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S U P P O R T

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Report of the Executive Director on programme planning

Summary

At its thirtieth session in June 1983, the Governing Council in decision 83/17, I, paragraph 8, requested the Executive Director to present to the Council at its thirty-first session a report on programme planning. This document describes the inputs as well as the constraints of the planning process. This report is presented to the Council for its information.

INTRODUCTION

1. At its thirtieth session in June 1983, the Governing Council, in decision 83/17, I, paragraph 8, requested the Executive Director to present to the Governing Council at its thirty-first session a report on programme planning.
2. Programme planning in UNFPA comprises two aspects: substantive and financial. The process of developing the substantive content of a programme is outlined in the "Report of the Executive Director reviewing UNFPA programming procedures" (DP/1984/35), also submitted to the thirty-first session of the Council. This report deals with the financial aspects of programme planning, referring exclusively to UNFPA's regular resources and not to resources obtained through multi-bi arrangements.
3. This document describes UNFPA's planning process since August 1981, when a Technical and Planning Division was created within UNFPA which was given, among other responsibilities, the task of developing a new planning process in UNFPA. This planning process was to be based upon the considerations of the Council at its twenty-eighth session, regarding UNFPA's resource projections and commitments as well as upon numerous instructions by the Council on resource allocation.
4. This document also refers to the "Report of the Executive Director on the review and reassessment of the UNFPA programme for the period 1982-1985" (DP/1982/28) hereinafter referred to as "Review and reassessment", submitted to the twenty-ninth session of the Council; to the "Update of the review and reassessment and Work Plan for 1984-1987 and request for approval authority" (DP/1983/20), hereinafter referred to as "1983 Update of the review and reassessment", submitted to the thirtieth session of the Council; and to the "Update of the review and reassessment and Work Plan for 1985-1988 and request for approval authority" (DP/1984/31), hereinafter referred to as "1984 Update of the review and reassessment", submitted to the present session of the Council.

I. PLANNING PRINCIPLES

5. Planning is a process which outlines the steps to be taken to reach a goal. Thus, it presupposes the existence of a goal. In UNFPA's case, there are several goals, given in the form of instructions by the Council, referring to the shares of resources to be made available for population activities according to geographic and substantive criteria. Moreover, as a funding organization and for reasons of sound financial management, UNFPA cannot and should not spend more resources than available, but at the same time make every effort to spend the available resources in full. Furthermore, since UNFPA finances substantive activities, it is vital that the attainment of the objectives of these activities not be jeopardized by abrupt changes in the Fund's financial behaviour, a thought expressed inter alia in Council decision 82/20, I, paragraph 5. Given the multitude of goals of UNFPA, as described in detail below, it follows that they are not necessarily mutually compatible. Thus, occasionally two goals need to be balanced against each other, notably when neither one is or should be the overriding concern.

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6. Planning as a process to reach a goal does not necessarily mean that the goal will actually be reached, notably not in the originally intended period of time. A goal may not be reached if to reach it is beyond UNFPA's capacity or if the goal is unrealistic. In those cases it is important that UNFPA move into the right direction and with reasonable speed.

7. Apart from instructions given by the Council at previous occasions, many detailed goals of UNFPA are contained in the "Review and reassessment", approved by the Council in its decision 82/20, I, paragraph 2. As the "1983 Update of the review and reassessment" and the "1984 Update of the review and reassessment" show, UNFPA has been able to reach fully or almost fully all the goals of the "Review and reassessment" with the exception of the goal referring to intercountry activities.

II. RESOURCE UTILIZATION

8. UNFPA's resources derive almost exclusively from voluntary contributions from governments (on the average 97 per cent) and from interest earnings (on the average 3 per cent). They are used for project allocations, for operational costs and for additions to the operational reserve. The operational costs consist of the administrative budget for UNFPA headquarters, of UNFPA's field staff and of overhead payments to organizations of the UN system executing UNFPA projects. These costs are recurrent, and to some extent even of statutory nature; thus, they do not lend themselves to adjustments on short notice. Given the relative inflexibility in these amounts, the "Review and reassessment" developed - and the Council at its twenty-ninth session endorsed - a methodology by which the operational costs and the additions to the operational reserve are deducted from the estimated income, thus resulting in an estimated amount, called "new programmable resources", which are available for project allocations. The planning process in UNFPA, thus, deals with the estimation of the new programmable resources for the period of the Work Plan and with the preparation of UNFPA's funding decisions, taking into account the actual implementation of decisions taken previously.

