

UNITED NATIONS
DEVELOPMENT
PROGRAMME



UNDP

Distr.
GENERAL

DP/1982/54
24 May 1982

Original: ENGLISH

GOVERNING COUNCIL
Twenty-ninth session
June 1982, Geneva
Agenda item 7 (c) (ii)

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES BUDGET, 1982-1983

REVISED ESTIMATES, 1982-1983 BUDGET

Report of the Advisory Committee on
Administrative and Budgetary Questions

Attached is the report of the Advisory Committee on Administrative and Budgetary Questions on the Revised 1982-1983 budget estimates.

PROGRAMME SUPPORT AND ADMINISTRATIVE

SERVICES BUDGET, 1982-1983

Revised 1982-1983 Biennial Budget estimates

Report of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator on Revised 1982-1983 Biennial Budget estimates (DP/1982/53). The Committee also had before it the reports of the Administrator on Headquarters staffing and field establishment surveys (DP/1982/52), on actions taken to implement decision 81/28 in respect of trust funds (DP/1982/57), and 1980-81 programme support and administrative services expenditures (DP/1982/51).

2. The Administrator is proposing a revised total gross expenditure of \$324,966,300 (\$252,544,000 net after taking into account revised income estimate of \$72,422,300) for the biennial budget of UNDP and the Funds administered by UNDP. 1/ This represents a decrease of \$14,123,100 gross from the level of initial gross appropriations of \$339,094,000 approved by the Governing Council in decision 81/27. For UNDP resources only, the proposed revised amount is \$315,014,400 gross, a decrease of \$15,622,700 from approved appropriations of \$328,637,100 gross. 2/ On a net basis, a comparison of approved appropriations with revised estimates for the resources of UNDP is as follows:

	Approved Approp:	Proposed increase (decrease)	Total Revised Estimates
(in thousands of US dollars)			
UNDP Core Activities	245,465.3	(12,104.4)	233,360.9
Transitional Measures	2,500	-	2,500
OPE and IAPSU a/	-	-	-
UNV	4,590.5	477.3	5,067.8
UNSO-UNDP/UNEP Joint Venture	925.5	-	925.5
TOTAL	<u>254,481.3</u>	<u>(11,627.1)</u>	<u>241,854.2</u>

a/ Expenditure is totally offset by estimated income.

1/ United Nations Capital Development Fund, United Nations Revolving Fund for Natural Resources Exploration, United Nations Sudano-Sahelian Office.

2/ See footnote "c" to Table 1 of DP/1982/53.

3. The estimated net decrease of \$12,104,400 for UNDP core activities can be broken down as follows:

Proposed net decrease for UNDP core activities between
approved 1982-1983 appropriations and revised 1982-1983 estimates

By major organizational units
(in thousands of US dollars)

I	Policy making organs	(309.7)
II	Executive direction and management	(127.8)
III	Programme Support and Administrative Services: Field	(9,602.0)
IV	Programme Support and Administrative Services: Headquarters and Geneva	(2,064.9) (12,104.4)

By major category of expenditures
(in thousands of US dollars)

Salaries and wages	(9,619.9)
Common staff costs	(2,637.2)
Travel on official business	(130.0)
Contractual services	155.5
General operating expenses	(2,454.3)
Supplies and materials	(367.1)
Acquisition of furniture and equipment	(653.5)
Other expenditures	350.8
Total gross	(15,337.7)
Host government contributions in cash	1,602.3
Staff assessment	1,630.5
Total net	(12,104.4)

4. According to information provided by representatives of the Administrator, the net decrease of \$12,104,400 for UNDP core activities can further be attributed as follows: Currency and inflation adjustments account for a decrease of \$7,955,100 and the reductions due to the staffing surveys amount to \$10,561,500. The total reduction of \$18,516,600 is offset by \$4,789,400 related to abolition of the 2.5 per cent vacancy factor envisaged in the original estimates. The Administrator is requesting this abolition to permit him to carry out a phased implementation of the post reductions. The balance of \$1,602,300 relates to adjusted income in respect of Government local office cost contributions.

