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## DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Finn Norman Christensen (Denmark)

### CHAPTER IV

#### PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES BUDGET

1982-1983

1. For its consideration of items 7 (b) and 7 (c) of the Council's agenda, the Budgetary and Finance Committee had the following documents before it:

(a) The report of the Administrator on the 1980-1981 expenditures under the programme support and administrative services budget (DP/1982/51);

(b) The Administrator's report on the headquarters staffing and field establishment surveys (DP/1982/52);

(c) The Administrator's report on revised budget estimates for the biennium 1982-1983 (DP/1982/53);

(d) A note by the Administrator transmitting the comment of the Advisory Committee on Administrative and Budgetary questions on the revised budget estimates for the biennium 1982-1983 (DP/1982/54).

2. In his introduction, the Assistant Administrator, Bureau for Finance and Administration, informed the Committee that, in spite of the shortfall in Government local office cost contributions, the Administrator was pleased to report a net savings of \$3.2 million in respect of 1980-1981, an amount which was thus available for programming purposes. He further stated that of the \$11.3 million savings on expenditure, about one-half was due to currency fluctuations, while the balance resulted from specific efforts taken by the Administrator to reduce administrative costs.

3. With regard to the revised estimates for 1982-1983, the Assistant Administrator said that these were based mainly on the results of the headquarters and field office staffing surveys. These surveys, which had been conducted over a number of years, had been undertaken: (a) to ensure that only essential tasks are performed and that these are performed in the most efficient manner; (b) to review the effects, particularly on field offices, of the redistribution of indicative planning figures (IPFs) subsequent to Governing Council's decision 80/30; and (c) to take into account the reduced delivery which is currently expected. These three aspects of the staffing review were fully integrated so that it was not possible, as observed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to separate the proposed staff reductions attributable to the review of the working of UNDP from those attributable to reduced programme delivery. The Assistant Administrator stated that a basic premise set by the Administrator was that no field office should be closed. This decision had been taken for several reasons, including (a) the UNDP field office served a function beyond the needs of IPF-funded activities in terms of its representation of the United Nations development system; and (b) the principle of the universality of UNDP would be impaired by a selective closing of some field offices.

4. The Assistant Administrator stated that the revised staffing proposals were designed to handle UNDP core activities, that is, the IPF programme plus cost sharing amounting up to 25 per cent of individual IPFs. The staff needed to support additional activities, such as cost-sharing activities exceeding 25 per cent of individual IPFs, would be financed by extrabudgetary resources. In the field, it was currently estimated that 17 professional and 156 local posts might be established on an extrabudgetary basis. Additionally, the field survey concluded that a significant amount of work was being performed on behalf of other entities of the United Nations system. The Administrator was therefore proposing to consult these entities with a view to obtaining compensation for such work. With regard to headquarters, four professional and seven general service posts had been transferred from the biennial budget to extrabudgetary financing following a study of the support services provided by UNDP central services to entities such as the Office of Project Execution (OPE), the United Nations Capital Development Fund (UNCDF), the United Nations Sudano-Sahelian Office (UNSO) and the United Nations Fund for Population Activities (UNFPA). The study had been conducted using the same methodology, endorsed by ACABQ, as that used by the United Nations in charging for services rendered to UNDP. The methodology was based on detailed workload measurements in all servicing units.

5. As a result of the staffing reviews, the Administrator had proposed a total reduction of 323 posts for UNDP core activities in the biennial budget. As these reductions were in part due to decreased delivery, the Administrator was requesting authority to reinstate, with the prior concurrence of ACABQ, up to 40 per cent of the now abolished posts, should central resources increase significantly.

6. With regard to the revised estimates, the Assistant Administrator explained that these were calculated on the theoretical assumption that the new and lower staffing figures had come into effect on 1 January 1982. As of that date, not only did UNDP still have a significant number of staff on board above the reduced complement, but also the kinds of staff in excess were those in the most costly categories, i.e. professional staff, headquarters general service staff and local staff in the more costly regions. When expressed in monetary terms, therefore, the excess was significant.