III. RESOURCE DISTRIBUTION

A. The Ideal Resource Distribution Process

9. Ideally, for any given year, UNFPA would determine the amount of new programmable resources on the basis of advance knowledge of its income and make all decisions on project allocations at the same time and when all previous decisions have been implemented in full.

10. 25 per cent of the new programmable resources would be foreseen for intercountry activities and 75 per cent for country activities. Since the Council has set 25 per cent for intercountry activities as the upper limit, this amount could theoretically be smaller, but according to past experience the amount of requests for important intercountry activities would surely amount to more than 25 per cent. The amount, thus determined, would be used for allocations to the most worthy and important intercountry activities.

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11. The remaining 75 per cent of new programmable resources would be distributed in accordance with the criteria for resource levels by country, as given by the Council in its decision 81/7, I, paragraph 8.

12. UNFPA would thus develop for each country an estimated assistance level on the basis of the four quantifiable criteria in decision 81/7, I, paragraph 8, namely: magnitude of the population problem in relation to per capita gross national product; population size and the annual increase in absolute numbers; level of support of development assistance per capita from other sources; and level of support for population activities from other sources. These levels would be adjusted, as necessary, to comply with the instruction to allocate about two-thirds of resources for country activities to priority countries.

13. With the adjusted estimated assistance levels in hand, the actual level of resources which would be made available to each country would depend upon technically sound requests and the application of the following four non-quantifiable criteria of decision 81/7, I, paragraph 8, namely: policies and programmes of the government; commitment by governments to stated population policy; absorptive capacity; and actual and projected implementation rates. Resources under the estimated assistance levels for countries not submitting requests to UNFPA would be made available to other countries as part of the adjustment process.

14. Having thus made a distribution of all new programmable resources by geographic criteria, UNFPA would examine the distribution of these intended allocations to country and intercountry activities by programme area. In this process the Fund would be guided by Council decision 81/7, I, paragraph 3, according to which UNFPA should concentrate on supporting the various programme areas in the following order of priority: family planning; population education and communication; basic data collection; population dynamics; formulation, implementation and evaluation of population policy. While the Council itself set no proportionate shares, UNFPA would endeavour to allocate between 50 and 60 per cent to family planning, about 20 per cent to education and communication, with the remaining 20 to 30 per cent to the other areas. Should the process of distribution according to geographical criteria lead to a substantial deviation from the above mentioned proportionate shares to the various programme areas, the intended geographical distribution would be adjusted in order to achieve a result in which the geographical and the substantive criteria are jointly met in an optimal fashion.

15. Due to the constraints outlined below, the actual UNFPA programme is somewhat different from the one which would result from the ideal planning process, even though all the steps described above are indeed taken. Nevertheless, UNFPA clearly has been able to steer its programme into the direction requested by the Council, and the goals described in paragraph 5 above have either already been reached in full or at least to a large extent.

B. Constraints

16. The constraints on the planning process, many of which are beyond UNFPA's control, refer to: uncertainty in income levels due to the modus how UNFPA is financed; commitments made over the years with the Council's approval; the Fund's modus operandi; and the unpredictability of the rate of project implementation. These constraints are of a permanent nature, except for the one of commitments made previously.

1. Uncertainty in income levels

17. One major constraint is the fact that UNFPA is financed by voluntary contributions instead of assessed contributions. A second related constraint refers to the lateness with which UNFPA knows its actual income in any given year, and to the uncertainty in the amount of increases, if any, in future years.

18. Although UNFPA participates in the annual United Nations Pledging Conference held in November every year, only about half of its traditional major donors pledge on that occasion. Normally, it is not until March or April that UNFPA has firm indications from all its major donors on the amount of their pledges for the current year. Moreover, about 60 per cent of government pledges are made in national currencies. Payment of pledges in whole or in part takes place in the course of the year and the dollar value realized from pledges in national currencies thus depends upon the exchange rate at time of payment. Final payments of pledges in any given year are generally received close to the end of the year. Similarly, interest earnings cannot be forecast with any precision before the end of the year. It follows, that UNFPA knows its actual income which determines the amount of new programmable resources in any given year only at the end of that year, i.e., at a time when all funding decisions for that year have already been taken.

