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DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

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CHAPTER X

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

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1. Under item 6 (b), (v) and (vi) of the Council's agenda, the Committee had before it the following documents:

- (a) Budget estimates for UNFPA administrative and programme support services for the year 1983 and supplementary appropriations for the year 1982 (DP/1982/25);
- (b) Report of the Advisory Committee on Administrative and Budgetary Questions on the UNFPA budget estimates for 1983 and supplementary appropriations for 1982 (DP/1982/26);
- (c) The UNFPA audit reports (DP/1982/27); and
- (d) Report of the Executive Director on plans in regard to submitting biennial budget estimates (DP/1982/31).

2. Prior to the introductory statement of the Executive Director of UNFPA on the above-mentioned subitems, the Assistant Administrator, UNDP, Bureau for Finance and Administration, made a brief intervention on the matter of the UNFPA subvention to UNDP. The Assistant Administrator explained that, since he had first brought the matter to the Committee's attention when introducing the UNDP budget for 1982-1983 (DP/1982/53), agreement had been reached between UNDP and UNFPA on the level of reimbursement to UNDP for administrative support services to be rendered to UNFPA during 1982 and 1983. He indicated that the main points of the agreement were the following:

- (a) UNDP and UNFPA agreed on the methodology to be used;
- (b) The results of a validation study would be made available in late 1982 and would form the exclusive base for the level of compensation in 1984-1985;
- (c) UNDP agreed to a reduced compensation for 1982-1983 of \$2,660,000, compared with an original amount of \$2,981,000. The difference of \$321,000 would be absorbed by UNDP through budget-tightening measures;
- (d) UNFPA had expressed the desire to take over the administrative arrangements for travel as of 1 January 1983, to which UNDP had agreed, with compensation for services rendered for 1983 to be adjusted accordingly;
- (e) UNDP and UNFPA agreed that if UNFPA wished to take over further services, UNFPA would give UNDP not less than one year's notice.

The Assistant Administrator indicated that UNDP saw the agreement as a sound and positive basis for future administrative co-operation between the two organizations.

In introducing the UNFPA subitems, the Executive Director reported that the Fund continued to be financially and managerially sound. The Operational Reserve of 20 million, he said, was intact and it was his intention that UNFPA add \$1 million

to the Reserve in 1982, with the goal of reaching the target set by the Governing Council that the Operational Reserve attain the level of 25 per cent of the estimated contributions, this level to be reached preferably not later than the end of 1989.

4. The Fund had had no cash flow problems in the first six months of 1982 and did not expect any for the remainder of the year. In this regard, the Executive Director thanked donor Governments for their response to his pleas for the early and timely payment of their pledges.

5. For the second year in succession, he was requesting no new posts. The Executive Director reported his intention, as reported to the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to undertake in 1983 a complete review of the staffing pattern and manpower needs of UNFPA. He also indicated that the issue of regularizing the positions of UNFPA field staff, particularly in the light of difficulties experienced in the rotation of staff between field and headquarters under the present arrangements, was one that he was seriously considering and that he would submit to the Council any proposals for changes in the current system.

6. The Executive Director called the Committee's attention to his proposals for the reclassification of three professional posts, and noted that ACABQ had indicated that it had no objections to the proposed reclassifications.

7. Turning to the annual payment made by UNFPA to UNDP for administrative support services rendered by UNDP to UNFPA at headquarters in the areas of finance, personnel, administrative management and management information, the Executive Director noted that this subvention payment had been adjusted by mutual agreement from year-to-year to take into account increasing costs due to volume of work, salary increases and inflation. He reported that \$570,820 had been appropriated for 1981 and a further \$170,749 was being requested as a supplementary appropriation.

8. The Executive Director indicated that in late 1981 UNDP had carried out a detailed study to determine more precisely the costs of providing the services it was rendering to UNFPA. The study followed the methodology established by agreement between the United Nations and UNDP and subsequently accepted by ACABQ at the time when a new formula for the allocation of the costs of services between the United Nations and UNDP was being determined. UNDP had reached the conclusion in its study that the cost of providing services to UNFPA for the biennium 1980-1981 was \$2,257,270, compared with the amount of \$1,200,769 paid and payable by UNFPA for the two-year period. For the biennium 1982-1983, UNDP estimated the cost of providing services to UNFPA at \$2,981,650.

