

**Governing Council  
of the  
United Nations  
Development Programme**Distr.  
GENERALDP/1987/56  
15 May 1987

ORIGINAL: ENGLISH

Thirty-fourth session  
26 May-19 June 1987, New York  
Item 9 (b) of the provisional agenda

## FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Revised budget estimates for the biennium 1986-1987 and  
budget estimates for the biennium 1988-1989Report of the Advisory Committee on Administrative and  
Budgetary Questions

1. In accordance with regulation 9.5 of the Financial Regulations of UNDP, the Advisory Committee on Administrative and Budgetary Questions has considered revised budget estimates for 1986-1987 and budget estimates for 1988-1989, both of which are contained in document DP/1987/55, Volume I and Corr.1 and Volume II and Corr.2. In accordance with Financial Regulation 5.1, the Committee has also considered a report on Trust Funds Established by the Administrator in 1986 (DP/1987/57). In addition, the Committee had before it a report on the Organizational and Financial Structure of the UNDP-Administered System (DP/1987/53), and a report on the United Nations Volunteers (UNV) (DP/1987/46 and Add.1). During its consideration of these items, the Advisory Committee met with the Administrator and his colleagues.

Revised budget estimates for 1986-1987

2. As indicated in paragraph 32 of DP/1987/55, by its decision 85/36, the Governing Council initially approved resources totalling \$170,319,100 (gross) for 1986 only. In order to establish an amount for two years, the appropriation was subsequently adjusted and the resulting figure amounted to \$346.8 million (gross) and \$294.6 million (net) for the 1986-1987 biennium. However, as noted in the Advisory Committee's report DP/1986/60, this total was never appropriated by the Governing Council. At its thirty-third session, the Governing Council, by its decision 86/43, approved revised estimates of \$334.2 million (gross) and \$283.5 million (net), a decrease of \$12.6 million (gross) and \$11.1 million (net) from the biennialized base. The Administrator is now proposing to revise again the

1986-1987 budget to \$342.7 million (gross) and \$288.5 million (net). In this connection, the Advisory Committee notes from paragraph 33 that the revised estimates include \$2.1 million for the United Nations Development Fund for Women (UNIFEM) and \$2.4 million for the United Nations Fund for Science and Technology for Development (UNFSTD), neither of which figured in the previous appropriation. Excluding these two funds for the sake of comparison, the Administrator's revised estimates for 1986-1987 total \$338.2 million (gross) and \$284.0 (net); this represents an increase of \$4.0 million (gross) and \$0.5 million (net) over the currently approved appropriations.

3. The increase of \$4.0 million (gross) is attributable to the following factors:

	\$
Currency	(958 500)
Inflation	(2 008 000)
Various other cost adjustments	3 512 500
Volume (OPE)	<u>3 399 600</u>
	3 945 600 (4.0 million rounded)

4. As can be seen from table B of DP/1987/55, the decrease of \$1.0 million under currency exchange rates is a net figure which includes, *inter alia*, a substantial decrease (\$2.0 million) in requirements for UNDP core activities; this is offset by increases of \$748,600 and \$193,800 in respect of the UNV and IAPSU respectively. Both the UNV and IAPSU are Geneva-based and, as a consequence, the currency increases shown for them represent the depreciation of the dollar *vis-à-vis* the Swiss Franc. The Committee was informed that the net decrease of \$2.0 million for UNDP core activities comprises a decrease of \$2.6 million in respect of field offices and an increase of \$.6 million for the Geneva office.

5. As stated in paragraph 4 of DP/1987/55, the revised estimates assume an overall inflation rate of 5.5 per cent which results in a net decrease of \$2.0 million. The Advisory Committee also notes from table B that the \$2.0 million decrease under inflation relates primarily to UNDP core activities.

6. As shown in table B, other cost adjustments relating to UNDP core activities total \$3.8 million; the elements comprising this increase are enumerated in paragraph 37. In response to inquiries, the Committee was informed that the increase of \$2 million resulting from changes in staff entitlements comprises \$1.3 million for rental subsidy payments and \$0.7 million for the cost of medical evacuation. According to representatives of the Administrator, the \$1.3 million increase in provision for rental subsidy reflects both the increasing impact of introducing a rental subsidy in New York as well as the effect of holding back general levels of remuneration world-wide with its consequential effect on rental subsidy thresholds. The \$0.7 million increase in provision for medical evacuation

is the result of the deterioration of medical facilities in a number of field duty stations. The Committee was also informed that the increase of \$1.7 million due to costing errors in respect of field office local staff (para. 37 (d)) relates to an adjustment, in a number of field offices, of the average post cost which is used to estimate expenditures.

7. The cost adjustment of \$3.8 million for UNDP core activities is partly offset by decreases in respect of other appropriation lines, most notably by a decrease of \$0.7 million for the Africa reimbursable subvention. As can be seen from the table following paragraph 38 of DP/1987/55, the revised level of the reimbursable subvention for 1986-1987 totals \$1,752,500 as compared with the currently approved level of \$2,480,000.