7. The Assistant Administrator set forth the actions planned by the administration to solve this problem during the course of the biennium. These included continuation of the recruitment freeze so that excess costs in the beginning of the biennium would be offset by savings towards its end. Over the two-year period, the total number of staff was expected to equal, on average, the full complement of staff proposed in document DP/1982/53. The Administrator, therefore, did not expect the staff vacancy factor to exist in 1982-1983. One means of achieving a reduction in staff was the termination of staff, if possible in agreement with the staff members concerned. For this purpose, in its decision 81/27 the Governing Council had appropriated \$2.5 million, of which \$0.3 million had been used during the first four months of 1982. The Administrator had requested, and ACABQ concurred, that the authority to use these funds be extended to the entire biennium. The Administrator would be pleased to report to ACABQ, late in 1982 as requested by that Committee, on the progress made on staff reductions and the utilization of the \$2.5 million appropriation.

8. Turning to the cost effect of the staff reduction proposed, including the short-term consequences of these reductions on other expenditure categories, the Assistant Administrator stated that this entailed a savings of \$10.6 million. However, while the 1982-1983 budget as originally presented assumed a vacancy ratio of 2.5 per cent, this vacancy ratio would not occur within the reduced staffing complement. The assumption of a zero per cent vacancy ratio entailed an increase in funds of \$4.9 million. He also noted that various measures had been taken to improve administrative efficiency, particularly in the areas of communications and computer operations.

9. With regard to office space for UNDP headquarters and the possible additional cost of some \$1 million per annum if UNDP were to consolidate office space in the DC complex, he advised the Committee that the Administrator had identified an alternative where the additional rental would be fairly marginal, thus avoiding extra expenditure of \$10-14 million over the 15-year period of the lease.
10. The Assistant Administrator then referred to the outstanding issue concerning the level of reimbursement by UNFPA of services rendered by UNDP and stated that he would try to find a common solution with UNFPA and report thereon to the Committee. Additionally he requested a special separate discussion on the level of contributions from the United Nations Environment Programme (UNEP) to the UNSO-UNDP/UNEP joint venture (institutional support).
11. Finally, the Assistant Administrator expressed his pleasure regarding the comments made by ACABQ concerning the efforts of UNDP to improve the format of the budget presentation and said that he would be grateful for any further suggestions in this regard from the members of the Committee.

A. General Observations

Summary of the discussions in the Committee

12. The majority of the members of the Committee commended the Administrator for his quick action in bringing expenditures in line with resources and for his proposals on staff reductions. Several members also stated that they were pleased with the clarity and format of the presentation of the budget. Some then expressed appreciation for the measures taken by the Administrator to reverse the trend of increasing administrative workload at headquarters and stated that such measures should continue to be taken and further efficiencies sought.
13. Many members agreed with the observations in paragraph 14 of the ACABQ report (DP/1982/54) and expressed concern that the administration could not provide a precise breakdown of the staffing reductions in terms of the number of posts identified as unnecessary due to rationalization of work and the number being reduced as a result of the anticipated decline in programme delivery.
14. A few members, while expressing appreciation for the staff reductions proposed, stated that, in their view, more reductions should be achieved. Several members expressed concern that the proposed reductions were greater in the field than at headquarters. With regard to the extrabudgetary posts indicated in the revised estimates, several members questioned whether there was a link between the creation of these posts and the proposed reduction of budgetary posts. One member asked what the impact of the proposed reduction of posts at grade levels P-3 and below was on the grade structure of UNDP. Another member requested an explanation as to why

the Administrator had redeployed two D-2 posts to headquarters. Yet another member requested the Administration to provide a reconciliation of the revised staffing proposals as indicated in Table 1 (page 4 of document DP/1982/52) and the grand total of Table 9 (page 58 of document DP/1982/53).

15. Several members supported the Administrator's decision not to close any field offices, stating that they considered UNDP field offices a valuable asset which should not be eroded. One member expressed the view that this was a policy matter which should be decided upon by the Governing Council. Another stated that the objective should be to achieve a reduction not in the number of field offices, but rather in the staffing of individual field offices. In this regard, however, some members felt that a degree of regionalization might be desirable, that is, that a single regional field office might provide services for a number of countries.

