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**BUDGETARY AND FINANCE COMMITTEE**

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Agenda item 10 of the provisional agenda of the Budgetary and Finance Committee

**ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE  
TO THE GOVERNING COUNCIL**

**Draft report of the Budgetary and Finance Committee**

**Rapporteur: Ms. MKHONZA Adelaide Phindile (Swaziland)**

**UNITED NATIONS FUND FOR POPULATION ACTIVITIES**

1. For consideration of item 6 of the Council's agenda, the Committee had before it the following documents:
  - (a) Comprehensive report on personnel management policies and practices of UNFPA and recommendations thereon (DP/1986/41);
  - (b) Report of the Executive Director on draft guidelines for determining project-related and administrative-related personnel expenditures (DP/1986/42);
  - (c) Report on implementation of personnel decisions of the Governing Council as requested in decision 85/20 I, paragraph 12 (DP/1986/43);
  - (d) Proposed prototype for a future UNFPA budget format (DP/1986/44);
  - (e) Annual financial review (DP/1986/45 and Corr. 1); (English only);
  - (f) Audited accounts of executing agencies (DP/1986/46);

- (g) Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1986/47);
- (h) Revised budget estimates for the 1986-1987 biennium (DP/1986/74 and Corr.1 (English only) and DP/1986/74/Add.1);
- (i) Note by the Executive Director on the establishment of an endowment fund (DP/1986/INF/3);
- (j) UNFPA Financial report and audited financial statements for the year ended 31 December 1984 and the report of the Board of Auditors (A/40/5/Add.7).

2. In introducing the item, the Executive Director noted an increase in UNFPA income in 1985, to \$142.9 million, a modest but significant increase in view of the reduction of \$10 million of one major donor's pledge. Expenditures of \$148.9 million reflected an increase of 8.5 per cent over 1984, and the expenditure ratio was 87.6 per cent. The Fund increased its operational reserve by \$4 million, as planned. Headquarters administrative expenditure amounted to \$12.7 million in 1985, while those for Deputy Representative officers was \$4.6 million, with the total expenditure of \$17.3 million, representing 12.1 per cent of 1985 total income.

3. As directed by the Council, the Fund has discontinued the financing of all project-funded Professional posts at headquarters. After streamlining operations, consolidating activities and redeploying existing posts, 17 project-funded Professional and 14 project-funded General Service posts at headquarters had been abolished, with 8 of the Professional posts abolished as a consequence of the establishment of corresponding regular posts by the Council. Through such abolition and conversion, total staff, excluding locally recruited field staff, had been reduced from 294 posts in 1985 to 273 posts in 1986, a net reduction of 21 posts. This represented a 9 per cent reduction of total personnel at headquarters in one year. Net savings from reductions amounted to \$2.4 million in the 1986-1987 biennium. Thus, staffing in 1986 was actually lower, by 11 posts, than the level in 1981.

4. In the revised budget estimates for 1986-1987, it was proposed that 17 General Service posts be established as regular posts and 24 as temporary posts, and that 2 Professional and 2 General Service posts in the Geneva Liaison Office be established as regular posts. It was also proposed that UNFPA continue to use resources generated by overhead charges to Government-executed projects, multi-bilateral projects, and procurement support services to supplement the resources of the administrative and programme support services budget.

5. On a gross basis, the revised estimates for 1986-1987 amounted to \$40.4 million, comprising \$36.6 million approved by the Council in 1985 and \$3.8 million associated with the proposals before the Council. After deducting credits and income estimated at \$4 million, the net was \$36.4 million.

6. Because a major donor had not yet indicated its intention to make a contribution to UNFPA in 1986, the relevant UNFPA documents submitted to the Council had been drawn up on the basis of two income scenarios. Should a contribution from this donor be received in the 1986-1987 biennium, these resources would be added to the funds available for programming, without further increases in UNFPA administrative costs. Should no contribution be received, strict measures would be applied to realize further savings and all categories of expenditure not subject to mandatory or statutory increases would be re-examined and the results reported to the Council.

7. In conclusion, the Executive Director stated that, in spite of the financial constraints, the administrative and programme support costs at UNFPA remained relatively low. According to the third report on evaluation in the United Nations system of the Joint Inspection Unit (A/41/202), UNFPA had the lowest ratio of professional staff (both at headquarters and in the field) to total expenditures for the 1984-1985 biennium.