8. As shown in the table in paragraph 3 above, the revised 1986-1987 estimates include a \$3.4 million volume increase for OPE; this represents the addition in 1986 of nine Professional and 14 General Service posts to OPE's staffing table. As explained in paragraph 34, the Administrator has been authorized by the Governing Council to adjust OPE's expenditures and staffing in accordance with actual work-load requirements and the availability of support cost income. The Advisory Committee sought and received additional information regarding this increase in staffing. Since the posts had been created after the Council's thirty-third session, the Committee also queried why they had not been designated as temporary for 1986-1987. Such a designation would have been in conformity with the Administrator's previous policy (see DP/1985/57). In this connection, representatives of the Administrator noted that such a distinction was meaningless since all OPE posts could be regarded as de facto temporary - i.e. their continued existence depended on the availability of support cost income and actual work-load requirements. Because the newly created posts were of the same nature as the existing posts, it had been decided to abandon the distinction.

9. As noted in paragraph 2 above, the revised 1986-1987 estimates of \$342.7 million (gross) include \$2.1 million for UNIFEM and \$2.4 million for UNFSTD. As explained in table B of the Administrator's report, the base figure used in calculating UNIFEM's revised budget was the level of resources approved (\$2,172,000) in Governing Council decision 86/7 in respect of UNIFEM. With regard to UNFSTD, which was established as a trust fund in 1987, the base figure of \$2,464,300 represents the 1986-1987 projected expenditures and a level of staffing comprising six Professional and six General Service posts. As can also be seen from table B, the revised 1986-1987 estimates for these two funds are slightly lower than the base figures due to minor cost and inflation adjustments.

10. In paragraph 35 of DP/1987/55, the Administrator notes that pursuant to Governing Council decision 86/43, the staffing level of the UNV Programme was increased by nine extrabudgetary posts through the end of 1987. The posts were funded by an allocation from UNDP support cost resources; hence the 1986-1987 budget estimates were not affected. The Administrator's proposals for 1988-1989 are discussed in paragraphs 59 to 64 below.

11. Based on the information before it, the Advisory Committee does not object to the volume and cost adjustments proposed by the Administrator for the 1986-1987

estimates. However, should the Governing Council accept the recommendations of the Advisory Committee in paragraphs 48 to 52 below regarding amortization, the amount appropriated for 1986-1987 will have to be adjusted upward to bring estimated expenditures for 1986-1987 in line with the appropriation.

### 1988-1989 biennial budget estimates

#### General outline

12. The budget estimates proposed by the Administrator for the 1988-1989 biennium amount to \$395,896,800 (gross) and \$326,648,300 (net), an increase of \$53,184,400 (gross) and \$38,124,300 (net) over the revised 1986-1987 estimates of \$342,712,400 (gross) and \$288,524,000 (net). Table C of DP/1987/55 summarizes, at the fund level, the major increases/decreases in 1988-1989. As shown therein, the total gross increase of \$53,184,400 is attributable to the following factors:

	<u>Increase/decrease</u> <u>(Thousands of US dollars)</u>
Volume increase	6 522.1
Various cost adjustments	6 393.8
Currency adjustment	(727.3)
Inflation adjustment	40 995.8

13. As can also be seen from table C, the bulk of each of the above-mentioned increases/decrease relates to UNDP core activities. A summary of the volume increase being proposed for UNDP core activities (\$4.6 million) is provided in paragraph 100 of the Administrator's report; in paragraph 103, he describes the various cost adjustments for core activities, the net effect of which totals \$6.1 million for the biennium.

14. The volume increase of \$4.6 million for UNDP core activities is, as stated in paragraph 40 of DP/1987/55, "principally due to the incorporation of the Africa strengthening reimbursable subvention in the core budget"; therefore the separate appropriation line has been eliminated in the 1988-1989 budget. According to the Administrator, his proposal to include in the core budget the extrabudgetary posts which are currently partly underwritten by the reimbursable subvention is "consistent with his previous statements of intent" (para. 57 of DP/1987/55). In this connection, the Advisory Committee recalls that in DP/1985/57, the Administrator proposed that the international Professional and the headquarters Professional and General Service staff related to the aid co-ordination and emergency components of the Africa strengthening package be financed from extrabudgetary resources. When it became apparent that those resources would not cover the requirements, the Administrator included those posts in his core budget estimates (DP/1985/57/Add.1). However, the Governing Council, on the recommendation of the Advisory Committee, chose to retain the posts as

extrabudgetary and approved a reimbursable subvention to cover the shortfall in extrabudgetary resources. Subsequently, in his report DP/1986/58, the Administrator stated that he had always maintained that the aid co-ordination element "should constitute a longer-term reinforcement of UNDP's capacity to support aid co-ordination efforts in Africa"; accordingly, he intended to "seek inclusion of this element in the core budget for the 1988-1989 biennium".

15. Details of this proposal are provided in paragraphs 55 to 60 of DP/1987/55. In summary, its implementation would entail converting 25 extrabudgetary posts (22 Professionals and 3 General Service) to established and temporary status as follows:

Aid co-ordination posts

	<u>Established</u>		<u>Temporary</u>	
Headquarters	2 P	2 GS	-	
Field	12 P		-	

Emergency component posts

Headquarters	-		1 P	1 GS
Field	-		7 P*	
<b>Total</b>	<b>14 P</b>	<b>2 GS</b>	<b>8 P</b>	<b>1 GS</b>

\* There are currently 14 Professional field posts related to the emergency element. By 1988, this number will have been reduced to the seven being proposed for conversion to temporary status.