5. As indicated in paragraph 7 of DP/1982/53, the revised staffing levels represent a decrease of 323 posts (7.6 per cent) in respect of UNDP core activities compared with the original budget estimates for the 1982-85 biennium submitted to the Governing Council at its twenty-eighth session in DP/548. 3/ Of the 323 posts, 267 relate to UNDP field offices (57 international and 210 GS/local) and 56 would be cut from headquarters (20 international, 36 GS/local) (see Table 1 of DP/1982/52). In this connection, as stated in paragraph 47 of DP/1982/52, the higher grade level posts which are being relinquished at headquarters (5 D-1, 5 P-5, 3 P-4) "will be redeployed to country offices" (see also paragraph 21 of DP/1982/53 and paragraph 16 below). Furthermore, the reductions cited above reflect the fact that, as the result of a study by the Bureau for Finance and Administration on headquarters support services provided to non-core activities, four professional posts and seven general service posts have been shifted from UNDP core activity budgetary financing to extrabudgetary financing (see paragraph 24 of DP/1982/53 and paragraph 27 below). The following table provides an analysis of staff changes between the approved 1982-1985 budget and the revised estimates:

6. In paragraph 8 of DP/1982/53 the Administrator states inter alia that the proposed staffing changes and the revised estimates are based on the assumption that they would be implemented with effect from 1 January 1982. He states further that the decrease in the net appropriation proposed by him is less - in percentage terms, i.e. 5 per cent - than it should have been because of (a) his decisions on staffing reductions as explained in paragraphs 19 and 21 of DP/1982/53 and (b) the lower number of posts now envisaged for transfer from high to low cost regions.

7. In paragraph 11 of DP/1982/53 the Administrator provides information on the effect of the UNDP recruitment freeze introduced with effect from July 1981 "in order to facilitate the transition to a reduced level of staffing and to minimize the costs thereof." The Committee was informed that the freeze in recruitment would continue to the end of 1983. The Administrator states further in the same paragraph that in calculating the revised 1982-85 biennial budget he has assumed that all the posts in the reduced establishment will be filled and that the vacancy rate will be reviewed when the 1984-85 estimates are being prepared.

8. In paragraph 45 of his report the Administrator seeks authority from the Council to reinstate up to 40 per cent of the relinquished posts "should the general resource position improve ... due regard being given to grade mix". According to the Administrator, "of this 40 per cent no more than 1/2 would be reinstated to handle a rise in resources from the present level of 60 per cent to 80 per cent of the originally planned programme." Developments concerning the amount of \$2.5 million for transitional measures appropriated by the Governing Council in decision 31/27 are discussed by the Administrator in paragraphs 15-17 of his report. The Administrator is requesting that the amount of \$2.5 million be made available for the entire biennium.

9. A number of other matters are discussed by the Administrator in his report, including measures taken to deal with increasing workload at headquarters (see paragraphs 33-44), the simplified form of the revised 1982-85 biennial budget estimates (paragraphs 46-53), government contributions towards local office costs (paragraphs 54-56), and the financing of OPE (paragraphs 57-61).

3/ The Advisory Committee was informed by UNDP that the reduction of 323 is actually an apparent posts approved by the Governing Council.

