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Committee

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

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. Hans OLSSON (Sweden)

Addendum

CHAPTER __. UNITED NATIONS FUND FOR POPULATION ACTIVITIES

Financial, budgetary and administrative matters

1. For consideration of item 6 of the Council's agenda, the Committee had before it the following documents:

- (a) Biennial budget estimates for the administrative and programme support services for the biennium 1988-1989 (DP/1987/41 and DP/1987/41/Corr.1);
- (b) Annual review of the financial situation, 1986 (DP/1987/42);
- (c) Audited accounts of executing agencies (DP/1987/43);
- (d) Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1987/44).

2. Additional information on matters of interest to Budgetary and Finance Committee members was also made available:

- (a) an informal paper on the methodology used for the classification of field posts;
- (b) an informal paper on interim project expenditures;
- (c) document A/41/5/Add.7 containing the Audited Financial Statements and Report of the Board of Auditors for the year 1985.

Opening statement of the Executive Director

3. In introducing the UNFPA item, the Executive Director noted a decrease in the Fund's income in 1986 to \$140.0 million, only \$2.9 million less than the Fund's 1985 income despite the loss of a \$36 million pledge from its traditional largest donor. Favourable exchange rates vis-à-vis the United States dollar, increased contributions and special on-time contributions from the Governments of the Netherlands, Canada and Finland helped reduce the income differential. Even without a contribution from its past largest donor in 1987, the Executive Director noted that the total resources available to UNFPA for the current biennium would be \$307.4 million, some \$14.0 million more than the \$293.1 million projected under last year's low scenario as found in document DP/1986/74.

4. In line with the wishes of the Council, the Fund has made rigorous efforts to economize. Over the 1986-1987 biennium, an estimated \$1.5 million in savings is expected to be realized in expenditures for headquarters, the Geneva office and field office operations. The proposed 1988-1989 biennial budget is based on zero growth in real terms for headquarters and only limited increases in key areas of field operations. Moreover, the proposed budget has been presented without any requests for supplementary appropriations or additional posts, despite the fact that the proposed African strategy (DP/1987/37) most likely will lead to a need to strengthen the field staff, particularly in sub-Saharan Africa.

5. As part of the staff rationalization process, the Governing Council approved last year (decision 86/35), the establishment of up to 41 General Service posts at Headquarters, 10 of which were to be regular posts and the remaining 31 temporary. It has been determined since then that the work conducted by the incumbents of the 31 posts is indispensable to the daily functioning of the Fund. Therefore the proposed 1988-1989 biennial budget includes a proposal for the conversion of the 31 General Service posts from temporary to regular status.

6. In the 1988-1989 budget, based on the criteria outlined at last year's session in document DP/1986/42, 289 locally recruited staff in the field (national officers, administrative and programme support assistants and secretaries and ancillary personnel) are regarded as administrative and programme support personnel and would be financed under the APSS budget. The nine international programme officer (IPO) posts in DRSAP offices are proposed to be included in the APSS budget for 1988-1989.

7. In accordance with Governing Council decision 85/20, all international Professional field posts have been classified by the UNDP/UNFPA Professional

Classification Panel and are presented in the 1988-1989 budget proposal. Six of the 33 DRSAPs were classified at the D-1 level. It is also proposed that nine IPO posts, included in the regular APSS budget for 1986-1987, be designated as deputy representative posts due to responsibilities and functions carried out by IPOs in countries where there is no DRSAP.

8. The proposed budget for the 1988-1989 biennium totals \$55.3 million net of \$4.2 million in earned credits. The headquarters component accounts for \$35.4 million of this, compared to \$31.4 million for the current biennium, whereas field office costs total \$19.9 million, compared to \$17.6 million in 1986-1987.

9. In conclusion, the Executive Director emphasized her intentions to make every effort possible to increase the effectiveness of UNFPA's programmes while maintaining the lowest possible level of administrative and programme support costs. In light of UNFPA's commitment to improved programme quality, the Fund is in the process of conducting a review of its overall staff, especially in relation to sub-Saharan Africa.

Summary of the discussion in the Committee

10. A number of delegations expressed satisfaction with the quality of the budget document submitted to the Committee this session, in particular the conservative income assumption as well as the no growth approach.

11. In response to the Deputy Executive Director's supplementary introductory remarks that the ACABQ had recommended in future dispensing with the Annual financial review (DP/1987/42) as a separate document and incorporating it into the budget document, two delegations expressed a preference for keeping the annual financial review separate since it contained unique information, in particular its comparisons with previous years. Addressing the ACABQ's explanation that such incorporation would result in increased savings, one delegation asked the Deputy Executive Director to outline what these savings would be. This delegation also noted that if the annual financial review were included as an annex to the budget document, the document would be rather bulky. Several delegations, on the other hand, stated that incorporation of this document would be acceptable, if no useful or significant information were lost. Another delegation agreed with this view, but noted that further analysis was needed to determine the level of savings.

