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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1984-1985

TRUST FUNDS

UNDP FINANCIAL REGULATIONS

Report of the Advisory Committee on Administrative
and Budgetary Questions

INTRODUCTION

1. The Advisory Committee on Administrative and Budgetary Questions has considered reports of the Administrator on the revised budget estimates for 1984-1985 (DP/1984/54) and trust funds established in 1983 (DP/1984/69), as well as a note by the Administrator on annexes and amendments to the UNDP Financial Regulations (DP/1984/61 and Add.1 and 2). The Advisory Committee also had before it reports of the Administrator on government contributions to local office costs (DP/1984/12) and the concept of extrabudgetary resources (DP/1984/55).

I. REVISED BUDGET ESTIMATES FOR 1984-1985

2. As indicated in paragraph 8 of DP/1984/54, the Administrator is proposing a decrease of \$23,988,700 (gross) and \$17,212,800 (net) for the 1984-1985 biennial budget. The decrease is largely attributable to the impact of currency movements, primarily as a result of a strong United States dollar (decrease of \$14.4 million net) and the net effect of inflation as applied to the lower base resulting from currency movements (decrease of \$11.9 million net). This decrease has been partially offset by increases for pension contributions, medical insurance, the

International Civil Service Commission (ICSC) and documentation for the Governing Council (\$2.3 million net) and lower estimates of income (down by \$6.8 million net) owing mainly to a revised estimate of government local office cost contributions. The various increases and decreases are referred to in paragraphs 4 to 7 of the Administrator's report and summarized in annex tables 1, 2 and 3 of that report.

3. The Advisory Committee has no objection to the estimates presented by the Administrator and recommends that the Governing Council adopt a revised 1984-1985 biennial budget in an amount of \$332,615,200 gross, with income estimated at \$70,296,900, for a net amount of \$262,318,300.
4. In part II of DP/1984/54, the Administrator proposes to simplify UNDP budget formulation by budgeting the salary costs for all UNDP personnel on a net basis, beginning with the 1986-1987 biennial budget estimates (see para. 9 of DP/1984/54). Several other minor technical changes in budget presentation proposed for 1986-1987 are described in paragraphs 10 to 13 of the report. The Advisory Committee has no objection to these proposals.
5. Part III of the Administrator's report deals with the proposal for a contingency provision. According to the Administrator, such a mechanism is needed to provide for the impact of currency fluctuations, increased inflation rates and decisions of the General Assembly which become known only subsequent to the final session of the Council within a biennium.
6. As indicated in paragraph 16 of DP/1984/54, the contingency provision would be for use during the second year of a given biennium, would be expressed as a percentage of approved gross appropriations and would be used only with the concurrence of the Advisory Committee on Administrative and Budgetary Questions. Its use would be limited to covering additional requirements resulting from currency fluctuations, revised inflation factors or decisions of the General Assembly. Any utilization of the contingency provision would be reported to the next regular session of the Governing Council.
7. The Advisory Committee notes from the draft appropriations decision in part VI of the Administrator's report that the "ceiling" for the contingency provision is a total amount in dollars equal to 3 per cent of the approved gross appropriations. The Advisory Committee inquired as to whether a new contingency provision would be included in the appropriations decision for each biennium or whether such a provision would be embodied in the UNDP Financial Regulations. The Committee was informed that should the Governing Council approve the proposal for a contingency provision, it was the intention in the future, to submit to the Governing Council an appropriate draft amendment to the UNDP Financial Regulations.
8. The Advisory Committee recommends acceptance of the Administrator's proposal for a contingency provision. In this regard, the Advisory Committee recommends that the text of the contingency provision in paragraph (c) of the draft appropriations decision be amended so that the authority to use the provision shall be subject to the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions. Should this contingency provision be approved by the Governing Council, the Advisory Committee, before concurring in its subsequent use, would seek to assure itself that the Administrator has exhausted every possibility of absorbing extra costs.

