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P O L I C Y

OTHER FUNDS AND PROGRAMMES

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Report of the Executive Director on plans in regard to submitting biennial budget estimates

At its twenty-eighth session in June 1981, the Governing Council in decision 81/7, Section III, paragraph 3, requested 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. This policy document provides the information requested by the Council.

I. Introduction

1. At its twenty-eighth session, the Governing Council requested the Executive Director to submit to its twenty-ninth session a report on plans of the Fund for the submission of future years' estimates of administrative and programme support costs on a biennial budget cycle with a view to achieving this in time for the biennium 1984-1985, thus coinciding with the biennial budget cycle of the United Nations Development Programme (UNDP) and funds administered by the Programme.^{1/}

II. Background

2. Although the United Nations has been operating on a biennial budget cycle ever since the biennium 1974-1975, and other United Nations specialized agencies for a similar or even longer period of time, the experience of agencies which rely upon voluntary funding for their financial support (e.g., UNDP, UNICEF) has been relatively recent. It was only in 1978, at its twenty-fifth session ^{2/}, that the Governing Council of UNDP, on the recommendation of its Administrator, decided to adopt a biennial budget cycle for UNDP's programme support and administrative service costs, beginning with the period 1980-1981. UNDP has, therefore, just completed its first biennial budget cycle and is now in the early months of its second biennium. The experience of UNICEF is even more limited since the UNICEF Executive Board adopted the biennial budget cycle only in 1980 for the biennium 1981-1982 which has not been completed.

III. Application of the biennial budget cycle to agencies relying on voluntary funding

3. While neither UNDP nor UNICEF have reported encountering any major difficulties to date, it should be recognized that the application of the biennial budget cycle to agencies relying on voluntary funding entails somewhat different considerations from those which apply to agencies which are financed from assessed contributions.

4. The most important difference in the application of biennial budgeting to agencies funded from voluntary sources relates to the practices of most donor governments which traditionally limit their pledges or contributions to one twelve month period at a time. In the case of the United Nations and specialized agencies whose basic budgets are met from assessed contributions, a decision approved by Member States to adopt a budget covering a two-year period creates an obligation on the part of the Member States to pay the assessed contributions required to finance the second as well as the first year's costs covered by the biennial budget. This is not the case for agencies and organizations, like UNFPA, which rely entirely for their financial support on the voluntary pledges and contributions of donor governments.

^{1/} See Official Records of the Economic and Social Council, 1981, Supplement No. (E/1981/61/Rev. 1) decision 81/7, III, para. 3.

^{2/} See Official Records of the Economic and Social Council, 1978, Supplement No. (E/1978/53/Rev. 1) decision 25/19, para. 10.

5. Members of the Council may also wish to note that extension of the budget planning cycle from 12 to 24 months poses certain difficulties in regard to the accurate forecasting of inflation and currency fluctuation trends. Since the period of budget preparation, regardless of the length of the cycle, must begin approximately one year before the beginning of the cycle itself, this means that estimates of inflationary trends and changes in exchange rates must be made roughly 30 to 36 months in advance of the final months of a biennial budget period. This problem has been encountered by agencies which have already converted to biennial budgeting. This has limited to some extent the effectiveness of the biennial budget procedure which, it was hoped at the outset, would eliminate the necessity of presenting budget requests in the "in-between" years to the General Assembly or Governing Council.

IV. Action required by the Council

6. While the considerations referred to in the preceding paragraphs merit close attention, the Executive Director wishes to emphasize that if the Governing Council decides that the Fund should convert to a biennial budget cycle for its administrative services and programme support budget, he would not anticipate any major difficulties which would prevent him from achieving the desired objective on schedule, i.e., in time to coincide with the UNDP biennial budget cycle 1984-1985. The 1983 budget, which is before the Governing Council for consideration at the present session (DP/1982/25), has been submitted, in accordance with previous practice, on an annual basis. The first biennial budget of the Fund would therefore be presented to the Governing Council at its thirtieth session in 1983 and would cover the two-year period 1984-1985. While the budget would be intended to cover the full 24-month period, the Executive Director would intend, following Governing Council approval, to allocate the funds on an annual basis, reserving a full 50 percent or more of the approved budget for the second 12-month period of the biennium. No other major change in the budget format seems to be required, since the format used for the annual budget cycle in past years has proved to be quite satisfactory.

7. If a decision is taken by the Governing Council to convert the Fund's budgetary process to a biennial budget cycle, a number of amendments to the Financial Regulations and Rules will be necessary. These changes relate principally to the periodicity of the Fund's financial statements and of the reports of the Board of External Auditors. The experience of the United Nations and of UNDP in dealing with changes required in their Financial Regulations and Rules will be fully taken into account in preparing the amendments required for the Fund. It is the Executive Director's intention to present a paper containing the proposed amendments to the thirtieth session of the Governing Council at the same time as he presents his first biennial budget.

8. A somewhat greater flexibility will also be required in the actual administration and management of the biennial budget. This should include not only authority for the Executive Director to transfer allotments, as necessary, between line objects of expenditures but also to carry over into the second year of the biennium unexpended amounts from allocations made for the first year (see para. 6 above). Likewise, if it becomes necessary to do so, he should be authorized to draw upon allocations which at the beginning of the biennium he had reserved for the second year of the biennium, in order to meet unliquidated commitments arising out of

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activities relating to the first year of the biennium. If greater flexibility in these matters can be authorized, it will lessen the need to return to the Governing Council in the "in-between" years or at the end of the biennium for supplementary appropriations.

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