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BUDGETARY AND FINANCE COMMITTEE
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Item 10 of the 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

ADDENDUM

Rapporteur: Ms. MKHONZA Adelaide Phindile (Swaziland)

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

B. Revised budget estimates for 1986 and budget estimates for 1987
and Government contributions to local office costs

1. For consideration of the above subject, the Committee had before it documents DP/1986/58, Revised Budget Estimates for the Biennium 1986-1987, DP/1986/59, Government Contributions to Local Office Costs in 1985, and DP/1986/60, Report of the Advisory Committee on Administrative and Budgetary Questions,

2. In introducing this agenda item, the Deputy Assistant Administrator and Director of Finance recalled that the Administrator's original proposal for the 1986-1987 biennium had been constructed around two principal themes: the need to strengthen the operational capacity of UNDP in Africa; and the transition to net contributor status of certain countries with the inception of the fourth cycle. At its thirty-second session, the Governing Council approved the strengthening package for Africa, but took a slightly different approach to the question of graduation during the fourth cycle. Specifically it decided that the countries with per capita GNP in 1983 in excess of \$3,000 would be required to reimburse the UNDP core budget for their field offices (as opposed to the Administrator's proposal to treat local office costs as extra-budgetary items). The expenditure estimates and the staffing of the affected field offices would therefore need to be reinstated into the budget of UNDP, with a corresponding increase in income estimates. Thirdly, the Advisory Committee had recommended, and the Council approved, that the co-ordination and emergency elements of the Africa package be treated as a reimbursable subvention from UNDP resources, in order to supplement extrabudgetary contributions. Finally, these decisions were made in the context of a one-year appropriation for 1986 only, since the Council's budgetary decision had to be finalized before decision 85/16, concerning the fourth programming cycle, was taken.

3. The budget submission presented to the Council, the Deputy Assistant Administrator stated, was designed to embody the consequences of these various Council decisions while returning to the biennial framework which was familiar to all Committee members. He went on to review with the Committee the financial aspects of the current budget submission: the revised biennial estimates for the budget as a whole amounted to \$333.9 million (gross) and \$283.5 million (net). In gross terms, this represented a reduction of

3.9 per cent compared to the appropriation approved by the Council for 1986 projected through to the end of 1987. These changes comprised: (a) a volume increase of \$6.0 million as a result of reinstatement of the RIPF field offices; (b) a cost reduction of \$2 million overall, reflecting, inter alia, a downward adjustment in the resources required for the reimbursable subvention for Africa; (c) a currency release of \$2.7 million overall; (d) a release of \$14.2 million due to a continued slackening of inflation; (e) an increase in income estimates of \$1.5 million for UNDP core activities.

4. He went on to note that, as regards staffing, no adjustment in the overall level was proposed over that approved by the Council last year, although 11 international and 114 local posts had been transferred from the extra-budgetary component back to the core for 1987 in accordance with decision 85/16. He also noted that the figures provided in the budget predated the previous day's discussion on the field offices in Romania and Yugoslavia. As a result of this decision, gross expenditure estimates for UNDP core activities would have to be increased by \$257,500, while income estimates would be increased by the same amount. However, he pointed out that, in line with the principles set out in the proposal, there would be no impact on net expenditure estimates. The net effect would also be to increase UNDP core staffing level in 1987 by 1 international and 17 local staff posts over that indicated in table 4 of document DP/1986/58.

5. The Deputy Assistant Administrator went on to discuss the revised proposal of the Administrator with regard to the reimbursable subvention component of the Africa strengthening package. He stated that it was the Administrator's intention to reduce the headquarters staffing in respect of the emergency component in line with the anticipated phasing out of the

Office of Emergency operations in Africa (OEOA). UNDP staffing reduction in this respect resulted in two professional and two general service posts less in the extra-budgetary package.

6. Before concluding his presentation, the Deputy Assistant Administrator turned to document DP/1986/59 concerning Government contributions to local office costs. Noting the background to this question, in particular decision 84/9 of the Council, he pointed out that 1985 was the first year in which the accounting linkage had been applied. For this reason, and because the calculations were effected on a cash basis rather than on the basis of pledges made, the picture presented for a given country was not, in all cases, wholly representative of that payment pattern. A clear and more representative picture would have to be based on the experience of several years. None the less, when viewed as a whole, he felt that the picture was reasonably representative of the situation. He went on to point out that substantial progress had been made on this issue over the past several years, but, as the report indicated, a great deal more had to be done if true burden sharing within the partnership was to be a reality in all cases.

Summary of the discussion

7. Delegations expressed their appreciation of the Administrator's budget proposal, which they found consistent with the decisions of the Governing Council adopted at its thirty-second session. they also expressed their appreciation for the report of the Advisory Committee on Administrative and Budgetary Questions, which served to facilitate their review of the budget submission.