9. The Advisory Committee notes the information on job classification for both General Service and Professional staff, contained in part IV of the Administrator's report. As indicated in paragraph 18 of the report, a salary survey is being conducted by ICSC for the purpose of recommending the appropriate scales for the new seven-grade General Service structure in New York. ICSC is expected to provide its recommendations on the results of the New York salary survey in July 1984 and the Secretary-General will report on the outcome of the change to a seven-grade structure and the application of the salary survey to the thirty-ninth session of the General Assembly. In paragraph 19 the Administrator states his intention to apply the seven-grade structure and salary survey results at the same time as the Secretary-General. He therefore proposes that the Governing Council authorize him to implement the results of the job classification and the new salary scale for UNDP Headquarters General Service staff, with the prior concurrence of the Advisory Committee, and report thereon to the Governing Council at its thirty-second session in 1985. The Advisory Committee recommends acceptance of this proposal.

10. As for the Professional staff, the Administrator states his intention, in paragraph 20, to submit the results of that classification to the Governing Council at its thirty-second session and to propose, at that time, an appropriate effective date for its implementation. The Advisory Committee notes the statement that, at this time, no significant difference in the overall distribution of Professional posts by grade is likely to result and the financial impact is expected to be minimal.

11. The Advisory Committee notes from part V of DP/1984/54 that the Administrator is carrying forward \$700,000 of 1982-1983 OPE support cost earnings to 1984-1985 pursuant to Governing Council decision 83/30.

II. OTHER MATTERS

12. The Advisory Committee has considered the Administrator's proposals for two annexes to the UNDP Financial Regulations to meet the specific requirements of the United Nations Capital Development Fund (UNCDF) and the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) as contained in DP/1984/61 and Add.1 and 2. In resolution 36/227, the General Assembly authorized the Governing Council of UNDP to adopt financial regulations in respect of all funds administered by the Programme and requested it to report such regulations to the General Assembly. In the same resolution the Assembly also decided, on a provisional basis, inter alia, that the financial regulations of UNCDF, after they have been reviewed by the Advisory Committee, shall be adopted by the Governing Council of UNDP, which shall report such regulations to the General Assembly.

13. The Advisory Committee has no objection to the substance of what is proposed for annexes II and III to the UNDP Financial Regulations to meet the special requirements of UNCDF and UNRFNRE. In this connection the Advisory Committee has pointed out and representatives of the Administrator have agreed that proposed regulation 8.10 (f) for UNRFNRE on reimbursement of co-operating agencies is unnecessary and should be deleted in view of existing UNDP Financial Regulation 8.10 (f) and the definition of "executing agency" in paragraph 2 of proposed annex III.

14. The Committee believes that the presentation of both annexes could be improved if each of them made reference to each of the articles of the UNDP Financial Regulations seriatim, with an indication of how each article is amended to meet the special requirements of the Fund concerned. Such a procedure would integrate the material now in paragraphs 3 and 4 of each annex and would also provide a ready reference to those UNDP regulations which apply mutatis mutandis to the funds.

15. Document DP/1984/61 also contains proposals for a text change to annex I of the UNDP Financial Regulations concerning UNFPA and an amendment to Regulation 16.3 on submission of the UNDP accounts to the United Nations Board of Auditors. In addition there is a proposal to amend the Information annex to the UNDP Financial Regulations to reflect changes approved by the General Assembly (decision 38/408) to the additional terms of reference governing the audit of the United Nations. The Advisory Committee recommends acceptance of these proposals.

16. The report on trust funds established by the Administrator for 1983 (DP/1984/69) was submitted to the Advisory Committee pursuant to UNDP Financial Regulation 5.1. The Advisory Committee notes the information given in the annex to the report on trust funds established by the Administrator in 1983 on behalf of UNDP, UNCDF and the United Nations Financing System for Science and Technology for Development.