19. These constraints are even greater with respect to assumed increases in resources. UNFPA's operational costs increase from year to year, but its income may or may not increase. If there is no increase in income, the amount of new programmable resources will actually decrease from year to year; if the increase is about 2 per cent, the level of new programmable resources will be maintained, and only with increases in income of more than 2 per cent will there be an increase in new programmable resources.

20. In the past, until about 1980, UNFPA's income increased by 12 to 15 per cent annually. Based upon this experience, UNFPA, in its Work Plan 1981-1984, submitted in June 1980, had assumed a continuation of increases at that level and had programmed and allocated against these anticipated increased resources. However, in June 1981 it became apparent that these increases would not be forthcoming, and indeed they were not, as subsequent events confirmed; from 1980 on, the increases (or decreases) were as follows: 1981: -2.5 per cent; 1982: +4.3 per cent; 1983: +2.7 per cent; 1984: estimate: +5.7 per cent. UNFPA, thus, found itself since 1981 in a situation of high commitments, notably for programmes approved by the Council, for which the required resources were not available. The "Review and reassessment" submitted in 1982, showed that the programmes approved by the Council

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up to June 1981 would receive only about 60 per cent of their originally intended allocations within the years 1982-1985.

21. In order to avoid this situation from recurring, UNFPA took two steps: it reduced its income projections by assuming smaller increases than the 10 per cent authorized by the Council in its decision 81/7, I, paragraph 2. For the four years of the Work Plan 1985-1988, UNFPA assumes increases of 7.0 per cent for the first year and of 8.5 per cent per annum for the next three years.

22. Furthermore, UNFPA decided not to count on increases in income for future years until they were actually obtained. In its forward planning, UNFPA continued to prepare programmes in line with the - more moderate - increases of new programmable resources according to recent Work Plans, but made allocations for future years only at a constant level of new programmable resources. This approach which was practised in 1982 and 1983 and commended by the Council in its decision 83/17, I, paragraph 8, has proven to be overcautious. Consequently, UNFPA has now decided to modify this approach and to count on the expected increases, but only for the current year and the one immediately following (see paragraph 14 of the "1984 Update of the review and reassessment").

2. Commitments made

23. At present, UNFPA has commitments of \$330 million based upon country programmes and projects approved by the Council. For a large part of these commitments an allocation plan has been developed in connexion with the "Review and reassessment". In addition, many project allocations have been made under the authority of the Executive Director. The geographical and substantive mix and the phasing of these commitments and allocations lead to the present UNFPA programme which does not yet coincide fully with the programme which would emerge from the ideal planning process. However, it should be noted that the planning process described in paragraphs 10-14 above is based upon criteria which were mandated by the Council when such funding decisions had already been taken. Paragraph 34 of the "1984 Update of the review and reassessment" thus states that UNFPA's performance should be measured on the basis of new decisions made by UNFPA, which are implemented over a period of years and therefore show their full effect only in a number of year .

3. UNFPA's modus operandi

24. One of the conditions of the ideal resource distribution process is that all funding decisions are made at the same time and when all previous decisions have been implemented in full. However, the rhythm of UNFPA decision-making on project allocations is such that this condition cannot be met. UNFPA supported projects generally last two to five years, and in any given year UNFPA may, thus, be starting as well as completing programmes in individual countries. Furthermore, in order to be readily responsive to the needs of developing countries, funding decisions in UNFPA - as in all aid-giving organizations - are taken throughout the year. Hence, the geographical and substantive mix and the phasing of UNFPA's programme will constantly change, even when the aspect of past commitments, mentioned in the previous paragraph, ceases to exist.

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4. Unpredictability of the rate of implementation

25. As with previous commitments and UNFPA's modus operandi, the rate of implementation also influences the programme mix. This is so, since there are general delays in programme implementation which vary from country to country, and within countries, from project to project. Unexpended project allocations are carried forward to the following year, thus changing the programme mix of the planned allocation for that year. Therefore, the unpredictability of the rate of implementation constitutes a significant constraint on the planning process.