The Administrator also proposes to decrease the local support staff related to the emergency component from 65 to 29. These posts are already included as temporary budgetary posts in the core budget for 1986-1987.

16. The Administrator has proposed other organizational and staffing changes which, in respect of core activities, relate to a strengthened central policy capability, the management of the European programmes, and the field offices. These proposals are discussed in paragraphs 61 to 75 of DP/1987/55. The Administrator's principal proposals for non-core activities are contained in paragraphs 76 to 99.

17. The following table summarizes the net staffing increases/decreases which would result from the implementation of the Administrator's proposals:

Budgetary staffing changes

<u>Proposal</u>	<u>Professional</u>		<u>General Service</u>		<u>National Officer</u>		<u>Local Level</u>		<u>Total net change</u>	
	<u>Estab- lished</u>	<u>Tempo- rary</u>	<u>Estab- lished</u>	<u>Tempo- rary</u>	<u>Estab- lished</u>	<u>Tempo- rary</u>	<u>Estab- lished</u>	<u>Tempo- rary</u>	<u>Estab- lished</u>	<u>Tempo- rary</u>
<u>UNDP core</u>										
Africa subvention incorporation and related support staff reduction	14	8	2	1		(6)		(30)	16	(27)
"Other" organiza- tional changes	(1)		1		55		(59)		(4)	-
<b>Total changes (Core)</b>	<b>13</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>55</b>	<b>(6)</b>	<b>(59)</b>	<b>(30)</b>	<b>12</b>	<b>(27)</b>
<u>Non-core</u>										
UNV	5		4						9	-
UNCDF	2		3						5	-
UNRFNRE	(1)		(1)						(2)	-
UNIFEM	3		2						5	-
<b>Total changes (Non-core)</b>	<b>9</b>		<b>8</b>						<b>17</b>	<b>-</b>
<b>Grand total</b>	<b>22</b>	<b>8</b>	<b>11</b>	<b>1</b>	<b>55</b>	<b>(6)</b>	<b>(59)</b>	<b>(30)</b>	<b>29</b>	<b>(27)</b>

...

18. The above-mentioned increases/decreases are also included in table A.1 of the Administrator's report DP/1987/55, which provides, for established and temporary budgetary posts, the approved staffing levels by category for 1986-1987 and those proposed for 1988-1989. As can be ascertained from that table and table 8 of the same report, the Administrator is proposing a total of 4,197 established and 39 temporary budgetary posts for 1988-1989, as follows:

UNDP staff changes - budgetary posts

	<u>Approved 1986-1987</u>		<u>Proposed 1988-1989</u>		<u>Net change</u>	
	<u>Established</u>	<u>Temporary</u>	<u>Established</u>	<u>Temporary</u>	<u>1986-1987 to 1988-1989</u>	<u>Established</u> <u>Temporary</u>
<b>Resources of UNDP</b>						
1. Core activities	3 892	65	3 904	38	12	(27)
2. OPE	115	-	115	-	-	-
3. UNV	51	-	60	-	9	-
4. Other <u>a/</u>	20	1	20	1	-	-
<b>Total UNDP resources</b>	<b>4 078</b>	<b>66</b>	<b>4 099</b>	<b>39</b>	<b>21</b>	<b>(27)</b>
Resources of UNCDF	28	-	33	-	5	-
Resources of UNRPNRE	14	-	12	-	(2)	-
Resources of UNSO	23	-	23	-	-	-
Resources of UNIFEM	13	-	18	-	5	-
Resources of UNFSTD	12	-	12	-	-	-
<b>Grand total</b>	<b>4 168</b>	<b>66</b>	<b>4 197</b>	<b>39</b>	<b>29</b>	<b>(27)</b>

a/ IAPSU, UNSO-UNDP/UNEP J.V. (Institutional support), TCDC/INRES.



19. In addition to the above-mentioned budgetary staffing establishment, UNDP also has staff funded from extrabudgetary resources. A breakdown of these posts by source of funds and category of staff is provided in table A.2 of DP/1987/55; tables 8 and 9 of the same report supplement this information. As can be seen from these tables, a total of 562 extrabudgetary posts are estimated for 1988-1989, an increase of 33 posts over the 1986-1987 level as follows:

<u>Source of funds</u>	<u>Increase/decrease</u>
(1) Support services provided by UNDP core activities to UNDP non-core activities, other organizations and trust funds	
Headquarters	4
(3) Programme and administrative support related to field office activities	
Field	62*
Headquarters	7
(4) Strengthening field offices in Africa	
Field	(26)
Headquarters	(6)
(5) Programme support in the field of energy	
Headquarters	1
(6) Support service related to income received from sub-trust funds in respect of UNV	(9)
	<hr/>
Total	33

\* Comprising 23 in Africa, 31 in Latin America and the Caribbean, and 8 in Asia and the Pacific.

General observations

20. The Advisory Committee notes that while the presentation of the budget for 1988-1989 remains essentially unchanged, thus facilitating comparison with previous biennia, the proposals are generally formulated more clearly and thus more easily understood than in the past. As indicated by the Administrator in paragraph 1, for the first time the budget also includes estimates for the United Nations Development Fund for Women (UNIFEM) and the United Nations Fund for Science and Technology for Development (UNFSTD).