Staff changes from Approved 82/83 Budget
Revised 1982/83 Estimates

	AA	D2	D1	P5	P4	P3	P2/1	Sub- Total	FSL	Field Local Staff	Sub- Total	Headquarters G5 G4/3	Sub- Total	Grand Total
Division of External Relations and Governing Council Section					-1			-1				-2	-2	-3
Division of Information Resources Office					-1	-1	-1	-1				-3	-3	-4
								-2				-1	-1	-3
FIELD		-2	+5	+3	+8	-25	-10	-21	-16	-230	-246			-267
Regional Bureau for Arab States		+1	-1	-1				-1				-3	-3	-4
Regional Bureau for Africa												+2	-3	-3
Regional Bureau for Asia and the Pacific			-1					-1				+3	-4	-5
Regional Bureau for Latin America		+1	-1	-1	-1			-2				-5	-5	-7
Unit for Europe					+1			+1						+1
Division for Global and Interregional Projects					-1			-1						-1
Bureau for Programme Policy and Evaluation					-1			-1				-1	-2	-4
Technical Co-operation among Developing Countries			-1	-1	-1			-3				-1	-1	-4
Division of Finance					-1	-2		-3				-6	-6	-9
Division of Personnel							-1	-1				-1	-1	-2
Division of Management Information Services					-1	-1		-2				-2	-2	-4
Division for Administrative and Management Services							-1	-1				-2	-2	-3
Emergency Co-ordination Unit												+1	0	0
Internal Audit Staff		+1	-1	+1	-1			0				+1	+1	+1
Bureau for Special Activities/ Office of the Asst. Administrator	+1	-1		-1				-1				-1	-1	-2
TOTAL	+1	0	0	0	0	-29	-13	-41	-16	-230	-246	+6	-42	-323

Observations of the Advisory Committee

10. Since the results of the Headquarters Staffing and Field establishment surveys are the basis for many of the Administrator's proposals for the revised budget estimates, the Advisory Committee reviewed at some length document DP/1982/52 which contains the decisions of the Administrator on the recommendations of the surveys.

11. The Committee found the document on the manpower survey somewhat difficult to analyse particularly because: (a) the document does not enumerate the conclusions and recommendations of the manpower surveys, (b) it does not distinguish clearly the effect of the prospective decline in real resources for the 1982-86 programming cycle and the effect of the surveys on the revised estimates. Moreover, it duplicates in many respects the contents of document DP/1982/53 which presents the revised estimates. Upon inquiry regarding (a) above, the representatives of the Administrator informed the Committee that as the manpower surveys were not an external investigation it was concluded that only the Administrator's decisions on the recommendations and the manner of implementing them should be reflected in document DP/1982/52.

12. In connection with (b) above, the Committee notes from paragraph 1 of DP/1982/52 that the objective of "the study was to assess not only actual workloads, but also whether the work being done must be done, whether it could be done more efficiently and whether it might be better done elsewhere". Furthermore, paragraph 31 states that:

"The recommendations on staffing of UNDP seek to satisfy three major objectives: the cost-effective deployment of personnel in the existing establishment, the appropriate apportionment to non-core activities of costs incurred thereon by UNDP, and the provision of staffing sufficient in numbers and appropriate in deployment to meet the likely future demands which will be made upon UNDP."

13. The objectives of the staffing survey seem quite clear up to this point. However, by the time the surveys were under way it became obvious that there would be a decline in real resources available for programming and that such a decline, which was not foreseen when the surveys were commissioned, would have an impact on the revised estimates. Document DP/1982/52 does not show clearly whether the staff reductions recommended by the Administrator are the result of decisions on the cost-effective employment of personnel and the other changes proposed in the document, or the result of a temporary necessity imposed by the decline in real resources. The answer to this question is important because, as indicated in paragraph 35 of his report, "In order to enable UNDP to respond quickly and flexibly to an increase in programme resources above the present level, the Administrator is seeking the authority of the Governing Council to reinstate up to 40 per cent of the relinquished posts."

14. The Committee asked how many of the posts being reduced from the core establishment had been identified as unnecessary by the staffing surveys, and how many were being cut solely as the direct result of the reduced programme. It was informed that a precise breakdown could not be provided. In general, however, the Committee was given to understand that post reductions at headquarters were related to the lower forecast of resources, rather than to specific findings of the desk-to-desk survey. Proposals for reductions in the field were more closely related to the staffing surveys. In this connection, the Advisory Committee notes from paragraph 44 of DP/1982/52 that the staffing proposals for country offices were made on the assumption that all existing offices would be maintained.