#### Summary of the discussion in the Committee

8. Several delegations noted the strategic importance of human resource planning and personnel management and thanked the Executive Director for the well-prepared, detailed report on UNFPA personnel management policies and practices (DP/1986/41). Some delegations, while agreeing that recruitment of younger staff members was important, noted some limitations to this approach, including the possible effect on the personnel pyramid. Some delegations stressed the importance of enabling qualified external as well as internal candidates to compete for senior appointments. A number of delegations commended the Executive Director for the high percentage of women among the Fund's Professional staff and encouraged him to continue to strive for equal participation of women in achieving the organization's objectives. Two delegations expressed their concern regarding equitable geographical distribution in recruitment, particularly representation from developing countries. The necessity for an equitable promotion policy and balanced evaluation of staff performance was also emphasized.

9. Regarding career development, several delegations stated that secondment to other organizations of the United Nations system, and thus a more integrated inter-organizational career development policy, especially with UNDP, was highly desirable at all levels. One delegation also stated that career development policy must be placed in the context of the interests of the organization in ensuring maximum quality and productivity.

10. While stressing that the Fund's staff should be as flexible as possible in taking on new assignments, several delegations stated that rotation between headquarters and the field should be the rule rather than the exception; one delegation emphasized the importance of rotation among field posts. The need to better assess UNFPA training requirements and to enhance staff training, whenever appropriate in co-operation with other organizations, was also stressed by several delegations.

11. Referring to the draft guidelines for determining project-related and administrative-related personnel expenditures (DP/1986/42), many delegations expressed their satisfaction with the definition offered. It was stressed that there must be a clear-cut distinction between administrative and project personnel at headquarters. Some delegations agreed with the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that project posts should be confined to the field and that staff resources requested as temporary posts or consultants should be fully justified in the administrative and programme support services budget. Several others felt that there should be a mechanism devised to enable UNFPA to deal realistically with the provision of centrally funded project-related services or expertise at headquarters. The Executive Director was requested to provide, on an annual basis, information on all headquarters project personnel financed from resources outside the biennial budget.

12. As concerns the proposed budget format (DP/1986/44), several delegations indicated that a full appreciation of the utility of the format would come during the Committee's consideration in 1987 of the biennial budget for 1988-1989 and commended the Executive Director on the prototype budget.

13. Concerning the annual financial review for 1985 (DP/1986/45), delegations expressed their satisfaction with, inter alia, the increases in pledges to the Fund for 1985 and increased allocations to non-governmental projects. At the same time, they expressed concern with the increase in administrative expenditures and the decrease in interest earnings. It was requested that, in future, the situation resulting from rates of currency exchange be reflected in the review. One delegation requested that information be provided concerning funds devoted to the reimbursement of income taxes of personnel from those countries that had not signed international agreements relieving their nationals from liability to national income tax. One delegation requested that the programme expenditure allocation data be provided, even if unaudited, to the extent available.

14. Regarding the report on the implementation of Council decision 85/20 I, paragraph 12, several delegations welcomed the positive steps taken by the Executive Director to eliminate project-funded posts at headquarters.

15. In reference to the revised budget estimates for 1986-1987, several delegations expressed concern that it was envisaged that administrative expenses were to remain the same under both the lower and higher income scenarios; they urged that, should the lower scenario materialize, the Executive Director implement his intention to introduce further savings and economies. Several delegations stated that, in the event of a lower income level, the administrative budget should be cut to share the burden on the field programmes. Several delegations concurred with ACABQ that all 41 proposed General Service posts at headquarters be established as temporary posts in the administrative and programme support services budget, while others supported the proposals of the Executive Director in some measure. Several delegations expressed reservations regarding the proposal to establish a temporary P-3 post in the European Branch, while some others supported the proposal. Following the Deputy Executive Director's further clarification of the matter, several delegations expressed agreement with the proposal to establish two Professional and two General Services posts for the Geneva Liaison Office in the administrative budget.

#### Response of the Administration

16. Regarding the document on UNFPA personnel management policies and practices, the Deputy Executive Director stated that the recommendations outlined therein represented what UNFPA would aim for. However, under current financial constraints, not all of them could be fully implemented immediately, particularly training activities. He reported that women Professionals constituted 36 per cent of UNFPA Professional staff, and represented 27 per cent of Professionals at the P-5 level and above. Fifty-eight nationalities were represented among the Fund's Professional staff, and 102 in total, including many from developing countries. Regarding the division of personnel functions between UNDP and UNFPA, the Deputy Executive Director stated that the Fund had a good working relationship with UNDP and had every intention of continuing to take advantage of common services. Nevertheless, it would be desirable for UNFPA to gradually absorb some of the analytic functions. At present, however, there was only minimal staffing in the UNFPA personnel branch.