21. In accordance with the Advisory Committee's previous recommendation, the Administrator has also included a section on the methodology used to prepare the estimates. The Advisory Committee believes that some of the factors used in preparing the estimates should be explained more clearly. In particular, the Advisory Committee recommends that a clearer explanation be provided for currency and inflation adjustments, including, inter alia, the rationale governing those elements which are designated as cost adjustments and those included under inflation.

22. The format includes an overview, a more detailed discussion of the total estimates, and information by organizational units. The Committee noted an element of repetitiveness in the general explanatory narratives in Volume I and those narratives related to organizational units in Volume II. The Committee is not proposing that the format be changed. However, it believes that the increased use of specific paragraph cross references would serve to link the various sections and result in a more cohesive presentation. Cross referencing texts to tables would also aid the reader.

23. The Advisory Committee notes that pursuant to its previous recommendation, the Administrator has also provided more detailed information with regard to the estimates for the Division of Management Information Services (DMIS) and the systems being developed and/or enhanced by the Division. At the same time, the Committee notes that while the DMIS may be the focal point for the planning and integration of information systems, the resources necessary for their implementation are not confined to the DMIS. For example, although the Administrator's programme for office automation is discussed in the narrative for the DMIS, the resources for its implementation are divided among various units (see para. 55 below). Information on the totality of resources involved is not provided. The Committee trusts that future budgets will contain such information.

24. As summarized in paragraph 7 of DP/1987/55, the principal features of the Administrator's 1988-1989 estimates relate to his proposals regarding the consolidation for Africa, a strengthened central policy capability, the management of the European programmes and the rationalization of the non-core units. The Administrator, pursuant to Governing Council decision 86/15, has also undertaken an analysis of the staffing situation at headquarters and in the field "in order to ensure that the United Nations Development Programme field offices are adequately staffed in numbers and possess the skills, training and competence necessary to discharge their functions effectively". The Administrator's observations and conclusions in this regard are contained in paragraphs 43 to 53 of DP/1987/55.

25. As stated in paragraph 44, the Administrator believes that the enhancement of the cost-effectiveness and the efficiency of UNDP "depends above all upon the quality, composition and training of UNDP's staff resources". Consequently, as explained in paragraphs 45 to 47, great care is taken to recruit staff with the necessary qualifications. The importance of training - on-the-job, in-service and external - is also stressed by the Administrator. As noted in paragraph 48, the Administrator believes that "a continuous programme of training designed to upgrade and add to the skills of staff members is necessary to maintain the dynamism and flexibility that an organization such as UNDP requires of its human resources".

26. The above notwithstanding, the Administrator cautions that "no matter what the quality of UNDP's staffing, it must be matched by an adequate quantity of staff - and an appropriate deployment - if the organization is to carry out satisfactorily the many mandates with which it is entrusted" (para. 51 of DP/1987/55). In this connection, the Advisory Committee notes the Administrator's view that the level of staffing in the majority of field offices is at the "absolute minimum necessary for meeting the expectations placed upon the Programme and in some field offices a level below this minimum may exist" (para. 51). Furthermore, the responsibilities of handling day-to-day project activities are often entrusted to Junior Professional Officers.

27. To alleviate deficiencies in staffing, the Administrator, as discussed below, has proposed the conversion of a number of local level posts to national officer status; he is also equipping field offices with personal computers as a means of increasing staff productivity. However, he concludes that "it is clear that the adequate staffing of field offices will continue to be a constraint to optimum management of UNDP field operations" (para. 52).

28. The Advisory Committee notes that the UNDP field operations are not limited to IPF-funded activities. As stated by the Administrator in paragraph 12 of DP/1987/55, in most field offices, barely 60 per cent of staff time is spent on IPF-related activities. The Advisory Committee was informed that much of the balance is related to aid co-ordination with other sources of technical co-operation and with the national government concerned. Support services are also provided to members of the United Nations family. While not disputing the importance of the above, the Advisory Committee hopes that a given field office's capacity to discharge its IPF-related responsibilities would not be adversely affected by the consequential demands on staff resources. Moreover, the Advisory Committee trusts that wherever feasible UNDP will seek appropriate reimbursement for the services it provides for other programmes.

#### Core activities

29. As indicated in paragraph 14 above, the main element in the volume increase in UNDP core activities is the incorporation of 25 extrabudgetary posts currently partly underwritten by the Africa reimbursable subvention. According to the Administrator, the inclusion of those posts in the core budget "represents in effect a transfer between existing appropriation lines" (para. 7 of DP/1987/55). While the Advisory Committee does not object to the Administrator's proposal, and notwithstanding the statement in paragraph 73 of DP/1987/55, it points out that the above quotation is somewhat misleading in that a part of the expenditures for these posts, has been, as also indicated by the Administrator, outside of the administrative budget. As shown in the table following paragraph 38 of DP/1987/55, the Africa strengthening appropriation line (reimbursable subvention) totals \$1,752,500 in the revised 1986-1987 estimates. However, the Advisory Committee notes from paragraph 100 of DP/1987/57 that the estimated cost of incorporating the Africa strengthening posts in the core budget is \$4,314,800. Although the Administrator also states that the incorporation of the posts "would not preclude governments that wish to do so from making specific contributions to this activity" (para. 57 of DP/1987/55), it is impossible to predict what contributions might be

made; in this connection, the Committee notes that no additional pledges have been made since early 1985. Moreover, as noted by the Administrator, any contributions would "be treated as income to the core budget and be used to offset expenditures" (para. 57 of DP/1987/55).