15. In response to questions as to how the authority to reinstate posts would be exercised, the Committee was informed that the Administrator intended to seek the

16. The Advisory Committee notes that since posts at the higher grade levels relinquished at headquarters will be redeployed to country offices within the limits of established posts, the posts which are being released from the organization as a whole are at grade levels P-3 and below (see DP/1982/52, paragraph 47 and DP/1982/53 paragraph 21 and table in paragraph 5 above). The Committee inquired into which field offices the 16 professional posts referred to in paragraph 21 of DP/1982/53 (5 D-1, 3 P-5, 8 P-4) "have been redeployed", (see also paragraph 5 above) and was informed that the field offices have not yet been determined. The Committee notes from paragraph 20 of DP/1982/53 that the Administrator proposes to redeploy two D-2 level posts from the category "staff awaiting reassignment" to provide posts for Deputies to the Assistant Administrator in the Regional Bureau for Latin America and in the Regional Bureau for Arab States, thus creating a senior management structure in these Bureaux comparable to that in the Bureau for Africa and the Bureau for Asia and the Pacific.

17. In paragraph 19 of DP/1982/53 it is stated that the financing of the post of the Assistant Administrator in charge of the Bureau for Special Activities (BSA), together with secretarial support and related common service costs, has been regularized. These costs were previously financed by the agency support cost provision in the general resources of UNDP but it is now proposed that they be borne by the appropriation for UNDP core activities. Costs relating to other posts in the Office of the Assistant Administrator, BSA, will be financed from extrabudgetary resources derived from the funds managed by BSA. The Advisory Committee recommends acceptance of this proposal since the responsibilities of the Assistant Administrator in charge of the Bureau of Special Activities are a primary and continuing function of UNDP.

18. In paragraph 24 of DP/1982/52, the Administrator cites the need to maintain a core technical staff with "qualifications and experience in the major broad-based economic sectors". The Advisory Committee was informed that 12 such staff now exist and that it is proposed to finance these from the regular budget. Additional posts in specialized areas would be provided as necessary. These additional posts would be financed partly from the biennial budget and partly from the consultancy funds available to individual projects. According to paragraph 24, recommendations are to be made for the broad areas which might be more effectively and economically covered by staff members rather than by consultants. In noting these developments the Advisory Committee trusts that the functions of core technical staff will remain closely related to the specific needs of UNDP and will not duplicate expertise which may already be available in the executing agencies.

19. In paragraph 51 of DP/1982/52 the Administrator states his belief that "the time has come to place the financing of the diverse non-UNDP funded activities executed through UNDP's field offices on a more rational and equitable basis". To this end the Administrator intends "to embark on a series of high-level negotiations with UNDP's partners in the executing agencies and in the Governments". The Advisory Committee trusts that the results of these negotiations and any new arrangements entered into thereafter will be reflected in the proposed biennial budget for 1984-1985.

20. By January 1982, the freeze on recruitment (paragraph 7 above) had achieved, according to paragraph 11 of DP/1982/53, about 65 per cent of the required volume decrease, or 210 of the 323 posts. The Committee has been informed that by the end of April 1982, the freeze had resulted in a further 82 posts being eliminated, for a total of 292.4/ To compensate for the freeze and the fact that vacancies will not

occur in the reduced establishment, the normal 2.5 per cent vacancy factor has been eliminated from the 1982-1983 revised estimate at a cost of nearly \$4.8 million (see paragraph 7 above).

1. This information must be seen in light of the statement in paragraph 16 of the report, that the full amount of \$2,500,000, approved to pay indemnities to terminated staff, needs to be retained. It must be concluded that achieving the desired reduction entirely by attrition is not possible, and that if the full amount of 2.5 million is expended in addition to the \$4.8 million added to the budget because of the abolition of the vacancy factor, the total cost of the transition would be 7.3 million.

2. Information on the utilization of the \$2.5 million appropriation provided to the committee indicates that in the first four months of 1982 a total of 19 personnel (11 at Headquarters, eight in the field) have been terminated at a cost of \$300,000 leaving \$2.2 million of the appropriation still available.

