



**United Nations
Development Programme**

Distr.
GENERAL

DP/1983/45
19 May 1983

ORIGINAL: ENGLISH

GOVERNING COUNCIL
Thirtieth session
June 1983
Agenda items 7(b) and (c)

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

**REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1982-1983
AND BUDGET ESTIMATES FOR THE BIENNIUM 1984-1985**

TRUST FUNDS NEWLY ESTABLISHED BY THE ADMINISTRATOR

**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 budget estimates for the biennium 1982-1983 and budget estimates for the biennium 1984-1985. The report also contains the Committee's comments on trust funds newly established by the Administrator.

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS
REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1982-1983
AND BUDGET ESTIMATES FOR THE BIENNIUM 1984-1985

Report of the Advisory Committee on Administrative
and Budgetary Questions

1. As provided for in regulation 9.5 of the Financial Regulations of United Nations Development Programme (UNDP), the Advisory Committee on Administrative and Budgetary Questions has considered revised budget estimates for 1982-1983 and budget estimates for 1984-1985, both of which are contained in document DP/1983/44 and Corr.1. The Committee also had before it a note by the Administrator on the operational implications for UNDP of paragraph 1 of Governing Council Decision 81/26 (DP/1983/46) and a report on trust funds established by the Administrator (DP/1983/49).

Revised budget estimates for 1982-1983

2. As indicated in paragraph 21 of DP/1983/44 the original 1982-1983 budget approved by the Governing Council in its decision 81/27 amounted to \$339 million gross (\$263 million net). At its twenty-ninth session the Council approved revised estimates amounting to \$325 million gross (\$253 million net). For the reasons described in paragraphs 22-25 the Administrator now proposes to further revise the 1982-1983 budget to \$301,134,100 gross (\$238,215,900 net), representing a decrease of \$23,832,200 (gross) and \$14,328,100 (net) compared with the currently approved appropriations.

3. Core activities account for \$21.7 million gross (\$12.9 million net) of the decrease; the amount for transitional measures has been decreased by \$1 million for the reasons given in paragraph 17 of DP/1983/44. The remainder of the decrease, approximately \$1.1 million gross (\$400,000 net) is mainly attributable to the Office for Projects Execution (OPE), the Inter-Agency Procurement Services Unit (IAPSU), the United Nations Volunteers (UNV) and the joint venture of the United Nations Sudano-Sahelian Office-UNDP/United Nations Environment Programme; net decreases in estimates for the United Nations Capital Development Fund (UNCDF) and the Revolving Fund for Natural Resources Exploration (UNRFNRE) are nearly offset by a projected increase in estimates for UNSO (see table 1 of document DP/1983/44).

4. The Committee notes from table 5 of document DP/1983/44 that an amount of \$400,000 is shown as an estimate of income from the United Nations Joint Staff Pension Fund for 1982-1983 (a similar amount is shown for 1984-1985). The Committee points out that as a result of General Assembly resolution 37/131, the estimate for 1983 will have to be deleted, with a consequent increase in the net expenditure budget. The Committee was informed that the amount involved is \$200,000.

5. In paragraph 30 of DP/1983/44 the Administrator proposes to allow OPE to carry over savings from one biennium for use in the following biennium. At present, any unused agency support cost earnings in respect of OPE activities revert to the general resources of UNDP, where they are available for future programming. The Committee notes the potential difficulties cited by the Administrator which involve the rigidity of tying agency support cost earnings to a specific biennium. On the other hand, in the opinion of the Committee, a system of automatic carry-overs to finance future deficits in OPE might also create difficulties. For example, a situation could arise where a series of surpluses over the course of several biennia could result in a potential cumulative carry over which is larger than required. There is also the possibility that even with the utilization of carry overs, administrative support may eventually have to be reduced in a situation where rates of delivery have not risen to anticipated levels.