30. As shown in paragraph 15 above, the Administrator is proposing that nine extrabudgetary posts related to the Emergency component of the Africa strengthening package be converted to temporary posts. Two of these nine posts (one Professional and one General Service) relate to headquarters. In this connection, the Advisory Committee notes the Administrator's proposal in paragraph 60 of DP/1987/55 to establish a second Deputy Director (D-2) post at Headquarters in the Regional Bureau for Africa "to assist in overseeing the wide variety of UNDP operational activities in the continent, from emergency through recovery to long-term development". These responsibilities go beyond the emergency-related responsibilities of the extrabudgetary posts, and, in this connection, the Advisory Committee notes the Administrator's statement in paragraph 60 that the post will be designated as temporary "at this stage".

31. While the Advisory Committee does not in any way disagree with the overall objective of strengthening UNDP's operational capability in Africa, it questions the conclusion that "the interest of Africa would best be served by strengthening the management of UNDP's own Regional Bureau for Africa by establishing a second Deputy Director post". The Committee is not fully convinced that the additional post will necessarily result in a more coherent and effective management of African programmes. Consequently, while it does not object to the Administrator's proposals in respect of "Consolidation for Africa", it would have welcomed a proposal for additional field posts instead of a D-2 headquarters post.

32. As mentioned above, the Administrator also intends to strengthen UNDP's central policy capability. As discussed in paragraphs 61 to 64, he has strengthened the Bureau for Programme Policy and Evaluation (BPPE) by establishing the Division for Women in Development and the Division for Non-Governmental Organizations.

33. The work plan of both divisions is included in the narrative following table 2/19 of volume II of DP/1987/55. In this connection, the Committee notes that the Division for Women in Development will, inter alia, "maintain close working liaison and will establish an effective working relationship with UNIFEM, the United Nations, and multilateral agencies dealing with women's issues".

34. In the opinion of the Advisory Committee, such a relationship with UNIFEM is essential to avoid duplication and overlapping of the activities of the two units. In response to inquiries, representatives of the Administrator acknowledged a potential for such overlapping but indicated that a set of guidelines was being formulated so as to minimize that potential.

35. As stated in paragraph 7 of DP/1987/55, the Administrator has also "concluded that the European programmes could be handled more cost-effectively during the Fourth Cycle by consolidating their management with that of the Arab States". Consequently, as discussed in paragraphs 65 to 68 of his report, the Administrator

has merged the Unit for Europe with the Regional Bureau for Arab States to create a new Regional Bureau for Arab States and European Programmes (RBASEP). At the same time, the Geneva office will be relieved of its programme responsibilities, with a consequential reduction in staff (three Professionals and three General Service).

36. In this connection, the Committee notes that the Geneva office has been and continues to be headed by an Assistant Administrator (ASG), in spite of the above-mentioned reorganization. Although representatives of the Administrator expressed the view that this was justified by the responsibilities related to the resource mobilization function described in paragraph 67 of DP/1987/55, the Advisory Committee believes that the matter should be reviewed in the context of the overall responsibilities of the other seven ASG posts.

37. The Administrator's proposals regarding the BPPE and the management of the European programmes involve a number of staffing changes/redeployments which are included in the table in paragraph 72 of DP/1987/55. At its request, the Advisory Committee was provided with detailed information regarding these redeployments and staffing changes, which, as shown in paragraph 17 above, result in a net release of one Professional established post and a net addition of one established General Service post.

38. With regard to changes in the field offices (other than those related to Africa strengthening), the Administrator proposes to convert 55 local level posts to National Officer posts as discussed in paragraphs 70 and 71 of DP/1987/55. An additional four local level posts will also be released; consequently, the staffing totals reflect an increase of 55 National Officer posts and a decrease of 59 local level posts.

39. The Advisory Committee notes from the table in paragraph 100 of DP/1987/55 that the upgrading of 55 local level posts to National Officer status involves a volume increase of \$1,171,300 for the biennium; this is partly offset by a decrease of \$658,800 in respect of the reduction in Emergency support staff.

40. As shown in paragraph 100, the volume increase for UNDP core activities includes a net decrease in respect of general operating expenses. The Advisory Committee notes from paragraph 101 that the elements involved in the net decrease are not confined to the items listed under the object of expenditure category "General operating expenses" in table 4. In this connection, the Committee was informed that the term as used in paragraphs 100 and 101 refers to all costs over which the Administrator has discretionary control, as opposed to the fixed costs related to established posts. For the sake of clarity in future budgets, the Advisory Committee recommends that a more appropriate heading be devised for the categories of expenditure referred to in paragraph 101.