12. Referring to the figure for the unexpended balance of general resources as of 31 December, one delegation expressed concern that it was as high as 12 per cent of all contributions for 1986. It was also asked why the investment yield in 1986 had declined significantly compared to the previous year. Another delegation asked whether UNFPA's very cautious attitude on programming, given the loss of contribution from its former largest donor, produced this large unexpended balance.

13. Several delegations expressed concern over the level of administrative costs. One delegation asked why programme expenditures had decreased while operational costs had increased. Another delegation noted that administrative costs as a percentage of income had doubled since 1977. A third delegation commented on a steady increase in administrative costs and asked if this was necessary.

14. Two delegations expressed concern relating to the increase of United Nations-executed projects and the decrease of Government-executed projects. One asked if this was linked to volume of work performed by both international and national field staff in field offices.
15. One delegation requested a breakdown of expenditures for each of the Fund's four programmes as outlined in the biennial budget document (DP/1987/41). Another delegation asked why programme expenditures from 1984 to 1986 seem to have decreased on an unequal basis between different regions and different countries, and inquired if in future reductions those countries that were least affected in prior years would have the greatest reduction. The delegate further asked if plans for future reductions had already been made.
16. Referring to the Fund's request to regularize 31 temporary General Service posts at Headquarters, a number of delegations expressed their agreement in principle, while a few voiced some concern. One recommended that the posts be distributed equitably; another stressed the need for flexibility. One delegation, expressing confusion as to whether at last year's session a determination had been made as to which posts should be permanent and which should be temporary, asked the Deputy Executive Director for clarification. One delegation asked that a definition of temporary posts in the APSS budget be provided.
17. While expressing satisfaction that the Fund had not requested any increases in Professional or General Service posts in its 1988-1989 biennial budget proposal, several delegations did note or query other aspects of the budget proposal. One delegation, stressing that there should be no increase in Headquarters staff, questioned whether it was better to strengthen UNDP field offices or those of UNFPA. Several delegations asked for an update on efforts to rotate UNFPA personnel between Headquarters and the field. Another delegation inquired if UNFPA had initiated any efforts to train personnel at the national, sub-national or regional levels, especially in sub-Saharan Africa, and asked what the Fund had done, if anything, to increase its use of national experts. He concluded his remarks by inquiring if the fund had plans to redeploy additional Headquarters staff to the sub-Saharan region, or if the Fund had considered long-term staffing requirements, especially in Africa, where programmes require additional staff if they are to be successful.
18. Several delegations expressed reservations about the outcome of the classification exercises of Professional field posts undertaken by the joint UNDP/UNFPA Classification Panel. A number of questions were raised, including the status of the two Professional posts at Geneva (D-1 and P-5 levels), the status of UNFPA field posts vis-à-vis UNDP field posts and the contribution of the classifications to top heaviness of the organization. The issue of the effectiveness of implementing the classification results before the staff review to be conducted by the Fund's new management was also raised. In terms of the classification itself, a few delegations questioned the procedure and justification for the exercise. Two delegations voiced concern regarding the number of small units at Headquarters headed by high-level officers, one of which suggested that units perhaps be consolidated.

19. Concerning redeployment of two Headquarters and two field posts to the sub-Saharan Africa region, several delegations expressed satisfaction with the Administration's attempt to meet growing staff needs in sub-Saharan Africa through redeployment. Two delegations, however, questioned whether even this measure would be adequate.

20. Referring to the Fund's request for regularization of 289 local field posts, a number of delegates supported the proposal in principle but questioned whether all 289 posts should be converted to regular status at this juncture. Two delegations stated that while they considered it logical to integrate these posts into the administrative budget, they did not agree that regularization of these posts should necessarily follow. These delegations also asked if the posts were meant to correspond to project duration, or longer, and if the posts might best be judged on a case-by-case basis.

21. One delegation asked the Deputy Executive Director to explain why cost increases in several areas - in particular, dependency and assignment allowances, pensions, travel and communications - were so pronounced. The delegation also requested an explanation for the increase in volume of the United Nations subvention and the decrease in volume of the UNDP subvention. The delegation further inquired if computerization had been successful at UNFPA.