IV. EFFORTS TOWARDS FULL RESOURCE UTILIZATION

26. As stated in the section on planning principles, UNFPA cannot and should not spend more resources than available, but at the same time make every effort to spend the available resources in full. This matching of resources with expenditures requires that UNFPA has sufficient advance notice on one of these two and has influence over the other. Neither of these two conditions is met in full. As explained in paragraph 18 above, UNFPA knows its actual income in any given year only at the end of that year. Since operational costs and additions to the operational reserve are normally spent in full, the matching of income with expenditures has to be achieved almost exclusively by influencing the amount of expenditures in projects. However, UNFPA does not have full control over these, either.

27. As a funding agency, UNFPA makes allocations which are authorizations to an executing agency empowering it to incur commitments and to make expenditures (financial regulation 2.2). UNFPA itself is executing agency for only about 10 per cent of its project allocations; only to this extent UNFPA is in full control of expenditures. As for the remaining 90 per cent, UNFPA has only limited influence over the rate of expenditures, once these allocations have been made.

28. Ideally, year-end expenditures on projects should be almost at the level of year-end allocations. If this is not the case, the unexpended allocation leads to carry-forwards of resources. In most cases, the activity for which the allocation was issued is required in the following year; thus the allocation - with its resources - is entered as an allocation for the following year. Since this allocation comes with resources, this process does not influence the amount of allocations of the following year which will be made from new resources of the new year. However, there are also cases, particularly those relating to delays in recruitment of personnel, where the unexpended allocation of the previous year does not result in an addition to the allocation of the immediately following year, but rather as de facto extension of the project. Unexpended allocations are therefore phased into new years, not necessarily the immediately following year. Finally, there are cases where the unexpended allocation is cancelled at year-end, and the resources which become available are given to other projects in the following year.

29. Since, as mentioned above, development activities are frequently conducted with delay, the process described above - after a number of years - would lead to

large amounts of allocated but unspent resources. This is undesirable. In order to ensure full use of available resources, it is thus required to allocate at a level higher than that of available resources. This could be done on a project-by-project basis, or - summarily - for the total of all project allocations. However, this raises several questions:

(a) Can one identify on a project-by-project basis at what higher level the allocation should be?

(b) Alternatively, can one set a fixed percentage rate for all projects?

(c) What happens at year-end with the amount allocated above the level of available resources?

(d) How safe is this procedure?

30. The answers to these questions are as follows:

(a) It is not possible to identify on a project-by-project basis the amount to be allocated above available resources. If it were possible to know in advance the degree of under-implementation, only that amount - which indeed will be spent - would be allocated in the first place. In this case, the problem would not even exist;

(b) Since the rate of implementation varies considerably from project to project, it is not possible to allocate to each project with an average fixed percentage rate above available resources. Instead, UNFPA makes allocations for the current year which in the total, i.e., for all projects combined, exceed the available resources (allocations at a "peak level");

(c) When it becomes apparent during the third and fourth quarters of the year, which project allocations will not be used in full, these are rephased into future years. The amounts rephased, as allocations without available resources, thus become charges against the resources of future years. As a result, the level of total project allocations of the year decreases from its "peak level" to the level of available programmable resources (the new programmable resources of the year and the carry-forwards from the previous year). At year-end, the total of project allocations is thus not higher than the available resources, and the actual expenditures are probably still somewhat lower;

(d) As shown in the following paragraph, this process, if conducted carefully and with sensitivity, does not entail major risks.

31. The experience in 1983 shows that UNFPA has been too careful: With an income in 1983 slightly higher than expected, leading to new programmable resources of \$110 million, and with additional \$9.1 million in resources carried forward from 1982, UNFPA's final year-end allocations could have amounted to \$119.1 million after rephasings. While the allocations at "peak level" in 1983 were high, the overall implementation was relatively low, and many allocations were therefore

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rephased into future years. Thus, actual year-end allocations amounted to only \$117.4 million, of which only \$100.9 million were spent. Carry-forwards of allocations with resources into 1984 thus amounted to \$16.5 million, and the final implementation rate (year-end expenditures compared to year-end allocations) to 86 per cent. Had fewer allocations been rephased into future years, the year-end allocations might have amounted to \$119.1 million (\$117.4 million plus \$1.7 million), but the carry-forwards would have amounted to \$18.2 million (\$16.5 million plus \$1.7 million).