41. The Committee notes from paragraph 101 (d) that the consolidation of all of UNDP's operations at headquarters in the DC-1 building and the FF building "results in a volume increase of \$0.7 million in headquarters for the biennium as a whole, a figure which includes the biennial cost of amortization as well as an overall reduction in recurrent expenditure on repairs and renewals". In response to inquiries, representatives of the Administrator clarified that the 1988-1989

estimate of \$9,608,000 for rental and maintenance of premises at headquarters (see table 2/25) includes not only the cost of rent and maintenance, but also the cost of amortization (see paras. 48 and 49 below) and recurrent expenditure on repairs and renewals. The volume increase of \$0.7 million referred to above represents the volume increase of \$564,000 under rental and maintenance of premises at headquarters, combined with the volume increase of \$132,400 for utilities (see table 2/25). This increase is partially offset by decreases under the same objects of expenditure in the field offices and Geneva, thus resulting in a net volume increase overall of \$0.5 million (rounded) for these objects (see table 4).

42. The Committee was informed that the consolidation of UNDP operations involved leasing a total of 57,906 additional square feet in the FF building. This total includes the additional 24,500 square feet of space discussed in the Advisory Committee's report DP/1985/56 on the 1986-1987 budget. The increase of 57,906 is partly offset by the release of 13,741 square feet in the Uganda House and Turkish Mission combined; consequently, the net increase totals 44,165 square feet. In terms of core activities, the additional space amounts to 14,622 square feet.

43. In response to inquiries, representatives of the Administrator informed the Committee that much of the additional space which has been acquired over and above the originally approved amount of 24,500 square feet, has been allocated to non-core units such as OPE, UNSO and UNIFEM.

44. The Committee was also informed that circumstances dictated the decision to acquire the additional space (over and above the 24,500 square feet mentioned in paras. 42 and 43 above) without the formal authorization to do so. On the one hand, the leases in the Turkish mission and Uganda House were expiring and in one case, the renewal would have entailed a substantial rent increase. Additional space also became available in the FF building and was offered to the UNDP. Compounding the issue was the need to provide more space for an expanded OPE operation and to accommodate the new units, namely the UNIFEM and UNFSTD operations within the FF building. As also noted by the Administrator in paragraph 101 (d), the logistical advantages of accommodating all units of the organization in two buildings are considerable.

45. The Advisory Committee was informed that in 1985 rental expenditures in New York (at 1988 prices for the sake of comparison) totalled \$3,470,800, of which the core budget paid \$2,471,100. Rental expenditures in 1988, which take into account the net increase of 44,165 square feet of space, are estimated at \$4,481,400, of which the core budget will pay \$2,791,600.

46. As stated in paragraph 101 (d), the costs associated with the consolidation involve not only the recurrent costs of rental, maintenance and utilities, but also the capital costs of reconfiguring the new space. As also indicated in paragraph 101 (d), the Administrator previously stated his intention to amortize the capital costs associated with altering the new space proposed for acquisition in the 1986-1987 budget; this was noted by the Advisory Committee in its report DP/1985/56. In that report, the Advisory Committee also indicated that in response to its requests, it had been informed that the costs involved in altering the 24,500 square feet (estimated at \$1.1 million), were expected to be paid by January 1986.

47. The Advisory Committee has now been informed that the above-mentioned space was actually acquired in August 1985 but that no rent was charged until 1986. The Committee was also informed that the costs involved in altering this space totalled \$1,553,300. However, these costs were financed from general savings in the 1984-1985 budget; it was therefore not necessary to resort to amortization.

48. Representatives of the Administrator informed the Committee that the capital costs related to the alteration of the space acquired in 1986-1987 are estimated at \$2,156,356. The Administrator proposes that these costs be amortized over the five-year period 1986-1990; on that basis, the annual payment would amount to \$431,300 (rounded). Based on the percentage of the new space occupied by core activities (31.76 per cent), the core budget's annual amortized share amounts to \$137,000, or \$274,000 for the biennia 1986-1987 and 1988-1989, and \$137,000 for 1990.

49. The Committee was also informed that the total capital costs (\$2,156,356) are expected to be paid by the end of 1987. The relation of the amortized amount to the actual pattern of expenditure is shown in the table below:

	<u>Amortized share a/</u> \$	<u>Actual expenditure</u> \$
1986	431 300	1 994 819
1987	431 300	161 537
1988	431 300	-
1989	431 300	-
1990	<u>431 300</u>	<u>-</u>
	2 156 500	2 156 356

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a/ This is the amount included or to be included in the budget estimates.

50. As mentioned in paragraph 46 above, the Advisory Committee noted the amortization mechanism in its report DP/1985/56. Although it was not convinced of the propriety of this mechanism, it did not recommend against it at that time. Now that the practice is proposed again on a larger scale, the Committee is even more uneasy. In the opinion of the Advisory Committee, the mechanism of amortization should not be used to include an amount in the budget that is different from what is intended to be spent during the budget period. Rather, a budget must fully and clearly reveal all projected expenditures for the budget period. If expenditures are to be incurred for amounts in excess of the appropriation, one must wonder where the necessary funds will come from. It is equally confusing to appropriate

funds which will not have to be spent, because they were already spent in a previous budget period. In other words, the amortization mechanism, in the opinion of the Committee, should be used in the budget only if the amount approved for investment were to be expended in the same pattern as the amortization schedule.

51. In response to inquiries, the Committee was informed that previous capital expenditures prior to 1985 were financed from general savings from the UNDP biennial budget; the amortization mechanism had not been used prior to the proposal contained in the Administrator's budget for 1986-1987.