3. Under the circumstances and in the light of the results already achieved by the freeze (see paragraph 20 above) it is entirely possible that the desired number of staff reductions can be achieved without it being necessary to spend the \$2.5 million appropriation in full and that the pace of attrition may be such as to allow an examination of the question of the reintroduction of a vacancy rate earlier than now contemplated (see paragraph 7 above).

4. The Advisory Committee therefore trusts that every effort will be made to achieve the desired staff reductions through application of the freeze and that recourse to the \$2.5 million appropriation will be had only in those cases where termination of the actual incumbent of an eliminated post is unavoidable. In this connection, and assuming the Council will have no objection to allowing the transition appropriation to be used throughout the 1982-1983 biennium (see paragraph 17 of DP/1982/53), the Advisory Committee expects to be provided at its Autumn 1982 session with information on the use of this appropriation. At the same time the Advisory Committee expects a report on the pace of attrition with a view to determining whether some vacancy factor can be restored to the budget prior to the end of the current biennium.

5. With regard to the Administrator's "anticipated success" in obtaining new or increased contributions from governments and agencies to finance posts at the country level, the Advisory Committee notes from paragraph 12 of DP/1982/53 that it is expected that concurrently with the reduction of the 323 budgetary posts, 173 new posts will be created to be financed from extrabudgetary resources.

6. The Committee notes further that a phased implementation of the establishment of the 173 posts between October 1982 and December 1983 is assumed, but that expenditures against extrabudgetary resources will be incurred only after the necessary financing has been secured. In this connection, the Committee recalls that a total of 217 "non-funded" posts were initially proposed for 1982-83 and that in the report of the Administrator on the initial estimates, it is stated that:

"No funds have been provided for this total of 217 posts. It is expected that either funding will be provided by extrabudgetary resources previously mentioned or they will be proposed to be reinstated if the field office survey shows this to be essential or they will be terminated as soon as practicable. The Administrator should be authorized to take special action as regards local staff in the form of special termination compensation to facilitate the necessary reduction of staff. (DP/548, paragraph 23)."

The Committee assumes therefore that the proposal to create 173 new extrabudgetary posts takes into account the results of the Field Office survey, and that the difference of 44 posts between the 217 "non-funded" and the 173 now proposed represents posts that have been eliminated.

27. The Committee inquired into the relation, if any, of the 173 new extrabudgetary posts to the 323 budgetary posts to be eliminated and was informed that an undetermined number of the new extrabudgetary posts may be used to accommodate staff whose regular-budget posts are being abolished. The Committee also noted that in addition to the 173 new extrabudgetary posts, 11 posts have been shifted from UNDP core activity budgetary financing to extrabudgetary financing as the result of a study on headquarters support services provided to non-core activities (see paragraph 24 of DP/1982/53 and paragraph 5 above).

28. As indicated in paragraph 10 above, the financial impact of the revised staffing structure on other objects of expenditure is discussed by the Administrator in paragraphs 25-37 of his report. The proposed net decrease for UNDP core activities between 1982-1983 appropriations and 1982-1983 revised estimates by major category of expenditure is given in paragraph 3 above, but as is indicated in paragraph 4 above, the major portion of the net decrease relates to currency and inflation adjustments. The Advisory Committee has been informed in response to inquiries that the amount which pertains to the effect of staff reductions on other objects of expenditure is \$1,529,000.

29. However, the Advisory Committee notes from paragraph 25 of the Administrator's report that the financial impact of the revised staffing structure on other objects of expenditure "cannot be estimated with any degree of accuracy, particularly as time constraints have prohibited consultation with field offices which would take into account individual field office requirements".

30. The Advisory Committee notes further that a possible offset to such savings may arise in connection with the rental of premises in New York. As indicated in paragraph 34 of DP/1982/53:

"The original biennial budget estimates for 1982-1983 (DP/548) anticipated a consolidation of outposted offices in mid-1983 to the DC I building as the UN was expected to move to the new DC II building scheduled to be ready for occupancy at that time. At this point in time, the situation concerning the office location of UNDP Headquarters activities remains unclear. However, if the units currently occupying outlying premises are to be consolidated in the DC complex, additional rental costs exceeding \$1,000,000 per annum may be involved. The Administrator will present an oral report on this issue to the ACABQ and the Governing Council during their respective reviews of the revised 1982-1983 Biennial Budget estimates."