32. If UNFPA's allocations at "peak level" are considerably higher than the available resources of the current year, and if in addition the rate of actual implementation is relatively high, it is conceivable that few allocations would be rephased into the future and that year-end allocations would be higher than the available resources of that year. UNFPA would thus have "overprogrammed". Nevertheless, according to past experience, actual expenditures would be somewhat lower than the available resources. For this reason, UNFPA has the authority for 5 per cent overprogramming above new programmable resources. In 1982, this authority has been used, and the figures show that even this is a safe process. New programmable resources amounted to \$107.9 million and - with a carry-forward of \$2.9 million from 1981 - total available resources for project allocations were \$110.8 million. Year-end allocations were \$115.2 million, that is they included an overprogramming of \$4.4 million (\$115.2 million minus \$110.8 million) or 4 per cent of new programmable resources in 1982 of \$107.9 million. However, the overprogramming could have been \$1 million higher, namely \$5.4 million (5 per cent of new programmable resources of \$107.9 million). The year-end allocations (of \$115.2 million) led to project expenditures of \$101.7 million against available resources of \$110.8 million. Thus, even with an overprogramming of 4 per cent, the year-end expenditures were \$9.1 million lower than the available resources (\$110.8 million less \$101.7 million).

33. The explanations given here are of relevance for programme planning in several regards: They show which factors influence the status of year-end allocations and year-end expenditures, which in turn are the basis of the calculation of percentage shares by geographic or substantive criterion. As previously said, the attainment of goals by geographic and substantive criteria, is the standard by which the Council measures UNFPA's performance. It should be seen, however, that year-end allocations and expenditures are no more than a description of the situation at a certain moment in time, rather than an accurate reflection of the longer-term flow of resources.

V. UNFPA'S WORK PLAN AND APPROVAL AUTHORITY

34. UNFPA has a four-year planning period and the Work Plan is the major planning document. It is submitted annually to the Governing Council for its approval (Article VII of UNFPA's new financial regulations as approved by the Council at its thirtieth session). The Work Plan is a rolling plan which means that for each new Work Plan, the most recent year - the year of submission to the Council - is deleted and one year into the future is added.

35. The UNFPA Work Plan is a projected programme of assistance based upon income projections, prior commitments and foreseeable needs over the next four years.

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In view of Article VII of UNFPA's new financial regulations the Work Plan, in its new format, contains information on the following subjects:

- (a) Income assumptions and calculation of the estimate of new programmable resources by year;
- (b) General considerations in resource allocations;
- (c) Distribution of new programmable resources between country and inter-country activities by year;
- (d) Average annual distribution of intercountry activities by region;
- (e) Trends in distribution of intercountry activities by functional category;
- (f) Average annual distribution of country activities by region;
- (g) Distribution of country activities between Council-approved programmes and other projects by year;
- (h) Balance of Council-approved country programmes by region;
- (i) Trends in allocations to priority countries;
- (j) Trends in allocations by Work Plan categories.

36. The Work Plan includes the request for approval authority for the planning period. The approval authority has traditionally been set at the level of anticipated income. Given the fact that the anticipated income has not always been obtained in full, the Council grants the approval authority on the understanding that the Executive Director will limit approval of projects to available resources.

37. Since the approval authority is set at the level of anticipated income, it includes all expenditures of UNFPA, not only those for projects, but also the additions to the operational reserve and UNFPA's operational costs including UNFPA's administrative budget, even though for the latter the Council approves a specific appropriation within the overall approval authority.

38. Forward approval, as established by Governing Council decision 82/20, I, paragraph 7, comes to 100 per cent of the level for the first year; to 75 per cent of the level of the first year for the second year; to 50 per cent of the level of the first year for the third year; and to 25 per cent of the level of the first year for the fourth year of the Work Plan period.

39. The Executive Director intends to report to the Council in future submissions of the Work Plan on action taken to implement previous Work Plans.

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