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Twenty-ninth session
June 1982

DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Finn Norman Christensen (Denmark)

ANNEX

SUMMARY OF INTRODUCTORY STATEMENT TO
BUDGETARY AND FINANCE COMMITTEE BY
THE DEPUTY ADMINISTRATOR

1. In his opening statement to the Budgetary and Finance Committee of the twenty-ninth session of the UNDP Governing Council, the Deputy Administrator referred first to the performance of the Programme during 1981 in the context of an overview of the entire second programming cycle, 1977-1981. He highlighted the fact that income received for the main Programme, consisting of voluntary contributions, voluntary programme costs and miscellaneous income, amounted to \$3,397 million, which represented 98 per cent of the resource target established for the cycle. He emphasized the fact that the favourable trend in income, which had brought about a substantial increase in income from 1977 to 1979, had ceased beginning in 1980. Income in 1981 was lower than income in 1980, marking the first time in the history of UNDP that voluntary contributions to the Programme had decreased in comparison with the previous year. In expenditure terms, it was possible to build up programme delivery from a low of \$294 million in 1977 to a high of \$656 million in 1981. Total expenditure for the Programme during the cycle amounted to \$2,397 million, representing 97 per cent of the adjusted indicative planning figures (IPFs). During the second cycle, the Operational Reserve had been increased and replenished with full liquid assets.

2. The Deputy Administrator then turned more specifically to financial activities in 1981. Total income for the year amounted to \$804 million, which was substantially below the forecast given to the Governing Council a year earlier. He indicated that one of the most important elements which had affected the level of contributions was the strengthening of the dollar, for this had eroded the value of many pledges in US dollar terms. He also referred to the fact that an anticipated major pledge, included in the forecast prepared for 1980, had not materialized. Therefore, total pledges for 1981 of \$674 million represented a decrease of 6 per cent compared to the 1980 pledges. He referred in some detail to the impact which exchange rate fluctuations could have on UNDP resources. First, the value of contributions might change substantially between the time a pledge was made and the time it was actually paid. Second, after contributions had been received, exchange rate fluctuations could seriously affect the value of the currencies being held by UNDP. He went on to say that gains and losses on UNDP holdings during the cycle had almost cancelled each other out, resulting in a net loss of \$0.3 million.

3. The Deputy Administrator then provided data on programme expenditures, which had continued to grow during 1981. The \$656 million expenditure represented a 9.7 per cent increase over the previous year. The forecast of the financial situation of UNDP for the next two years, he said, presented an unfavourable picture. The conclusion had been reached that, if the present resources outlook continued, it would not be possible to deliver expenditures of more than 60 per cent of the illustrative IPFs for the third cycle. He highlighted the fact that, in the face of a sharp curtailment in delivery, the ability of the agencies to continue to provide the necessary services and maintain their existing infrastructure would be seriously impaired.

4. The Deputy Administrator stated that the need to reduce the administrative and support costs of the Programme were evident. The study of UNDP staffing needs was intended to respond to the changing conditions of UNDP. He assured the Committee that the survey attempted to establish the staffing requirements of UNDP on the basis of the workload in individual field offices. He explained that the proposed reductions in staffing requirements and costs were reflected in the revised UNDP biennial budget for 1982-1983.

5. The Deputy Administrator discussed in some detail the methodology used for the study, which was the methodology previously used by the United Nations for determining extrabudgetary resources. The Deputy Administrator then emphasized that the revised biennial budget, which was based upon the results of the staffing surveys, represented a net decrease of 5 per cent compared with the level of appropriations approved by the Governing Council in 1981.
