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

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. K. Tenkorang (Ghana)

Addendum

Chapter III. OTHER FUNDS AND PROGRAMMES

A. United Nations Volunteers

1. The Assistant Administrator, Bureau for Special Activities (BSA), indicated that, as regards the budgetary arrangements for United Nations Volunteers (UNV) headquarters, the financial proposals before the Committee were structurally the same as those presented in 1987: a core budget funded from the UNDP biennial budget, and an operational budget funded by a per capita charge per United Nations volunteer in post, chargeable to the support cost line. The conclusions of the independent review called for in
decision 87/36 of 19 June 1987 confirmed the findings of the 1985 study. Both strongly recommended a strengthening of staff and of certain activities. The Administrator considered his proposal to be an appropriate way to address the matter.

2. The Assistant Administrator went on to explain that the proposed financing modalities separated headquarters functions into administrative activities, on the one hand, and provision of project inputs, on the other. Financial requirements for administration amounted to $3 million a year, a reduced charge to the UDNP biennial budget as a result of the functional split. Financing of project operations was to be covered by a $3,500 annual charge to the support cost line per volunteer in post at the end of the preceding year: the support cost income would yield $4.6 million at the end-December 1987 level of 1,269 United Nations volunteers. Both sources of funds would finance 30 staffing units – with 12 assigned to administration and 18 to operations. In this way, UNV would achieve flexibility to adjust budgetary and staffing levels according to actual workload, as represented by the number of volunteers in post. The Assistant Administrator noted that a staffing unit, comprising either one professional and one general service, or three general service, was a convenient way of modelling the UNV budgetary level.

3. With regard to the Special Voluntary Fund (SVF), its future should be looked into in view of the solutions offered for the serious shortfall in contributions. The Assistant Administrator noted that the Fund's outstanding commitments were twice its annual contributions. A number of recommendations were made by the review team and accepted by the Administrator, including that external costs of all volunteers – including those sponsored by organizations in industrialized countries – be paid for by the SVF. However, that would inevitably increase the extent of overcommitment of the Fund. To offset the increased commitments, a proposal was therefore being made to charge $3,500 annually per volunteer on project budgets. This represented a $2,500 increase over the existing charge of $1,000 per volunteer. This procedure, simple to implement, would remove financial considerations from the selection of volunteers. It would also preserve the SVF as a mechanism which financed other important activities: UNV programme officers in the field, informational activities, the Domestic Development Services (DDS) and the youth programmes.
Summary of the discussions in the Committee

4. With regard to the Administrator's proposal for funding UNV headquarters costs, most members agreed that a simple system should be adopted, consistent with the need for control and transparency. The Council should select the best financial modalities. Most delegates felt ready to approve formal arrangements. However, one delegation considered the proposed system too complex, and suggested that the decision be postponed until its review by the new management. Several members noted that the package represented a substantial increase in the existing UNV budget. Recognition of the valuable work undertaken by the review team was expressed.

5. The distinction between administrative and operational activities was questioned by a few delegations. They were concerned at the difficulty of applying the distinction in practice and thus distributing the costs between the two sources of financing. The delegations preferred a clear-cut system, not arbitrarily determined. They requested a tabular presentation clarifying the modality by sources of financing, as well as providing a comparison between the present and future mechanisms. Comments were made on the level at which economies of scale could be reached and thus staff increases would not be so necessary. The automatic increase, as the programme grew, was critically viewed by a few delegations. They were of the view that the Governing Council would have insufficient control over increases in the budget and therefore in charges to the support cost line.

6. With respect to the administrative functions, the proposal was generally supported. A query was raised as to whether the number of 12 staffing units was fixed or whether an increase was envisaged as the programme grew. The ratio of one professional to one general service staff member was viewed critically, as several members felt that the programme should be undertaking efforts to computerize, streamline and improve its workflow. One delegation did not support the upgrading of posts to be effected in mid-biennium.

7. Turning to the question of the future of the SVF, the impact of increasing the charge to project budgets in relation to the external costs of United Nations volunteers was reviewed. Some members agreed to charge the projects; that view was, however, opposed by other members, who described the detrimental impact of the proposed charge on the limited Indicative Planning Figure (IPF) resources of host countries. In their view, the proposal penalized recipients with a large UNV programme and would create disincentives for the increased use of volunteers. Financing the costs of volunteers
sponsored by organizations from industrialized countries was, in their view, not necessary. Recognizing the burden placed on IPFs, those members in support of the proposal indicated that amounts involved were rather small. The financing of projects was varied, and not limited to the IPF. They also pointed out that the transfer of external costs of all volunteers to project budgets presented some benefits for widening geographical representation in the selection of volunteers. Several members, however, felt it to be an important matter of principle that United Nations volunteers be costed on a similar basis, whatever their country origin. With respect to the pro forma costing, one member rejected it as an unnecessarily complicated tool.