22. Several delegations expressed support for the interim internal review of field posts in Africa being undertaken by the Fund, as mentioned by the Executive Director in her opening statements to both the plenary and Budget and Finance sessions. One delegation wanted to know in particular what impact such a review would have on the redeployment of personnel.

23. Referring to the Fund's draft decision of the Committee, found in document DP/1987/41, paragraph 33 (b), one delegation requested clarification of the limits of the transfer of credits between programmes and the sanctions the Governing Council had at its disposal. He further stated that the Governing Council's approval, and not that of the ACABQ, should be required for transfers.

24. With respect to field staffing, several delegations addressed the question of additional posts for the Fund's programme in sub-Saharan Africa. The Chairman stressed that the Committee meeting was concerned with the biennial budget as contained in document DP/1987/41 as well as all budgetary and financial matters referred to the Committee by the Plenary. He suggested that delegations should deal with the question of additional staff needs in sub-Saharan Africa through informal consultations.

Response of the Administration

25. The Deputy Executive Director thanked delegations for their statements regarding the clarity and transparency of the UNFPA budget document DP/1987/41 submitted to the Committee.

26. In response to the many comments on whether to incorporate the annual financial review into the budget document or to keep it as a separate document, the Deputy Executive Director noted that UNFPA was completely neutral on the issue. He thus deferred to the collective guidance of the Committee on the matter.
27. Regarding the unexpended balance of general resources, the Deputy Executive Director agreed that the balance was too high. At the same time, he reminded delegations that \$9.9 million in three one-time supplementary contributions came in the final quarter of 1986. He also reminded the Committee of the conservative approach to programming last year given the uncertain financial situation of the Fund at the beginning of 1986. Responding to the question about the lower yield on investments, the Deputy Executive Director explained that, in keeping with standard United Nations practice, the Fund makes short-term investments of all funds not needed for immediate disbursement. The Deputy Executive Director assured delegates that the rates the Fund received on its investments were comparable to the rates obtainable worldwide. He also explained that the Fund invests predominantly in United States dollars, and that the decrease in investment yield resulted from a decrease in world market rates. It should be noted, he stressed, that interest rates fluctuate over time, as do the amounts invested and the length of time for which they are invested.
28. In regard to the Fund's large unexpended balance, the Deputy Executive Director affirmed one delegation's query as to whether it was the result of UNFPA's cautious programming and the receipt of one-time supplementary contributions in the last quarter of 1986.
29. Addressing the issue of administrative costs, the Deputy Executive Director emphasized that UNFPA was in the final stage of integrating all remaining project posts into the administrative budget. He explained that the 1987 budget includes all headquarters and project posts in the administrative and programme support services budget, completing the process of regularization which was mandated by the Governing Council three years ago. As a result, many of the figures in the budget at hand are not comparable to figures in previous budgets.
30. Responding to delegations' concerns about the current trend in the execution of projects, the Deputy Executive Director stated that UNFPA's ultimate goal is to have as many projects executed by government agencies as is possible. However, when dealing with United Nations executing agencies, he said, the Fund must enter into contractual agreements which are more difficult to break. Thus, if it is necessary to cut back on a programme for fiscal reasons, Government-executed projects lend themselves to this kind of adjustment. In these cases, UNFPA can negotiate a new arrangement directly with the Government or responsible ministry with assurances that under more favourable circumstances they will recoup their established volume of assistance.
31. In response to the query on the breakdown of expenditures for each of the Fund's four programmes, the Deputy Executive Director directed the delegation to table 8 of the biennial budget document (DP/1987/41). Responding to the question on proportional reductions in the future, the Deputy Executive Director stressed that all regions and all countries would have to share the burden. But he noted

that many factors would have to be taken into consideration when trying to balance the reductions, including the size of the programme, whether the programme is in a country which has priority status, and which part of its cycle the programme is in.

32. Concerning the request for clarification regarding paragraph 33 (b) of document DP/1987/41, the Deputy Executive Director stated that this decision has been in UNFPA's budget document since 1979 and that this facility had not been used since 1982. He suggested that 5 to 10 per cent might be a reasonable limit to set. The Deputy Executive Director also pointed out that it was considerably more convenient to have the ACABQ review and approve transfers, since it is readily approachable in New York.

