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POLICY

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

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

Operational implications for UNDP of paragraph 1 of
Governing Council Decision 81/26

Note by the Administrator

Summary

This document contains the views of the Administrator concerning the operational implications for UNDP of paragraph 1 of Governing Council decision 81/26, which the Governing Council, by its decision 82/32, requested him to review and report on at the thirtieth session.

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1. At its twenty-eighth session, following consideration of supplementary budget estimates for the biennium 1980-1981, the Governing Council, in paragraph 1 of its decision 81/26 ¹, reiterated its view that the submission by the Administrator of supplementary budget estimates should be limited to unavoidable increases due to inflation or currency fluctuations or to the implications of specific requests of the Governing Council, and that the Administrator should not recruit staff in advance of specific authorization by the Council.

2. During the review of the revised 1982-1983 biennial budget estimates by the Council at its twenty-ninth session in June 1982, the Administrator expressed his view that, due to its inherent lack of flexibility, the above decision imposes severe constraints on UNDP and could have adverse operational implications. Following its discussion of the subject, the Council, in paragraph 2 of decision 82/32 ², requested the Administrator to review the operational implications for UNDP of paragraph 1 of decision 81/26 and to report thereon to the Council at its thirtieth session.

3. The Administrator has reviewed both the practical and the conceptual aspects of this subject. Of prime consideration are the questions connected with the time-span from the preparation of budget estimates for a biennium to the end of that biennium and the potential effects on the levels of programme operations due to the fact that the level of programme is based on voluntary contributions. The following paragraphs deal with these and the other issues involved.

4. A biennial budget is prepared approximately one year prior to the beginning of the biennium to which it relates. For instance, preparations for the 1984-1985 biennial budget began before the end of 1982 and were largely completed early in 1983. Therefore, except for late adjustments made by the Administrator or for changes made by the Council itself during its regular session, the biennial budget becomes virtually frozen for a period of almost three years. This procedure does not permit adjustments to be made in order to take account of unforeseen circumstances, except those authorized by the Council in its decision 81/26. Although every effort is made to improve the budget preparation process and attempts are made to foresee requirements as accurately as possible, experience has constantly shown that it is virtually impossible to foresee all unexpected changes in circumstances. If decision 81/26 is maintained, the Administrator will be able to respond to unexpected requirements only by means of redeployment of staff, which may be a totally inadequate means of meeting the operational needs of the Programme. In this context, it is worth noting that, owing to the recent freeze on recruitment and the reductions in staff, any flexibility that the Administrator might previously have had for redeployment of staff has been substantially reduced.

5. The Governing Council establishes the targets for voluntary contributions to UNDP. As these contributions are made on an annual basis, it is extremely difficult to foresee a few years ahead of time the actual amount of resources available for any given year; such resources depend, inter alia, on interna-

tional economic conditions, on the level of actual contributions and on the major exchange rate variations. Being locked into a given level of resources under the biennial budget may prevent the Administrator from responding adequately to the needs of developing countries, particularly if additional resources should become available to the programme. In the case of the smaller trust funds such as the United Nations Capital Development Fund (UNCDF) and the United Nations Sudano-Sahelian Office (UNSO), changes in the levels of resources from one year to another may be so significant that the absence of flexibility may seriously impair their operational capacity.

6. The Administrator considers that his request for authorization to submit supplementary budget proposals every other year is compatible and in complete accord with Financial Regulation 9.8, approved by the Governing Council in June 1981, which states, "Supplementary proposals to amend the biennial budget may be submitted by the Administrator whenever necessary."^{3/} In this connection, it should be noted that a comparable regulation exists in the financial regulations of the United Nations, which regularly exercises this authority. The summary of the latest proposals of the United Nations for the biennium 1982-1983 (A/C.5/37/65, para. 15) relates specifically to revised estimates resulting from (a) exchange rate changes; (b) changes in inflation factor; (c) decisions of policy making organs; and (d) other changes. It is under a heading similar to (d) above that UNDP is seeking the authority of the Governing Council to submit revised budgetary estimates. The Administrator considers that, in comparison with the United Nations, UNDP has an even greater justification for adopting this procedure, since UNDP has the additional constraint of operating on the basis of voluntary contributions, the level of which cannot be determined in advance.

7. The Administrator, furthermore, is of the view that having this flexibility does not detract in any way from the prerogatives of the Governing Council to determine the authorized level of the UNDP biennial budget at all times, since any proposal for supplementary budget estimates would have to be submitted to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for comments prior to being reviewed, debated and decided upon by the Governing Council.

Recommendation of the Administrator

8. The Administrator therefore recommends that the Governing Council authorize him to submit supplementary budget estimates in accordance with Financial Regulation 9.8 and Financial Regulation 9.9, which state:

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Supplementary biennial budget proposals

"Regulation 9.8: Supplementary proposals to amend the biennial budget may be submitted by the Administrator whenever necessary.

Regulation 9.9: The Administrator shall prepare supplementary proposals to amend the biennial budget in a form consistent with the approved biennial budget and shall submit such proposals to the Governing Council. They shall also be submitted to the Advisory Committee which is requested to review them and report thereon to the Governing Council."

Accordingly, the Council may wish to consider the following draft decision for adoption:

"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,

Recognizing that the lack of flexibility inherent in that decision may have adverse operational implications for UNDP,

1. Authorizes the Administrator to submit supplementary proposals to amend the biennial budget which are not necessarily restricted to unavoidable increases due to inflation or exchange rate fluctuations or changes due to specific decisions of the Governing Council, but which may also include, when the Administrator considers it essential for operational purposes to do so, proposals for other changes."

Notes

1/Official Records of the Economic and Social Council, 1981, Supplement No. 11 (E/1981/61/Rev. 1), annex I.

2/Official Records of the Economic and Social Council, 1982, Supplement No. 6 (E/1982/16/Rev. 1), annex I.

3/UNDP/FIN/REG/1, p.21.

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