31. The Committee was informed that the units in question will not be moved to the DC II complex, but will be consolidated elsewhere at a considerable saving compared with the DC II building. The additional rental costs referred to above are therefore no longer foreseen.

32. As noted in paragraph 38 of DP/1982/53, the Advisory Committee in paragraph 28 of its report (DP/549) on the original budget estimates for 1982-1983, recommended that the Administrator report to the Council on the specific measures which have been taken to reverse the trend of increasing administrative workload at headquarters and their impact.

33. The Advisory Committee notes from paragraph 39 of DP/1982/53 that although a number of the measures taken either result in a clearly identifiable cost reduction in the current biennium or are expected to lead to savings in the 1984-1985 biennium, a cost reduction cannot be directly estimated or calculated for most of the measures taken. According to the Administrator, "some measures have been taken to improve the quality of the services being rendered which had been considered inadequate e.g. field office security. Others, in the area of work simplification, may be said to contribute to UNDP's field office and headquarters capability of providing the same level of services as heretofore with a reduced level of staffing."

34. Among the areas where specific savings have been achieved, the Advisory Committee notes that the introduction of tight control of cable and telex traffic has resulted in an estimated decrease in costs of 15 per cent for the 1982-1983 biennium, and that this has been reflected in the revised estimates (see paragraph 42 of DP/1982/53).

35. The Committee notes from paragraph 44 (c) of the Administrator's report that it is expected that the Administrator's decision to merge the former Internal Audit Service with the Management Review and Analysis Section to form the Division of Audit and Management Review will result in an improved capability to identify overlapping of functions and in further simplification of procedures.

36. The Advisory Committee notes the steps taken to clarify and simplify the presentation of the revised budget estimates. The Committee found the tabular information to be most helpful; however, its usefulness would be increased if more attention was paid to cross-referencing tabular and textual material where appropriate. The Committee believes that the definition of terms to clarify the relationship between funds administered by UNDP and attempts to refine the identification of volume versus cost increases/(decreases) are steps in the right direction. The Committee trusts that these improvements and further refinements along the lines recommended by the Committee in the past (for example in DP/412) will be reflected in the 1984/1985 budget presentation, particularly as regards a precise explanation and justification of any increases which may be requested.

Other matters

37. As noted above, the Committee also had before it reports by the Administrator on 1980-81 programme support and administrative services expenditures (DP/1982/51) and on actions taken to implement decision 81/28 in respect of trust funds (DP/1982/57). As concerns DP/1981/51, which has been prepared in response to Governing Council decision 81/26 (Paragraph 2), the Committee notes that in 1980-81 expenditures on programme support and administrative services were \$3.2 million less than the appropriation. The main reasons given by the Administrator are the effects of currency

and inflation and a higher than expected vacancy rate, partially offset by a shortfall in income caused by the change to a cash basis in the accounting for Government contributions towards local office costs.

38. In document DP/1982/57, the Administrator summarizes actions taken in response to operative paragraphs 3, 4 and 5 of Governing Council decision 81/28. The Committee notes that for the reasons given in paragraph 2 of his report, the Administrator is not, at this time, submitting annexes to the UNDP financial regulations for funds administered by UNDP. These annexes, when completed, are to be reviewed by the Advisory Committee before submission to the Council.

39. The Committee notes the information contained in Annex III to the report concerning trust funds established by the Administrator. Regulation 5.1 of the new UNDP financial regulations provides that trust funds established by the Administrator shall be reported in detail to the Governing Council through the Advisory Committee.

Conclusion

40. Bearing in mind its observations in the paragraphs above and subject to paragraphs 5 and 18 of its report on the UNFPA budget estimates in document DP/1982/26 the Advisory Committee recommends that the Governing Council approve the draft appropriations resolution for the revised 1982-83 biennial budget proposed by the Administrator in document DP/1982/53.