9. The Executive Director explained that, at the time the UNFPA budget for 1983 and the supplementary budget for 1982 were being prepared, discussions were taking place with UNDP on the amounts estimated as the costs of providing its services to UNFPA in 1982 and 1983. These discussions, he said, had not been completed when ACABQ considered the budgets of the two organizations in May of 1982. ACABQ, therefore, had decided that there was a need for further negotiations between the two organizations. The Executive Director noted that, based on these further discussions, a constructive agreement had been reached on the amount of subvention, the methodology for future assessment and the procedure to be followed concerning any changes in the scope of services provided.
10. On a net basis, the 1983 UNFPA budget estimates for administrative and programme support services amounted to \$11,171,573, which constituted a net increase of \$1,825,994 over 1982 appropriations. After taking into account the supplementary appropriation of \$708,017 recommended by ACABQ, and the additional subvention agreed upon by UNDP and UNFPA, the increase in the proposed 1983 budget over the 1982 budget totalled only \$451,587, or 4.2 per cent.
11. The estimated 1983 administrative and programme support costs represented 7.5 per cent of the total anticipated 1983 resources of \$149 million. Including \$4.8 million for the costs of the field offices, the total would be a relatively low 10.7 per cent of anticipated income.
12. A supplementary appropriation of \$1,374,407 was being requested to cover reimbursement to the United Nations for payments made on behalf of UNFPA to staff members entitled to income tax reimbursement accrued over prior years, during which insufficient amounts had been appropriated, and the additional agreed-upon amounts of UNFPA subvention to UNDP for the years 1981 and 1982.
13. Turning to the question of the Fund's plans in regard to submitting a biennial budget, the Executive Director said that he foresaw some problems in converting to a biennial budget system, particularly in regard to forecasting income, and expressed his preference that UNFPA remain on an annual budget cycle. However, if the biennial cycle were preferred, he did not anticipate any major difficulties in converting to such a system provided that there was a measure of flexibility.

Summary of the Discussion in the Committee

14. Members of the Committee thanked the Executive Director for his presentation of the items before the Committee relating to UNFPA. Many members welcomed the newly reached agreement concerning the UNFPA subvention to UNDP for 1982 and 1983 for the services rendered by UNDP for UNFPA. Some members pointed out that the agreement underlined the continuing close working relationship of the two organizations. Several, however, expressed unease and concern with provisions (d) and (e) of the

agreement as summarized by the Assistant Administrator of UNDP. A number of members were particularly concerned that these provisions might represent or be interpreted as a movement away from the central technical assistance co-ordinating role of UNDP within the United Nations development system. Some members were also concerned that the provisions might result in the duplication of functions within the United Nations system. Some also questioned whether the two organizations should enter into such provisions without Governing Council approval. With regard to the proposed transfer of travel functions from UNDP to UNFPA as of 1 January 1983, many members indicated the need for an a priori justification to the Council that such a transfer would be efficient and cost-effective and that its policy implications could be shown to be consistent with the central co-ordinating role of UNDP for technical assistance within the United Nations development system.

15. Many members supported the proposal of one member that the Executive Director, following an in-depth joint review with UNDP of the administrative services provided to UNFPA under the subvention, report to the Council through ACABQ at its thirtieth session on the results of this review.

16. Many members expressed their approval of both the UNFPA budget estimates for administrative and programme support services for 1983 and the request for supplementary appropriations for 1982. One member suggested that for comparison purposes, figures for the preceding year should be included in the Manning tables of future budget documents. Another member requested information regarding the request for supplementary appropriations for reimbursement to the United Nations for payments made to UNFPA staff members entitled to national income tax reimbursement. Several members expressed surprise at the large, abrupt increase in the amount of the subvention requested by UNDP for services rendered on behalf of UNFPA for 1982 and 1983 and requested an explanation. One member stated his agreement with the view of ACABQ, namely, that the emphasis in the programme narrative of the budget document should be shifted from a description of organizational structure to the provision of more information, for example, on the redeployment of posts between programmes.

17. One member stated that his Government had undertaken an in-depth internal evaluation of UNFPA which indicated that the Fund was operating satisfactorily and was utilizing its resources in an effective way. A few members expressed concern at the growth they perceived in the UNFPA administrative budget, while others noted that most of the increases were due to inflationary factors and statutory requirements. One member pointed out that in the case of all voluntary funds, if contributions did not at least keep pace with inflation and expanding programming needs, the ratio of administrative costs - many of which were fixed - to programme costs was bound to

increase. One member expressed the view that, in spite of the increasing administrative budget of UNFPA, it still has one of the lowest administrative costs among United Nations organizations.

18. Many members expressed their appreciation for the Executive Director's restraint in requesting no new posts for 1983. They requested that he observe similar restraint in his 1983-1984 requests. Members indicated their approval of the three proposed reclassifications - two from P-4 to P-5 and one from P-5 to D-1 - and indicated that since ACABQ had no objections to the proposed reclassifications, they would have no objections. One member, however, expressed serious doubts about the appropriateness of approving the reclassifications at this time and suggested that the proposed reclassifications be deferred until the Council's thirtieth session, when they could be considered in conjunction with the Council's review of the results of the comprehensive staffing survey which the Executive Director had indicated he would undertake.

19. Some members said that the UNFPA field staff should be strengthened and one member indicated that most UNFPA Deputy Representatives should be located in priority countries. Another member had questions concerning the system of grading of the posts of UNFPA Deputy Representatives. Another, perceiving an over-all erosion of assistance to developing countries in the Caribbean, expressed concern with the UNFPA decision to discontinue the UNFPA Deputy Representative in her country.