52. The Advisory Committee discussed this question with representatives of the Administrator who agreed with the Committee's comments. Accordingly, the appropriation decisions for both 1986-1987 and 1988-1989 should be revised to accurately reflect estimated expenditures. At the same time, the Committee is aware of the rationale behind the Administrator's decision to amortize the costs, and it would therefore not object to an appropriate refinement of the methodology for determining the administrative cost ratio in which the capital costs could be pro-rated over useful life. The Committee would also be willing to consider alternative proposals of the Administrator concerning his treatment of any future capital expenditures.

53. In paragraph 101 (i), the Administrator states that he is "proposing a concerted programme of office automation for the organisation as a whole"; at the same time he adds that "this can be achieved by means of internal redeployment of resources particularly in regard to deferring other items of capital expenditure in favour of EDP hardware" (see para. 23 above).

54. In response to inquiries, the Committee was informed that the 1988-1989 EDP-related estimates total \$7,958,600 comprising the following:

	<u>1988-1989</u> <u>estimate</u> \$	<u>Volume increase</u> \$
Acquisition of EDP and word-processing equipment	3 980 200	1 718 400
EDP/office automation contractual services*	3 434 800	345 800
NYCS and ICC charges	<u>543 600</u>	<u>(266 200)</u>
Total**	7 958 600	1 798 000

\* Includes maintenance of EDP/word-processing equipment.

\*\* Excludes EDP supplies.



The Advisory Committee was also informed that of the above total (\$7,958,600) an amount of \$3,842,500 relates to headquarters (including \$46,800 for Geneva) and \$4,116,100 to the field offices.

55. The volume increase of \$1,718,400 for the acquisition of EDP and word-processing equipment relates to various organizational units as follows:

<u>Unit</u>	<u>Volume Increase/(decrease) US\$'000</u>
Division of Information	(12.4) *
Geneva Office	40.8
Field Offices (all regions)	1 289.4
Regional Bureau for Africa	(12.4) *
Regional Bureau for Asia and the Pacific	(12.4) *
Division of Finance	(37.0) *
Division of Management Information Services (DMIS)	<u>462.4</u>
Total	1 718.4

\* Represents centralization of headquarters procurement within the DMIS.

As shown in table 4, the increase of \$1,718,400 is offset by volume decreases for office furniture and equipment (\$1,017,900), vehicles (\$748,400) and security equipment (\$113,400), resulting in an overall reduction under the object of expenditure heading "Acquisition of furniture and equipment" of \$161,300.

56. As shown in paragraph 54 above, the volume increase under EDP/office automation contractual services totals \$345,800. According to the Administrator, this will enhance the capacity of the Division of Management Information Services to support the programme of office automation. As can be seen from table 4, this increase is almost totally offset by other reductions under contractual services totalling \$329,100.

#### Non-core units

57. The Administrator's principal proposals regarding non-core units are contained in paragraphs 77 to 99 of DP/1987/55. In this connection, the Advisory Committee notes that "mindful of the Governing Council's strictures contained in decision 86/41 of 27 June 1986, the Administrator has also reviewed ways in which

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the management of these various funds could be streamlined" (para. 7 (d) of DP/1987/55). The Administrator also explains that because, "as time passes, some non-core units are favoured with more resources or demand for their services than others", he must "modify the organizational arrangements and budgetary provision to reflect these changes". Thus "the budgets of the non-core units vary in accordance with their individual circumstances" (para. 77 of DP/1987/55).

58. The Advisory Committee notes from paragraph 79 that although gross expenditure for the Office for Projects Execution (OPE) increased substantially during 1986-1987, with a corresponding staff increase (see para. 8 above), "the Administrator is of a view that a plateau of overall work-load may now have been reached, as evidenced by the slight volume decrease projected for 1988-1989". No staff changes are included in the Administrator's 1988-1989 proposals. However, the Advisory Committee notes that he will keep the matter under review and will adjust OPE's budget in accordance with work-load and resource availability.

59. The Administrator's proposals regarding the United Nations Volunteers (UNV) programme are contained in paragraphs 81 to 86 of DP/1987/55; in addition, document DP/1987/46 and Add.1 provide background information. As indicated in paragraph 81, the UNV is currently fully funded from a separate appropriation line. Under existing arrangements, its administrative expenditures cannot be adjusted in accordance with work-load fluctuations. Because of the increase in the number of volunteers being recruited and managed, the Governing Council, as an exceptional measure, authorized nine additional posts (five Professionals and four General Service) through the end of 1987, funded from UNDP general resources (decision 86/43). The Council also requested the Administrator to prepare the above-mentioned report (DP/1987/46 and Add.1) and to include his recommendation for "alternative financing modalities to meet the need for staffing UNV headquarters in relation to its work-load".

60. As summarized in paragraph 85, the Administrator, in response to the Governing Council's request, is proposing the introduction of a core budget concept, with \$4 million requested for 1988-1989. In addition, he proposes that UNV receive, from support cost earnings, a per capita fee of \$3,000 per volunteer in post at the end of each year.

61. Based on the current number of volunteers, it is expected that income totalling approximately \$7.1 million will be generated in 1988-1989. As shown in table 1 of DP/1987/55, this will result in a total budget of \$11.1 million. The Administrator is also proposing that he be delegated the authority to adjust gross expenditures according to resource availability, within the net appropriation approved by the Council.