17. The Deputy Executive Director noted that, while secondment and transfer to other organizations was ideal in concept, such movements were quite limited in practice, especially under circumstances of financial constraints throughout the common system. In the case of UNFPA and UNDP, there was rather a one-way movement from the former to the latter, with UNFPA staff, particularly younger staff at junior levels, moving to the larger organization for better career development chances.

18. Regarding the draft guidelines for determining project- and administrative-related personnel expenditures, the Deputy Executive Director assured the Committee that, under no circumstances would project posts at headquarters be used for routine administrative activities, but rather for specific shorter-term substantive functions. However, since the Fund would continue to have some headquarters-based project activities, there was a need for provision for such activities that might include a personnel component. Regarding queries as to how the draft guidelines would be applied to locally-recruited field staff, the Deputy Executive Director stated that care should be taken so that the 287 project-funded field posts could be analyzed on an individual basis to determine under which category they would fall. While, in principle, all administrative and "housekeeping" posts in the field should be included in the 1986 budget, in the Deputy Executive Director's judgement, the timing for such a proposal was not at present propitious. At a minimum, the nine remaining project-funded international programme officer posts belonged in the administrative and programme support services budget.

19. Concerning the prototype for a UNFPA budget format, in response to queries as to the areas of distinction between the UNDP and the proposed UNFPA formats, the Deputy Executive Director stated that, while the former was based on foreseen expenditures, UNFPA had no indicative planning figure (IPF) system; there was no distinction within UNFPA between core and non-core \$ activities; and UNFPA based its budget on anticipated income for the biennial budget cycle. He assured the Committee that the tables not included for reasons of document length in the budget prototype, as mentioned in paragraph 11 of document DP/1986/44, would indeed be included in the biennial budget presentation.

20. Responding to queries on the 1985 annual financial review, the Deputy Executive Director noted that excess of expenditures over income was largely the result of the withdrawal in 1985 of a \$10 million share of one Government's pledged amount and was covered by the carry-over of funds from the previous year. Regarding the tax equalization fund, while acknowledging that there could be a net outflow to a Government whose citizens were subject to national taxation, such a situation had never occurred in the past and it was to be hoped that it would not occur in the future. The Deputy Executive Director stated that in future the Fund would include annual financial reviews information on contributions-in-kind received from Governments and on programme expenditures, even if the latter had to be unaudited and issued in an information document.

21. Regarding the implementation of Council decision 85/20 I, the Deputy Executive Director explained that a conscious effort had been made to reallocate, in a short period of time, field staff resources to Africa. As concerned the selection of candidates for the posts the Council had

established, the posts had been advertised and selections made by the appointments and promotions body in an objective and professional manner. All other things being equal, he stated, staff already serving the organization had to be given preference, in conformity with the United Nations Staff Rules.

22. Responding to the concerns of delegations regarding the revised budget estimates, the Deputy Executive Director explained that there was nothing in the revised estimates that was not a direct consequence of the personnel situation outlined in document DP/1986/43. The 41 General Service posts proposed for establishment in the administrative budget were essential to the Fund's operations. He noted that the ratio of General Service to Professional staff at UNFPA was one of the lowest in the United Nations system. The regularization and establishment of the four posts in the administrative budget was fully justified by the workload of the Geneva Liaison Office with other United Nations system agencies and organizations and with the many interagency and inter-governmental meetings held in Geneva, to which it would be very expensive to send representation from headquarters. Regarding the temporary post proposed for the Europe Branch, he stated that it would be outposted to Europe as agreed to by ACABQ. However, should the Committee so desire, the post could be located in New York.

23. Concerning the administrative expenditures envisaged under the two income scenarios, the Deputy Executive Director stated that the Fund intended to do everything possible to relieve the burden on the programme should the lower scenario materialize. Plans for further reductions in administrative costs were being contemplated pending final decision by a major donor on its contribution to the Fund. All administrative expenditures would be reconsidered in such an event.

24. In next year's biennial budget presentation, the Deputy Executive Director stated, the Fund would include more detailed information on the structure of the UNFPA field offices.

25. Document DP/1986/INF/3, entitled "Note by the Executive Director on the establishment of an endowment fund", was made available to the members of the Committee. However, no discussion on this issue took place in the BFC.

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