6. In the circumstances the Advisory Committee believes that the Governing Council should have the opportunity to review the case for a proposed carry-over in light of the actual facts existing when the need is foreseen. Such a review could take place at the June session of the Council in the last year of a biennium. Accordingly, should the Administrator desire to carry over an OPE support cost surplus from a particular biennium to the next he should be required to seek the prior authority of the Governing Council and to justify his request in terms of actual funds available and anticipated rates of delivery. The Administrator's request should be stated in the context of his proposed biennial budget estimates, where it would, of course, be considered by ACABQ before being taken up by the Governing Council.

7. Taking into account its comment in paragraph 4 above, the Committee recommends approval of revised estimates of \$301,134,100 (gross) and \$238,415,900 (net) for 1982-1983 with income estimates at \$62,718,200. If the Governing Council adopts the Committee's recommendation in paragraph 6 above, there should be a consequential deletion of part (b) of the appropriations resolution for the 1982-1983 revised biennial budget.

1984-1985 biennial budget estimates

General outline

8. The budget estimates proposed by the Administrator for the biennium 1984-1985 amount to \$355,062,200 gross (\$276,631,100 net), an increase of \$53,928,100 gross (\$38,415,200 net) over proposed revised 1982-1983 estimates of \$301,134,100 gross (\$238,215,900 net). ^{1/} An analysis of the major increases/decreases in 1984-1985 over 1982-1983 is shown, on a gross basis, in table C of document DP/1983/44.

9. As can be seen in table C, the cost increase of \$56,046,600 gross is mainly attributed to inflation, estimated at \$48,593,300 and adjustments for other costs, estimated at nearly \$8,974,400 which are partially offset by a currency adjustment of \$1,521,100 (see document DP/1983/44, paras. 37-39).

10. With respect to volume changes, table C shows an overall decrease of \$2,118,500 (gross), of which \$1,559,500 relates to UNDP core activities. Nearly all the core

activities' reduction is attributable to proposals that the UNDP contribution to the Consultative Group on International Agricultural Research (CGIAR) and to the cost of the Information Referral Systems (INRES) project no longer be included in the UNDP biennial budget. For 1982-1983 the amounts involved were \$700,000 and \$521,200 respectively; for 1984-1985 the amounts are \$900,000 and \$600,000 (see documents DP/1983/39 and DP/1983/29). As indicated in paragraph 42 of DP/1983/44, should the Council not agree to the Administrator's proposals, amounts for these activities would have to be reinstated in the biennial budget. The remaining volume decrease relates to reductions in OPE, IAPSU and UNRFFNRE, partly offset by increases in UNV, the UNSO-UNDP/UNEP joint venture, UNCDF and UNSO.

Staff

11. As shown in tables A and 10 of DP/1983/44, a total of 4,308 posts is proposed for the UNDP overall establishment, an increase of 56 posts over the revised 1982-1983 level of 4,252. Regular budget staff in UNDP core activities account for 3,816 of this total, unchanged from the 1982-1983 estimates. In addition to the "regular budget" establishment, UNDP also has core staff funded from extrabudgetary resources. There are 292 such posts proposed for 1984-1985 as compared with the 1982-1983 level of 238, an increase of 54. A breakdown of 1984-1985 extrabudgetary staff requirements is provided in table 11 of document DP/1983/44.

12. Non-core staff financed from the resources of UNDP account for 135 posts in OPE and IAPSU (76 posts), UNV (48 posts) and the UNSO-UNDP/UNEP joint venture (11 posts), as compared with 133 such posts in the 1982-1983 revised estimates. The increase relates to the addition of 2 General Service staff for the United Nations volunteers.

13. It is proposed that resources other than UNDP provide a total of 65 posts in 1984-1985 as follows: UNCDF-28; UNRFFNRE-14; UNSO-23. These figures are unchanged from 1982-1983 estimates.

Observations of the Advisory Committee on the 1984-1985 budget estimates

14. The Committee notes that the form of the present UNDP budget document is much better than that of previous documents. A number of the suggestions made by the Committee over the last several years have been incorporated into the budget document, especially those concerning the introduction, the form and substance of the tables, and the integration of tabular material on cost estimates and staffing requirements with narratives for each organizational unit. The Committee trusts that this format will be used consistently for future budget submissions, thus facilitating comparisons between budgets for different biennia.