16. With reference to the maintenance of technical and sectoral capacity in UNDP through a core staff of specialists, several members stated that they agreed with the observations in paragraph 18 of the ACABQ (DP/1982/54) that such capacity should relate closely to the specific needs of UNDP and not duplicate expertise already available in the executing agencies.

17. One member hoped that the full amount of \$2.5 million appropriated for transitional measures would not need to be utilized and requested that a report on the use of this appropriation be presented to the Committee at the thirtieth session of the Governing Council, as had also been requested by ACABQ in paragraph 24 of document DP/1982/54.

18. One member stated that he was pleased at the under-expenditure of \$3.2 million realized for the biennium 1980-1981. Another member, in reference to the change from an accrual to a cash basis of accounting for Government contributions to local office costs, inquired as to the implications of this change in terms of ensuring that contributions towards local office costs were collected.

#### Response of the Administration

19. The Assistant Administrator, in relation to the concerns expressed by members that the proposed reduction in posts was greater in the field than at headquarters, explained that, although this was true in terms of the absolute number of posts, it was not so when the reductions were viewed in terms of the percentage reduction relating to each category of posts. He provided the following breakdown of the Administrator's proposed reduction: headquarters professional posts, 9.0 per cent; headquarters general service posts, 10 per cent; field international posts, 7.4 per cent; field local posts, 7.5 per cent.

20. The Assistant Administrator then explained that there was no direct link between extrabudgetary posts and the reduction in budgetary posts with regard to posts in the field. The figure of 173 extrabudgetary posts indicated in document DP/1983/53 was only an estimate of field office support requirements related to projected cost-sharing activities above 25 per cent of the IPF; these posts would not materialize if the financing for them were not forthcoming. There was a direct link, however, with respect to the headquarters extrabudgetary posts. As stated in paragraph 24 of document DP/1982/55, four professional and seven general service posts had been transferred from budgetary to extrabudgetary financing following the study conducted on the support services provided by UNDP central services to other entities.

21. In response to the query on the impact of the proposed post reduction on the grade structure of UNDP, the Assistant Administrator stated that an analysis of the professional staffing structure of UNDP over the last ten years indicated remarkable stability, the average grade ranging from P-4.0 to P-4.4. The current average grade was P-4.2.

22. With regard to the two D-2 posts redeployed to headquarters, the Assistant Administrator explained that the absence of these posts had created serious management difficulties for the two Regional Bureaux concerned. A critical part of the tasks of the Bureaux was for the Assistant Administrator or his deputy to undertake extensive travel to the field for monitoring purposes as well as for discussions with Governments. Under the previous staffing structure, either this aspect of the work or the operation of the Bureaux at headquarters had suffered.

23. The reconciliation of revised staffing proposals between Table 1 of document DP/1982/52 Table 1:

International staff	742
General Service/local staff	<u>3 306</u>
	4 128

Add the following units not covered by the  
staffing reviews:

IAPSU (Table 9, p.55)	9	
OPE (Table 9, p.56)	67	
UNRFNRE (Table 9, p.56)	14	
UNSO (Table 9, p.57)	23	
UNDP/UNEP joint venture (Table 9, p.57)	<u>14</u>	<u>127</u>
GRAND TOTAL Table 9 (p.58)		<u>4 255</u>

24. With regard to the change in accounting for Government contributions to local office costs from an accrual to a cash basis, the Assistant Administrator stated that he did not expect this change to result, in itself, in improved collection. The purpose of the change was two-fold: (a) to provide more realistic income estimates and accounting treatment for the biennial budget; and (b) to put this contribution on the same basis as is used for all other contributions to UNDP.