8. As regards the Africa package, a number of delegations questioned the future of the Office of Emergency Operations in Africa and also the impact of the recent special session of the United Nations General Assembly on UNDP

activities in Africa. They further mentioned that...

slow implementation of some elements of the extra-budgetary package, notably the recruitment of economists, they also requested an update on the financial situation of the extra-budgetary component. A number of delegations endorsed the concern of the Advisory Committee on their being requested to endorse post facto the temporary reclassification of the resident co-ordinators/resident representatives in Sudan and Ethiopia to the rank of Assistant Secretary-General. While they sympathized with the circumstances and rationale for this action, they cautioned the Administration to seek prior approval for such action in the future. Several members expressed the view that the arrangement should be limited to the current biennium.

9. Several delegations queried the increase in posts between 1985 and 1986, while one delegate commented on the apparent concentration of posts at the P4/P5 grade levels in 1986, as distinct from 1985, the question was raised whether this was an appropriate shape for the UNDP staffing pyramid. The question was also raised concerning the rate of inflation applied by the administration in preparing the budget submission, and a question was asked as to why the inflation adjustments for the Inter-Agency Procurement Services Unit (IAPSU) and the United Nations Volunteers (UNV) were upward, in contrast to the downward adjustment for all other units of UNDP. One member questioned the cost to the budget of staff members on special assignment, listed in DP/Staff Listing/15 of 15 April 1986.

10. Several delegations questioned the costs and efficacy of holding the Governing Council in Geneva. They felt that the cost of transporting staff and documentation to Geneva would be heavy and noted that there was a substantial disadvantage in that, on certain subjects, there were insufficient UNDP support staff to inform the debate. One delegation expressed concern that, despite a long history of recommendation in favour of strengthening, the Administrator had again decided not to increase staffing levels for the unit

for Technical Co-operation Among Developing Countries (TCDC). Another delegate requested clarification as to how the previous day's decision on the field offices in Bucharest and Belgrade would be incorporated in the appropriation decision. One delegate asked why the Consultative Group on International Agricultural Research (CGIAR) was included in the biennial appropriation, rather than being treated as a programme matter.

11. Turning to the paper on Government contributions to local office costs, a number of delegations requested clarification on why the overall shortfall in Government contributions should be \$2.3 million in the text, whereas the shortfall in the annex table was designated as \$4.6 million. One delegation also expressed concern at the application of the accounting linkage to a target obligation which had not been mutually agreed upon with the host Government. The same delegation queried the administration's proposal in respect of Government local office costs (GLOC) waivers in the fourth cycle. The delegation queried whether there was sufficient justification for the Administrator's proposal to deviate from those waivers that had applied for the third cycle and expressed the opinion that some allowance should be made for the effect of inflation on per capita GNP.

Response of the Administration

12. In responding to the questions, the Deputy Assistant Administrator admitted that UNDP could not at that stage fully predict either the future of OEOA, since a report was being prepared for submission to the Secretary-General in October 1986 on the issue, or of the effect of the Africa special session on UNDP. However, he explained that in both cases the budgetary provisions foreseen would enable UNDP to play its full part in this important process. As regards the recruitment of economists to serve in the African field offices, the Deputy Assistant Administrator conceded that this had indeed been slower than expected. However, he pointed out that approval

for this programme had only been given by the Council in June 1985, leaving the administration to build up the staffing from scratch. It was not easy to identify and attract the best quality staff in a short period and it had been a deliberate decision of the Administration to ensure that only candidates of the highest quality be recruited, since this was regarded as a long-term investment in UNDP capacity in this respect. He reported, none the less, that of 14 economist posts, 9 people had been appointed and that staff for the remaining 5 posts had been identified and were being recruited at the present time. On the question of the reclassification of the resident representative posts in Ethiopia and Sudan, he conceded that this had not followed usual channels and agreed that, in future, UNDP would ensure that due process was followed in such instances.

13. As regards the inflation adjustment for IAPSU and UNV, he pointed out that those units were situated in Geneva, where the Swiss franc had appreciated vis-à-vis the United States dollar in the past twelve months, resulting in an increase in the post adjustment index for staff serving in Geneva, reflected as an inflationary increase. In this connection, he noted that there was a concomitant increase in resources required under the currency adjustment, also a reflection of the same process. Still on the subject of inflation, the Deputy Assistant Administrator advised the Committee that the inflation calculation was based on a very careful review of inflation estimates provided by resident representatives around the world; he felt that the inflation estimates which constituted the base for the revised estimates were as good as were available. He conceded, however, that this was an inexact science, and pointed out that, with subsequent revisions of the biennial estimates, these inflation projections would be reviewed by the Administration.

14. As regards the incorporation of the decision on the field offices in Belgrade and Bucharest, the Deputy Assistant Administrator suggested that this be incorporated as a distinct paragraph in the appropriation decision for the 1986-1987 budget, and that the appropriation figure for UNDP core activities be adjusted in accordance with the decision taken on the previous day. On the question of the TCDC unit, he stated that in accordance with Council decision 81/26, the Administration was precluded from introducing substantive changes in the mid-biennial budget, since this would call into question the principle of biennial budgeting. Thus, he did not propose changes to the TCDC unit for this session but would make his considered recommendations in the context of the 1988-1989 budget submission, along with his recommendations on a number of other issues, such as the Central Evaluation Office.

