient time so that it can intensify the examination of the UNDP budget in the future.

2. **Calls on** the Administrator to exercise extreme caution in the use of UNDP funds approved for the programme support and administrative services budget and to ensure that such expenditures are closely controlled;

3. **Decides**, without prejudice to paragraph 4 below, to reduce the Administrator's proposed appropriations for the programme support and administrative services budget by $7,000,000 gross;

4. **Approves** the establishment of the following posts out of those proposed by the Administrator:
   
   (a) One Professional post and one General Service post for the Emergency Co-ordination Unit;
   
   (b) Two Professional and four General Service posts for the United Nations Volunteers, and
   
   (c) One Professional post for Regional Information Officer, Arab States,

5. **Approves** an additional appropriation of $2,500,000 from UNDP resources to be reflected as a separate appropriation line within the 1982-1983 biennial budget entitled "Transitionary measures in 1982 due to the reallocation of posts between duty station";

6. **Authorizes** the Administrator to utilize the appropriation under paragraph 5 above to accommodate the payments for terminations with proper notice following the reduction of posts in certain field offices necessitated by the distribution of IPFs for the third cycle, the modalities of which will be subject to the concurrence of the ACABQ;

7. **Further authorizes** the Administrator to utilize the appropriation under paragraph 5 above to fund a maximum of 100 locally-recruited staff during the period 1 January-1 July 1982 above the currently approved staffing levels of 3,071 locally-recruited posts, to meet the cost of essential locally-recruited staff in those field offices where IPFs increase significantly in the third cycle compared with the second cycle;

8. **Requests** the Administrator to report to the twenty-ninth session of the Council on action taken under paragraphs 6 and 7 above;

9. (a) **Approves** appropriations in an amount of $339,094,400 gross to be allocated from the resources indicated in (c) below to finance the 1982-1983 biennial budget; and

   (b) **Resolves** that the income estimates in an amount of $76,435,300 as indicated in (c) below shall be used to offset the gross appropriations, resulting in net budget appropriations of $262,659,100 as indicated in (c) below;
(c)

<table>
<thead>
<tr>
<th>Resources of UNDP</th>
<th>Gross appropriations $</th>
<th>Estimated income $</th>
<th>Net appropriations $</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) UNDP (excluding OPE)</td>
<td>303 129 100</td>
<td>57 663 800</td>
<td>245 465 300</td>
</tr>
<tr>
<td>(ii) Transitionary measures in 1982 due to the reallocation of posts between duty stations</td>
<td>2 500 000</td>
<td>-</td>
<td>2 500 000</td>
</tr>
<tr>
<td>(iii) OPE (including support services)</td>
<td>15 151 200</td>
<td>15 151 200</td>
<td>-</td>
</tr>
<tr>
<td>(iv) UNV</td>
<td>5 461 500</td>
<td>871 000</td>
<td>4 590 500</td>
</tr>
<tr>
<td>(v) UNCDF</td>
<td>4 359 100</td>
<td>558 300</td>
<td>3 800 800</td>
</tr>
<tr>
<td>(vi) UNSO-UNDP/UNEP Joint Venture</td>
<td>2 395 300</td>
<td>1 469 800</td>
<td>925 500</td>
</tr>
<tr>
<td>Total UNDP</td>
<td>332 996 200</td>
<td>75,714,100</td>
<td>257,282,100</td>
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<table>
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<tr>
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</thead>
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<tr>
<td>UNRFNRE</td>
<td>3 075 500</td>
<td>309 100</td>
<td>2 766 400</td>
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<tr>
<th>Resources of UNSO</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>UNSO</td>
<td>3 022 700</td>
<td>412 100</td>
<td>2 610 600</td>
</tr>
<tr>
<td>Total appropriations</td>
<td>339 094 400</td>
<td>76,435 300</td>
<td>262,659 100</td>
</tr>
</tbody>
</table>

a/ Includes estimated support cost reimbursements of $2,400,000 in respect of CDF-funded activities, $1,272,700 in respect of UNSO-funded activities and $300,000 in respect of UNRFNRE-funded activities.