Report by the Administration on the question  
of UNFPA reimbursement to UNDP for services rendered

25. The Assistant Administrator, referring to the issue raised in his introductory remarks concerning reimbursement by UNFPA to UNDP for services rendered, expressed his pleasure in being able to report to the Committee that UNDP and UNFPA had now reached an understanding on this issue. The main points of the agreement were as follows:

(a) UNDP and UNFPA agreed on the methodology to be used;

(b) A validation of the study made in 1981 would be done in the fall of 1982 and the results of this study would form the exclusive base for 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. UNDP agreed to this request and the compensation for services rendered for 1983 would be adjusted accordingly;

(e) UNDP and UNFPA agreed that if UNFPA wished to take over further services, UNFPA should give UNDP not less than one year's notice.

The Assistant Administrator stated that in his view this agreement formed a sound and positive basis for the future administrative co-operation between the two organizations.

26. Following discussion in the Committee of the UNFPA budget, the Executive Director of UNFPA declared that points (d) and (e) in paragraph 25 above should be considered not in effect. The UNDP Administration concurred.

Recommendation of the Committee

27. The Committee recommends that:

The Governing Council,

Having considered the 1982-1983 biennial budget estimates of the United Nations Development Programme and the funds administered by the Programme (DP/1983/53),

1. Take note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1982/54);
2. Approve revised appropriations in an amount of \$US 524,966,300 gross to be allocated from the resources indicated in paragraph 4 below to finance the 1982-1983 biennial budget;
3. Resolve that the income estimates in an amount of \$US 72,422,300 shall be used to offset the gross appropriations, resulting in net appropriations of \$US 252,544,000 as indicated in paragraph 4 below;
4. Further approve appropriations of \$US 1.9 million from the resources of the United Nations Sudano Sahelian Office (UNSO) as the amount to be reimbursed to the Office for Project Execution (OPE) in respect of the execution of UNSO funded projects, which amount is included as part of the \$US 14,401,800 estimated income in respect of OPE and the Inter-Agency Procurement Services Unit (IAPSU) as indicated below, pending further review by the Governing Council at its next session;

1982-1983 biennial budget

	<u>Gross</u> <u>appropriations</u>	<u>Estimated</u> <u>income</u> (US dollars)	<u>Net</u> <u>appropriations</u>
<u>Resources of UNDP</u>			
(i) UNDP core activities	287 791 400	54 450 500	233 360 900
(ii) Transitional measures	2 500 000	-	2 500 000
(iii) OPE and IAPSU	14 401 800	14 401 800 a/	-
(iv) United Nations Volunteers (UNV)	5 925 900	858 100	5 067 800
(v) UNSO-UNDP/UNEP joint venture (institutional support)	2 395 300	1 459 800 b/	925 500
Total UNDP	315 014 400	71 160 200	241 854 200

a/ Including (i) reimbursement of \$US 1.6 million for IAPSU from the agency support costs provision within the general resources of UNDP and (b) estimated support costs reimbursements to OPE of \$US 7.7 million in respect of UNDP-funded activities; \$US 1.7 million in respect of UNCDF-funded activities and \$US 1.9 million in respect of UNSO-funded activities. Balance of income of \$US 1.5 million relates to staff assessment.

b/ Including UNEP one-half share of the cost of the joint venture (institutional support).



1982-1983 biennial budget (continued)

Resources of UNCDF

United Nations Capital Development Fund	4 990 200	540 900	4 449 300
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Resources of UNRFNRE

United Nations Revolving Fund for Natural Resources Exploration	3 514 400	309 100	3 205 300
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Resources of UNSO

United Nations Sudano Sahelian Office	<u>3 447 300</u>	<u>412 100</u>	<u>3 035 200</u>
<u>Total appropriations</u>	<u>324 965 300</u>	<u>72 422 300</u>	<u>252 544 000</u>
	=====	=====	=====

5. Amend paragraph 5 of its decision 81/27 to authorize the Administrator to use the funds appropriated for "Transitional measures", for the purposes as originally envisaged, during the course of the 1982-1983 biennium.

6. Authorize the Administrator to exceed the gross appropriations approved for OPE to the extent that such an increase is offset by increased support cost income and further authorize the Administrator to maintain the gross expenditure level of OPE as appropriated under paragraph 4 above, provided that the expenditure level does not exceed 13 per cent of the OPE total project delivery.