62. The Administrator's report DP/1987/46 on the UNV programme elaborates on the above-mentioned proposal. That report "also summarizes the status of consultations being undertaken with the executing agencies on this subject". In this connection, the Advisory Committee notes that under current arrangements, executing agencies receive the entire support cost charge levied on the volunteer component of those projects which they execute. However, because, as stated in document DP/1987/46, there is agreement that UNV does provide services to the agencies in providing

volunteers to agency-executed projects, it has been decided that the agencies will receive 6.5 per cent support-cost and the other 6.5 per cent will be credited back to the support cost line of UNDP general resources.

63. As shown in table 2/29, the nine extrabudgetary posts authorized by the Governing Council through the end of 1987 consisted of five P-3s and four General Service. As stated in the narrative following table 2/29, the Administrator is proposing "that these posts be included in the budgetary staffing table for UNV in 1988-1989". However, the Advisory Committee notes that the grades of the five Professional posts are different, i.e. two P-5s, two P-4s and one P-3.

64. In response to inquiries, the Committee was informed that the Governing Council had not specified the level of the extrabudgetary posts. The decision to propose two P-5s, two P-4s and one P-3 for the 1988-1989 biennium was based on an evaluation of the overall grade pyramid of the UNV programme. The Advisory Committee also was informed that the posts have yet to be formally classified; consequently, any change in the proposed levels will have to be reported to the Governing Council.

65. For the reasons provided in paragraph 87, the Administrator proposes an increase of five posts (two P-3s and three General Service) for the United Nations Capital Development Fund (UNCDF). Information regarding ongoing projects of the Fund and the projected approval levels for 1988-1989 is also contained in the narrative following table 2/30. On the basis of this and additional information provided, the Advisory Committee has no objection to the Administrator's proposal.

66. The Administrator's proposals regarding the United Nations Fund for Science and Technology for Development (UNFSTD) and the Energy Account are contained in paragraphs 91 to 93. As stated in paragraph 92, in accordance with his efforts to streamline organizational arrangements, "the Administrator has merged the management of both of these funds within the Bureau for Special Activities". Representatives of the Administrator emphasized that this merger does not mean that the separate identity of each fund will be lost.

67. For UNFSTD, the Administrator is proposing a staffing level of six Professional and six General Service posts, the same level as was approved for 1987 based on the existing resource situation of the Fund. At the same time, the Administrator, while hopeful that a dependable flow of resources will be achieved in future years, states that the "staffing level must reflect actual programmable resources in a given year", and if necessary the level will be reduced. On the basis of the information provided regarding the fund's current resource situation, the Advisory Committee does not object to the Administrator's estimates.

68. It is expected that the Energy account will operate with three temporary posts (one P-5 and two General Service). However, the Administrator also notes that "this level of administrative expenditures will depend upon an enhanced flow of resources".

69. The Administrator's proposals regarding UNIFEM, which appears as part of UNDP budget estimates for the first time this year, are contained in paragraphs 95 to 98 of DP/1987/55; more detailed information concerning the mandate and work of the Fund is contained in the narrative following table 2/33. For the reasons provided in both sections, the Administrator is proposing five new posts (three Professionals and two General Service). In this connection, the Advisory Committee notes from staffing table 2/33 that the increase in Professional posts comprises one P-5 and two P-4 posts. At the same time, the narrative following table 2/33 states that the Professional posts are now being classified and that a report on this will be presented to the ACABQ. In response to inquiries, the Committee was informed that all three Professional posts have been classified at the P-4 level. Accordingly, the appropriations for 1988-1989 should be adjusted to reflect this change.

70. The Advisory Committee notes from table 2/33 that the addition of the five new posts would result in a staffing establishment of 18 (10 Professionals and 8 General Service). In addition, as noted in paragraph 98, the secretariat "will be supplemented by three technical specialists from support costs". On the basis of the information provided to it, the Advisory Committee does not object to the Administrator's proposal. At the same time, it notes that the addition of these posts will increase the administrative costs ratio considerably and it therefore trusts that the Administrator will keep this matter under review. The Committee also, as discussed in paragraph 34 above, recommends that the distinction between UNIFEM's responsibilities and those of UNDP's Division for Women in Development be clearly set forth.

71. The Advisory Committee notes that under the current appropriation procedure, the Administrator is given the broad authority to administer, as a unit, the administrative budget for UNDP core activities. In response to inquiries, the Advisory Committee was informed that the Administrator is exercising this flexibility with discretion. The Advisory Committee is of the view that the matter should be under constant review.

#### Trust funds

72. As stated in paragraph 1 above, in accordance with UNDP Financial Regulation 5.1, the Advisory Committee has considered the Administrator's report on the trust funds established by him in 1986 (DP/1987/57). The report provides descriptive information on each fund; in this connection, the Committee notes that funds were established in behalf of the UNDP, the UNCDF, the UNFSTD, the UNIFEM, and the UNV programme. Summary information on each trust fund is contained in annex I to the document, while annex II provides detailed information concerning individual projects financed by the USSR/UNDP Trust Fund for Training in the USSR of Specialists from Developing Countries and the Bulgaria/UNDP Trust Fund for the Training in Bulgaria of Specialists from Developing Countries. Although these funds were established in 1982 and 1984 respectively, the Committee notes that the information provided in annex II had been requested by some members of the Governing Council.