33. Regarding the regularization of 31 temporary General Service posts at headquarters, the Deputy Executive Director referred to the ACABQ recommendation to regularize the posts, and emphasized the impossibility of discriminating between the posts. He also pointed out that there would be no additional cost involved since many of the posts had been occupied since 1979. Furthermore, he emphasized the Fund's low ratio of Professional to General Service staff at 1:1.32. In response to one delegation's request for clarification of support costs, the Deputy Executive Director explained that the costs found on table 1 of document DP/1987/41 include costs for United Nations agencies and overheads for projects executed by Governments and NGOs. UNFPA has introduced a system of crediting itself 5 per cent for Government-executed and multi-bilateral projects which includes a large component of procurement by UNFPA. ACABQ, it was noted, felt that the 5 per cent allotment was too low and suggested that UNFPA raise the percentage. In terms of other costs, UNFPA has not reimbursed Governments and does not intend to implement such a policy in the future. He also mentioned that UNFPA receives no contributions from Governments for local office costs.

34. Concerning one delegation's request for more descriptive and qualitative information in the document containing the audited accounts of executing agencies, the Deputy Executive Director informed the Committee that this had been discussed annually with the agencies.

35. In response to the issues raised concerning the classification of posts, the Deputy Executive Director clarified a number of points. He stated that in some cases of career development and reassignment field personnel feel discriminated against as compared to both UNFPA headquarters staff and that of other United Nations agencies. The Deputy Executive Director explained the importance of and need for upper-level posts in the field for job rotation purposes between headquarters and the field as well as to the career development of middle-level Professionals in the Fund. He emphasized that the classification exercise was a joint venture conducted in full accordance with the UNDP/ICSC formula. Furthermore, as posts and not individuals were classified, promotion was not a factor. It was also pointed out that UNFPA field posts were graded at levels equal to or in some cases lower than those of the respective UNDP deputy representative. The Deputy Executive Director further informed the Committee of the recommendation of the Classification Panel to change the nomenclature of field posts in line with UNDP as follows: for posts at the D-1 level, Deputy Representative and Principal Advisor on Population (DRPAP); for posts at the P-5 level, Deputy Representative

and Senior Advisor on Population (DRSAP); and for posts at the P-4 level, Deputy Representative and Advisor on Population (DRAP).

36. Concerning the rotation of personnel, the Administration is about to finalize a personnel policy initiated and approved by the late Mr. Salas, and continues to follow general guidelines which emphasize rotation between headquarters and the field. At present, D-1 level personnel are non-rotatable, but high-level rotation has been targetted by the Fund as a way to revitalize and mobilize its field establishment. The Deputy Executive Director also wished to highlight the Fund's use of national staff in its programmes.

37. Regarding other classification issues, the Administration clarified that the posts in Geneva had already been discussed and integrated into the administrative budget at P-5 and D-1 levels following the thirty-third session of the Governing Council. Subsequently, the post levels were reconfirmed by the UNDP/UNFPA Classification Panel. In response to one delegation's query as to the status of 15 posts classified in Africa, the Deputy Executive Director explained that these posts have been filled.

38. The organizational review mentioned by the Executive Director will reassess the world load and staff needs at headquarters perhaps resulting in some structural changes. Field organizational reviews have been and will continue to be conducted as the Executive Director has felt that the unevenness of field staff deserves immediate and priority attention.

39. Reminding the Committee of the budgetary constraint faced by the Fund, the Deputy Executive Director stated that UNFPA is unable to redeploy more than four posts to Africa because of the small critical mass of staff at headquarters and in the field, and the constraint of a zero growth budget. It was also explained that, given the priority the Fund places on programming especially in sub-Saharan Africa, the Executive Director would address this issue in the coming year.

40. Responding to questions regarding the 289 local, project-funded field posts, the Deputy Executive Director explained that all local staff are entitled to regular contracts consistent with United Nations and UNDP personnel policies. The Fund's Chief of Personnel explained that UNFPA's local staff have UNDP contracts, and 100 local staff, many of whom previously served in UNDP offices, already have permanent UNDP contracts and several others currently have probationary contracts which can eventually lead to a permanent contract. UNFPA is looking to phase out by attrition some of the current contracts of ancillary staff (guards, cleaners, watchmen, etc ...) and to replace them with service contracts. The Deputy Executive Director reiterated that the issue at hand was the transfer of the local posts to the APSS budget and reminded the Budgetary and Finance Committee of ACABQ's recommendation to undertake this transfer.

41. In determining the expenditure estimates for 1988-1989, the Deputy Executive Director explained that UNFPA has used average inflation rates of 3 per cent for headquarters and 8 per cent in the field. Cost increases over inflation have been attributed to large increases in office maintenance and taxes at headquarters. Volume decreases to UNDP were explained by lesser dependence on UNDP's Management

Information System (MIS) for computer systems services. The Fund has chosen instead to develop limited in-house computer capabilities. In addition, the Deputy Executive Director stated that costs related to general United Nations support services have increased considerably as the Secretariat is now charging for services it had previously routinely provided free of charge.