20. While a few members expressed preference for an annual UNFPA budget submission, noting that it would be difficult for a voluntary fund such as UNFPA to forecast income more than two years in advance, most members favoured adoption by UNFPA of a biennial budget presentation beginning with the biennium 1984-1985, in order that the budget cycle of UNFPA might conform to those of the United Nations, UNDP and other United Nations bodies.

Response of the Administration

21. In responding to the questions and to the concerns expressed by the Committee in regard to points (d) and (e) of the recent agreement between UNDP and UNFPA in regard to the UNFPA subvention to UNDP as summarized in the UNDP Assistant Administrator's statement, the Executive Director stated that UNFPA had no desire to deviate from the principle of continuing and close collaboration with UNDP. The Executive Director pointed out that the agreement related only to headquarters' functions and that, in the field, UNFPA Deputy Representatives were located in the offices of the UNDP Resident Representatives, who were also the representatives of UNFPA. The Executive Director also pointed out that the agreement had been entered

into with a view to achieving greater efficiency and economy in the provision of some administrative services, such as travel. The Executive Director accepted the suggestion of a number of members that the matter be reconsidered and further studied before any changes in the arrangements for administrative support services were proposed. Any such proposals would be submitted to the Governing Council through ACABQ and points (d) and (e) of the agreement as summarized by the Administrator would be regarded as inoperative until the Council had considered the subject again. He indicated that the Fund would work closely with UNDP, jointly reviewing each of the various components of the support services provided by UNDP to UNFPA with a view to further improving the efficiency and cost-effectiveness of such services. The review would also address the policy questions involved in the matter. He said that UNFPA and UNDP would report to the Council at its next session on the results of the joint review.

22. On the matter of deployment of field staff, the Executive Director explained that the nature of population programming requires that there be sufficient flexibility. In general, the assignment of field staff depended on the scope and complexity of the programmes. Since UNFPA Deputy Representatives sometimes serviced several countries, they would be assigned to those countries where communication facilities allowed them to best service all the countries under their responsibility. In response to the member who had expressed concern regarding the proposed discontinuance of the UNFPA Deputy Representative in her country, in view of the needs in her region, the Executive Director explained that the question of redeployment of field staff was still under review. Until that review was completed, the UNFPA Deputy Representative would remain in his current post.

Recommendation of the Committee

23. The Committee recommends that:

The Governing Council,

Having considered the budget estimates for UNFPA administrative and programme support services for the year 1983 and supplementary appropriations for the year 1982 (DP/1982/25), together with the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1982/26), the report of the Executive Director on plans in regard to submitting biennial budget estimates (DP/1982/31), and the audit reports of the participating and executing agencies relating to funds allocated to them by the UNFPA (DP/1982/27), and having taken into account the views and comments of members thereon,

(a) Approve supplementary appropriations in the amount of \$1,374,407 as submitted in document DP/1982/25 and amended by the agreement between UNFPA and UNDP regarding the administrative support services provided by UNDP to UNFPA, to be

allocated from UNFPA resources to finance the increased requirements for national income tax reimbursement related to earnings during the previous fiscal years and to finance the increased amount requested by UNDP for providing support services to UNFPA for 1981 and 1982;

(b) Approve appropriations in the amount of \$11,171,573 as recommended in document DP/1982/25 and amended by the agreement between UNFPA and UNDP, to be allocated from the resources of the Fund to finance the 1983 administrative and programme support services budget, including the reclassification of two posts from the P-4 to the P-5 level and one post from the P-5 to the D-1 level, as follows:

<u>Programme</u>	<u>US dollars</u>
Executive direction and management	1 403 639
Administrative and information support services	3 593 878
Programme planning, appraisal and monitoring	<u>6 174 056</u>
Total net	<u>11 171 573</u>

(c) Request the Executive Director to submit to the Governing Council at its thirtieth session biennial budget estimates for administrative and programme support services for the biennium 1984-1985 of the budgetary cycle of the United Nations Development Programme and funds administered by the Programme, together with proposed amendments to the UNFPA Financial Regulations and Rules;

(d) Take note of the Executive Director's statement that if, after consultations with UNDP, any changes in the existing arrangements between UNFPA and UNDP for administrative support services proved to be necessary, these will be submitted to the Governing Council through ACABQ, and further request that any such proposals shall be worked out jointly with UNDP with a view to achieving optimum efficiency and cost-effectiveness, consistent with established policy in regard to the co-operation between UNDP and UNFPA;

(e) Take note of the intention of the Executive Director to submit to the Governing Council a report on his review of the staffing pattern and manpower requirements of UNFPA including a review of the UNFPA field service;

(f) Take note of the audit reports of the participating and executing agencies relating to funds allocated to them by UNFPA as at 31 December 1980;

(g) Agree that the Executive Director shall be authorized to transfer credits between programmes of the approved 1982 and 1983 budgets within reasonable limits, with the concurrence of ACABQ.