b/ Includes UNEP half-share of the cost of the joint venture institutional support.
II

Supplementary estimates for the period 1980-1981

The Governing Council,

Having considered the supplementary estimates for the 1980-1981 biennial budget of the United Nations Development Programme and the Funds administered by the United Nations Development Programme (DP/550),

1. Takes note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/551) and reiterates the view that supplementary estimates should, in the future, be limited to unavoidable increases due to inflation or currency fluctuations or to the implications of specific requests of the Governing Council and that the Administrator should not recruit staff in advance of specific authorization by the Council,

2. Requests the Administrator to report to the Council at its twenty-ninth session on the 1980-1981 programme support and administrative services expenditures by detailed objects of expenditure, in addition to the information provided on a programme basis,

3. Approves the establishment of the following posts out of those proposed by the Administrator in paragraph 5 of DP/550:

   (a) Three Professional and four General Service posts in the Division of Management Information Services;

   (b) Six Professional and eight General Service posts in the United Nations Capital Development Fund;

   (c) Two Professional and two General Service posts in the United Nations Volunteers; and

   (d) Three Professional, two Field Service level and 20 locally-recruited General Service posts for the field office in the Democratic People's Republic of Korea.

4. (a) Approves supplementary appropriations for the 1980-1981 biennial in an amount of $39,558,400 gross to be allocated from the resources indicated in (c) below; and

   (b) Resolves that the income estimates in an amount of $7,597,700 as indicated in (c) below shall be used to offset the gross supplementary appropriations, resulting in net supplementary appropriations of $31,960,700 as indicated in (c) below.
(c) Resources of UNDP

<table>
<thead>
<tr>
<th></th>
<th>Gross supplementary appropriations</th>
<th>Estimated income</th>
<th>Net supplementary appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) UNDP (excluding OPE)</td>
<td>32 662 800</td>
<td>3 667 700</td>
<td>28 995 100</td>
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<tr>
<td>(ii) OPE (including support services)</td>
<td>3 202 900</td>
<td>3 202 900</td>
<td>-</td>
</tr>
<tr>
<td>(iii) UNV</td>
<td>817 600</td>
<td>423 900</td>
<td>393 700</td>
</tr>
<tr>
<td>(iv) UNCDF</td>
<td>1 668 800</td>
<td>202 700</td>
<td>1 466 100</td>
</tr>
<tr>
<td><strong>Total UNDP</strong></td>
<td><strong>38 352 100</strong></td>
<td><strong>7 497 200</strong></td>
<td><strong>30 854 900</strong></td>
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Resources of UNRFNRE

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<th>Net supplementary appropriations</th>
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</thead>
<tbody>
<tr>
<td>UNRFNRE</td>
<td>938 700</td>
<td>85 200</td>
<td>853 500</td>
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Resources of UNSO

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<th>Estimated income</th>
<th>Net supplementary appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNSO</td>
<td>267 600</td>
<td>15 300</td>
<td>252 300</td>
</tr>
<tr>
<td><strong>Total supplementary appropriations</strong></td>
<td><strong>39 558 400</strong></td>
<td><strong>7 597 700</strong></td>
<td><strong>31 960 700</strong></td>
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</table>

(d) Further notes that the actions in (a), (b) and (c) above result in total 1980-1981 biennial budget appropriations as shown in (e) below.

(e) Resources of UNDP

<table>
<thead>
<tr>
<th></th>
<th>Gross supplementary appropriations</th>
<th>Estimated income</th>
<th>Net supplementary appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) UNDP (excluding OPE)</td>
<td>240 278 600</td>
<td>47 479 700</td>
<td>192 798 900</td>
</tr>
<tr>
<td>(ii) OPE (including support services)</td>
<td>12 320 500</td>
<td>12 320 500</td>
<td>-</td>
</tr>
<tr>
<td>(iii) UNV</td>
<td>4 432 100</td>
<td>682 000</td>
<td>3 750 100</td>
</tr>
<tr>
<td>(iv) UNCDF</td>
<td>3 314 000</td>
<td>414 200</td>
<td>2 899 800</td>
</tr>
<tr>
<td>(v) UNSO-UNDP/UNEP Joint Venture</td>
<td>1 371 000</td>
<td>756 350</td>
<td>614 650</td>
</tr>
<tr>
<td><strong>Total UNDP</strong></td>
<td><strong>261 716 200</strong></td>
<td><strong>61 652 750</strong></td>
<td><strong>200 063 450</strong></td>
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Resources of UNRFNRE