15. One further refinement in budget presentation which the Advisory Committee recommends concerns information on temporary posts. The Committee understands that these posts are financed from resources for established posts. However, except for data provided in footnotes (see for example table 10 of document DP/1983/44) there is no separate identification of this category of posts. The Committee requested additional information on temporary posts and was informed that there are 28 such posts proposed for 1984-1985 (all of which are at Headquarters), an increase of

five over 1982-1983. The increase reflects an addition of one P-2 and three General Service for the Inter-Agency Task Force (IATF), two telephone operators, and the reduction of one P-5 post from Technical Co-operation among Developing Countries. The Committee recommends that future budget documents incorporate information of this type in the tabular presentation. The functions assigned to temporary posts should also be explained in the budget narratives.

16. The Committee also recommends that future budgets include information on projection of and use of UNDP resources. Upon its request the Committee was provided with the following information for 1982-1983 and 1984-1985.

Use of UNDP net resources

(Millions of dollars)

	<u>1982-1983</u>		<u>1984-1985</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
<u>Main programme expenditures</u>				
Project costs <u>a/</u>	1,338.8	77	1,415.5	76
Agency support costs <u>b/</u>	181.2	10	183.9	10
<u>Biennial budget</u>				
(UNDP Resources) <u>c/</u>	227.5	13	265.5	14
Total	1,747.5	100	1,864.9	100

a/ Includes indicative planning figure (IPF), programme reserve/special programme resources (PGR/SPR), special industrial services (SIS), cost-sharing, Special Measures Fund/least developed countries' government counterpart cash contribution (SMF/LDC GCCC) and other trust funds.

b/ Includes sectoral support.

c/ Net proposed appropriations for UNDP resources only.

17. As for the budget estimates themselves, the Advisory Committee notes the statement of the Administrator in paragraph 2 of his report that his proposals for the 1984-1985 biennial budget "have been formulated restrictively". The Administrator goes on to state that no new established posts are requested for UNDP core activities and that savings achieved in non-staff areas have been used to offset increases in other areas.

/...

18. With regard to the job classification exercise discussed in paragraphs 40-41 of DP/1983/44, the Committee understands that it is the Administrator's plan to seek the Governing Council's approval of the results of the exercise in June 1984, and if this is obtained, the new system would have retroactive effect to 1 January 1984.

19. The Advisory Committee recommends approval of the budget estimates for 1984-1985 as proposed by the Administrator, taking into account a deletion of the 1984-1985 estimate of \$400,000 as income from the UNJSPF for the reason given in paragraph 4 above. The amounts to be appropriated are therefore \$355,062,200 gross and \$277,031,100 net with income estimated at \$78,031,100.

Other matters

20. As noted above, document DP/1983/44, besides revised 1982-1983 and proposed 1984-1985 budget estimates, contains information on implementation of staffing reductions. The Committee also had before it a note by the Administrator on the operational implications for UNDP of paragraph 1 of Governing Council decision 81/26 (DP/1983/46) and a report on trust funds established by the Administrator (DP/1983/49).

21. With regard to implementation of staffing reductions and the \$2.5 million appropriation for transitional measures, the Committee recalls its statement from its previous report on the 1982-1983 budget estimates (as revised in 1982) that "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 re-introduction of a vacancy rate earlier than now contemplated". (DP/1982/54, para. 23).

22. In paragraphs 11-19 of DP/1983/44 the Administrator provides an update on the situation. 2/ The Committee notes from paragraph 13 of that document that "the combination of natural attrition and a selective use of agreed terminations have by now brought the total number of staff well below the authorized number of posts" and that the revised 1982-1983 estimates reflect the re-introduction of a vacancy rate of 1.5 per cent for all international staff as well as headquarters General Service staff while the proposed 1984-1985 budget extends this rate to field local staff. Moreover, as indicated in paragraph 17 of DP/1983/44, "taking into account the use already made, the total charge against the appropriation for transitional measures is not expected to exceed \$1.5 million. The appropriation can thus be reduced to that amount" (see para. 3 above).