8. Several members called for clarification on the distinction between the Administrator's proposals in respect of the SVF and his proposals in respect of the UNV headquarters budget. Clarification was sought on which budgetary items would be covered by support cost.

9. The future of the SVF, whose nature and use had changed since its inception, was discussed. The SVF had become a catch-all fund, not limited to receiving voluntary contributions. A number of members argued for the maintenance of the present arrangements. The timing and the context for implementing the modifications should be clarified. One member enquired whether endorsement by the General Assembly was a prerequisite for any changes in the SVF.

Response by the Administration

10. The Assistant Administrator, BSA, began by stressing that there were in fact two quite distinct proposals before the Committee: one relating to the future funding of UNV headquarters costs; the other concerning the future uses for the SVF. This latter proposal included, inter alia, a proposal with regard to the funding of the external, direct costs of serving United Nations volunteers. The two proposals should not be confused.

11. The Assistant Administrator went on to discuss the nature of the budgetary proposals. In doing so he stressed that, although the UNV headquarters budget would be funded from two sources, it would be treated as one budget for management purposes. The Governing Council would thus approve a gross budget for UNV, including detailed information on staffing and expenditure estimates for UNV as a whole. An income estimate would also be approved, based on projected earnings from the per capita charge. The gross
UNV budget would, therefore, be approved annually by the Council. In between, the Administrator's proposal provided for some flexibility in budgetary and staffing levels, in accordance with the actual number of serving volunteers. In that connection, the Assistant Administrator noted that such flexibility would work in both directions adjusting the UNV budget either upwards, or downwards in the event of a decline in the number of serving volunteers.

Regarding the use of the support cost line to finance that component of the UNV budget, the Assistant Administrator stated that it was a wholly appropriate charge, since UNV operations were directed primarily to the delivery of project inputs, i.e., volunteers.

12. The Assistant Administrator acknowledged that the present proposal embodied higher figures for the core budget ($3 million, instead of $2 million) and the per capita charge ($3,500 instead of $3,000) than had been proposed in 1987. He stated that the adjustments had been necessitated by the rise in UNV headquarters costs resulting from normal price increases, depreciation of the dollar, recommendations in the review report and the recently established rent charge for office accommodation. As for the distinction between administrative and operational functions, their overlapping in some cases was inevitable. He further stated that UNV did not automatically apply the one professional/one general service staff member ratio. The concept of the staffing unit was for modelling of the UNV budget at different levels of serving volunteer; use of the incremental resources arising from the per capita fee would depend upon circumstances at the time, rather than being related to any precise ratio of general service to professional staff.

13. The Assistant Administrator further noted that the proposed upgrading of medium-level posts had been proposed in 1987 as part of the 1988-1989 biennial budget; it was thus currently being considered in mid-biennium as a result of the Council's decision last year to defer any decision on the UNV proposal until 1988. Regarding the substance of that element of the proposal, the Assistant Administrator stated that the upgrading was being recommended as a logical structural development with the increasing number of staff: as UNV became larger, there was a correspondingly increased need for more experienced middle management. The Assistant Administrator recalled that the staffing level had remained unchanged for many years, despite a programme increase of 30 per cent. The increase in the number of volunteers would parallel the
level in income up to a certain point: savings as a result of economies of scale would be incurred since there would be no automatic increase in that part of total staffing that was paid for by the administrative budget.

14. Regarding the external direct costs of United Nations volunteers, the Assistant Administrator went on to clarify the amounts in the pro forma charge to be debited to project budgets. The pro forma system was preferred to actual costs, since it would equalize the cost of volunteers, irrespective of country of origin. Moreover, some recipient countries for which external costs were particularly high would not thereby be penalized, a significant factor for countries which used a relatively high proportion of their IPF on volunteers. The equalization through a pro forma charge would thus not adversely affect the large programmes under implementation in low-income countries. The Assistant Administrator felt that, in the absence of sufficient SVF resources, the only alternative for bearing such charges, average or otherwise, were the project budgets, since they were the direct costs of project inputs.

15. The Assistant Administrator re-emphasized to the Committee that the primary problem confronting the SVF was its overall lack of resources vis-à-vis its current commitments. The Administrator's proposals should therefore be judged in the light of the need for certain expenditures to be charge elsewhere and thus to conserve the modest SVF resources for other purposes. He further confirmed that General Assembly endorsement would be a prerequisite for dismantling the SVF, whose use and control were entrusted to the UNDP Governing Council.