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<th>Gross income</th>
<th>Estimated income</th>
<th>Net supplementary appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNRFNRE</td>
<td>2 513 400</td>
<td>266 400</td>
<td>2 247 000</td>
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</table>

Resources of UNSO

<table>
<thead>
<tr>
<th></th>
<th>Gross income</th>
<th>Estimated income</th>
<th>Net supplementary appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNSO</td>
<td>2 117 000</td>
<td>274 000</td>
<td>1 843 000</td>
</tr>
<tr>
<td><strong>Total appropriations</strong></td>
<td><strong>266 346 600</strong></td>
<td><strong>62 193 150</strong></td>
<td><strong>204 153 450</strong></td>
</tr>
</tbody>
</table>

a/ Includes UNEP half-share of the cost of the joint venture institutional support.
REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Kakima Ntambi (Uganda)

CHAPTER VIII

BUDGET ESTIMATES FOR 1982-1983 AND
SUPPLEMENTARY BUDGET ESTIMATES FOR 1980-1981

Recommendation of the Budgetary and Finance Committee

Corrigendum

1. On page 5, paragraph 4(e), line (v), "UNSO-UNDP/UNEP Joint Venture", replace the amounts "$1,371,000" (Gross appropriations), "$756,350" (Estimated Income) and "$614,650" (Net appropriations) with the amounts "$1,822,100", "$1,006,100" and "$816,000" respectively, in order to reflect the additional amounts approved by the Council for this purpose at its twenty-seventh session (decision 80/45, II, paragraph 3).

2. The amounts on the lines for "Total UNDP" and for "Total appropriations" change accordingly and the revised table is as follows:-
### Resources of UNDP

<table>
<thead>
<tr>
<th></th>
<th>Gross appropriations $</th>
<th>Estimated income $</th>
<th>Net appropriations $</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) UNDP (excluding OPE)</td>
<td>240,278,600</td>
<td>47,479,700</td>
<td>192,798,900</td>
</tr>
<tr>
<td>(ii) OPE (including support services)</td>
<td>12,320,500</td>
<td>12,320,500</td>
<td>-</td>
</tr>
<tr>
<td>(iii) UNV</td>
<td>4,432,100</td>
<td>682,000</td>
<td>3,750,100</td>
</tr>
<tr>
<td>(iv) UNCDF</td>
<td>3,314,000</td>
<td>414,200</td>
<td>2,899,800</td>
</tr>
<tr>
<td>(v) UNSO-UNDP/UNEP Joint Venture&lt;sup&gt;a&lt;/sup&gt;</td>
<td>1,822,100</td>
<td>1,006,100&lt;sup&gt;b&lt;/sup&gt;</td>
<td>816,000</td>
</tr>
<tr>
<td><strong>Total UNDP</strong></td>
<td><strong>262,167,300</strong></td>
<td><strong>61,902,500</strong></td>
<td><strong>200,264,800</strong></td>
</tr>
</tbody>
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### Resources of UNRFNRE

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</thead>
<tbody>
<tr>
<td>UNRFNRE</td>
<td>2,513,400</td>
<td>266,400</td>
<td>2,247,000</td>
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</table>

### Resources of UNSO

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</thead>
<tbody>
<tr>
<td>UNSO</td>
<td>2,117,000</td>
<td>274,000</td>
<td>1,843,000</td>
</tr>
<tr>
<td><strong>Total appropriations</strong></td>
<td><strong>266,797,700</strong></td>
<td><strong>62,442,900</strong></td>
<td><strong>204,354,800</strong></td>
</tr>
</tbody>
</table>

<sup>a</sup> Includes additional amounts authorized by decision 80/45, II, paragraph 3.

<sup>b</sup> Includes UNEP half-share of the cost of the joint venture institutional support.