23. The Committee notes from paragraph 16 of DP/1983/44 that a number of vacancies are being maintained in several regions pending reduction of staff in the Arab States region to the authorized level. This is expected to be achieved by the end of 1983. The Committee trusts that every effort will be made to meet this goal since holding the number of staff in various regions below approved levels may affect programme delivery.

24. With reference to the information on the creation of extrabudgetary posts in field offices given in paragraphs 18-20 of the Administrator's report, the Advisory Committee trusts that the assurance that these posts will only be approved as and when funds become available from an extrabudgetary source will be strictly followed. In this connection, the Advisory Committee was informed that when final calculations are available, the amount from interest income earned on cost-sharing balances in 1982 is expected to be approximately \$800,000.

25. The report on trust funds (DP/1983/49) was submitted to the Committee pursuant to UNDP financial regulation 5.1. The Committee notes the information given in the annex to the report on trust funds established by the Administrator in 1982 on behalf of UNDP and on behalf of the UNCDF. The Committee notes further that none of the trust fund agreements entered into in 1982 and reported in the annex is conditioned on procurement from the donor country. As indicated in paragraph 4 of document DP/1983/49, information on the establishment of such funds in 1983 will be presented to the Governing Council at its current session; the Committee presumes that these trust funds will then be included in the report which the Administrator will prepare next year on trust funds established in 1983.

26. With regard to document DP/1983/46 on the operational implications of Governing Council decision 81/26 the Committee recalls the view it expressed in its report on supplementary estimates for 1980-1981 that "supplementary estimates should be limited to unavoidable increases due to inflation or currency fluctuation or to the implications of specific requests of the legislative organs. They should not be used to make new administrative proposals at the end of a biennium; such proposals should be more properly considered in the context of an entire budgetary submission for a new biennium." (DP/551, para. 10).

27. The Committee recognizes that there may be occasions when failure to respond adequately to unforeseen developments or changing circumstances could result in unacceptable delays. On the other hand, if the principle of biennial budgeting is to be respected then a certain amount of discipline has to be observed - otherwise there might well be a drift toward de facto annual budgeting. Moreover it should be borne in mind that an increase in programme expenditure (in response, for example, to an increase in resources) need not occasion an automatic increase in the administrative budget.

28. For these reasons, the Committee is of the opinion that the basic policy reflected in decision 81/26 should be maintained but that an element of flexibility should be introduced to allow for exceptional circumstances.

29. The Governing Council may therefore wish to consider the following draft decision:

"The Governing Council,

"Having taken note of the views of the Administrator concerning the operational implications for UNDP of paragraph 1 of Governing Council decision 81/26, as contained in document DP/1983/46, and of the related report of the ACABQ in document DP/1983/ ,

"Decides that it will consider exceptions to decision 81/26 when, in the opinion of the Administrator, it is essential for the efficient operation of the programme that such exception be made,

"Reiterates its view that the Administrator should not recruit staff in advance of specific authorization by the Council."

30. The draft decision recommended by the Committee differs from that proposed in document DP/1983/46 in that the Administrator would not be authorized a priori to submit proposals for "other changes" which would then automatically be considered substantively by the Council.

31. In taking the decision recommended above, the Governing Council would be reserving its right to reject a supplementary request on procedural grounds unless the Administrator has demonstrated that the situation is sufficiently compelling for an exception to be made to decision 81/26. Thus, a means would exist for an urgent situation to be brought to the attention of the Council without altering the underlying and essential principle of biennial budgeting that mid or end of biennium requests should be limited to the effects of inflation, currency fluctuation or specific decisions of the legislative body.

Notes

1/ These amounts do not take into account adjustments recommended by the Advisory Committee in paragraphs 4 above and 19 below with respect to estimates of income.

2/ The Advisory Committee in paragraph 24 of DP/1982/54 had requested a report for autumn 1982 but subsequently agreed to the Administrator's request that this information be provided in spring 1983.