15. On the question of why the resources for the CGIAR should be included in the administrative budget appropriation, the Deputy Assistant Administrator advised the Committee that this was a result of Governing Council decision 83/14, V, 2. He also stated that the differences in grading structures in 1986 and 1985 were attributable to the job classification exercise, which had been reviewed and approved by the Council at its thirty-second session. He reminded members that the pyramid was actually broad-based, since international staff at the lower grades were supplemented by Junior Professional Officers and local national officers.

16. Turning to the question of Government contributions to local office costs, the Deputy Assistant Administrator explained that the apparent discrepancy between the figures provided for the GLOC shortfall in DP/1986/59 was attributable to the fact that a number of Governments contributed in excess of their minimum obligations as expressed in the GLOC target. As a result, the overall shortfall in total GLOC income was different from the total of GLOC shortfalls in those countries which had fallen short of their

minimum obligations. Regarding the question of consultations with host Governments on GLOC targets, he informed the Committee that resident representatives had been instructed to consult fully with host Governments on this. He added that the level of government obligations had been based on the waiver principle enunciated in Council decision 84/9.

17. On the question of GLOC waivers for the fourth cycle, the Chief of the Budget Section, Division of Finance, pointed out that decision 85/16 had not been entirely explicit in its treatment of this aspect of the subject and that the Administrator was therefore offering his interpretation of that decision. Referring to decision 85/16, he suggested that category 1 was defined in paragraph 11; category 2 in paragraph 9; category 3 in paragraph 8, while the dividing line between categories 4 and 5 could be found in paragraph 5 of the decision.

18. With regard to staff on special assignment, it was pointed out that these were instances in which UNDP staff members were transferred to functions outside the UNDP core budget and they did not therefore constitute a charge to it. They could be re-absorbed by UNDP when required.

Recommendation of the Committee

Following its consideration of this subject, the Committee recommended that the Council adopt the following decision:

The Governing Council,

Having considered the revised 1986-1987 biennial budget estimates of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1986/58),

1. Takes note with appreciation of the related report of the Advisory Committee on Administrative and Budgetary Questions (DP/1986/60),

2. Decides that the field offices in Belgrade and Bucharest shall be maintained on the understanding that from 1987 there shall be no net additional cost to the biennial budget over and above the costs that would have been incurred in administering the Yugoslav and Romanian programmes from the UNDP office in Geneva,

3. Approves appropriations in an amount of \$334,199,500 (gross) to be allocated from the resources indicated below to finance the 1986-1987 biennial budget, and resolves that the income estimates in an amount of \$50,703,600 shall be used to offset the gross appropriations, resulting in net appropriations of \$283,495,900 as indicated in the table below.

1986-1987 biennial budget

(in thousands of US dollars)

	Gross appropriations	Estimated income	Net appropriations
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<u>Resources of UNDP</u>			
UNDP core activities	288 127.7	(30 557.5)	257 570.2
OPE	16 945.8	(16 945.8)	0.0
IAPSU	2 166.7	(2 166.7)	0.0
UNV	7 308.9	0.0	7 308.9
UNSO-UNDP/UNEP joint venture (institutional support)	2 067.2	(1 033.6)	1 033.6
TCDC/INRES	739.6	0.0	739.6
CGIAR	900.0	0.0	900.0
Africa strengthening	2 480.0	0.0	2 480.0
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	320 735.9	(50 703.6)	270 032.3
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<u>Resources of United Nations Capital Development Fund</u>			
	6 196.5	0.0	6 196.5
<u>Resources of United Nations Revolving Fund for Natural Resources Exploration</u>			
	3 034.2	0.0	3 034.2
<u>Resources of United Nations Sudano-Sahelian Office</u>			
	4 232.9	0.0	4 232.9
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<u>Total appropriations</u>	334 199.5	(50 703.6)	283 495.9
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4. Approves an exceptional allocation of \$791,630 to be charged against UNDP support cost resources and to be treated as extra-budgetary income to the United Nations Volunteers programme, in order to enable an immediate strengthening of its administrative capacity, consisting of five extra-budgetary professional posts, four extra-budgetary general service posts and related operating expenses for the period 1 September 1986 through 31 December 1987;

5. Requests the Administrator to undertake a substantive review of the work of UNV and, taking account of the recommendations of the second UNV intergovernmental meeting in Maseru/Lesotho in November 1986, to submit his report to the thirty-fourth session of the Council. The report should contain, in the context of the 1988-1989 biennial budget, the Administrator's recommendations on the most appropriate financing modality to meet the need for staffing UNV headquarters in relation to its workload, as a demand-oriented programme; the Administrator should also report on his proposed consultations with specialized agencies concerning compensation to UNV for service provided in identifying and fielding volunteers to work in agency-executed projects;

6. Takes note of the Administrator's proposals in respect of government local office cost obligations in the fourth cycle;

7. Takes note of the carry-forward of \$900,000 of the 1984-1985 support cost earnings of the Office for Projects Execution as available for use in 1986-1987.

