Thirty-sixth session
5-30 June 1989, New York
Item 10 of the agenda of the Budgetary and Finance Committee

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Ms. M. ZACHOROWSKA (Poland)

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INTRODUCTION

1. The Budgetary and Finance Committee held 23 formal meetings from 5 June through 30 June 1989 under the chairmanship of Mr. Dominik Langenbacher (Switzerland). Ms. Malgorzata Zachorowska (Poland) served as Rapporteur of the Committee. Mr. Amir Dossal (UNDP) served as Secretary to the Committee.

2. At its first meeting, the Committee approved the provisional agenda and organization of work contained in annexes I and II, respectively, to document DP/1989/BFC/L.1. The Committee agreed to keep its schedule of work flexible, taking into account the availability of documentation and the number and nature of matters referred to it by the Council.

3. The draft report of the Committee was submitted to the Governing Council in document DP/1989/BFC/L.2 and its addenda and annexes, together with the amendments thereto contained in DP/1989/BFC/L.3 and its addenda. At its 37th meeting, the Governing Council approved the report of the Committee. The views expressed during the Council's consideration of the Committee's report are contained in document DP/1989/SR.37.

4. The report to the Economic and Social Council on the thirty-sixth session of the Governing Council (E/1989/32) includes, in its annex I, the recommendation of the Budgetary and Finance Committee as approved by the Governing Council.

CHAPTER I. MATTERS REFERRED TO THE COMMITTEE BY THE COUNCIL: PROCUREMENT FROM DEVELOPING COUNTRIES

5. As this subject was fully debated in the plenary, the Committee's review was limited to the 1990-1991 budgetary proposals in respect of the Inter-agency Procurement Services Office (IAPSO). The discussion of the Committee is contained in the report on the budget estimates, in Chapter IV. B. Revised budget estimates for 1988-1989 and budget estimates for 1990-1991.

CHAPTER II. UNITED NATIONS POPULATION FUND

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

   (a) Report of the Executive Director on UNFPA publications and audio-visual productions (DP/1989/40);

   (b) Biennial budget estimates for the administrative and programme support services for the 1990-1991 biennium (DP/1989/41 and Corr.1);

   (c) Strategy of UNFPA for office automation including the development of a management information system (DP/1989/42);
7. Additional information on matters of interest to the Budgetary and Finance Committee was also made available, including document A/43/5/Add.7 containing the UNFPA audited financial statements and the report of the Board of Auditors for the year 1987.

8. In introducing the United Nations Population Fund (UNFPA) item, the Executive Director informed the Committee about the increase in UNFPA income from $296 million in the biennium 1986-1987 to an expected $368.9 million for the biennium 1988-1989. Project expenditures were expected to increase by a similar proportion, from $209 million in the biennium 1986-1987 to a projected $272 million in the current biennium.

9. Turning to the administrative and programme support services (APSS) budget estimates for 1990-1991, the Executive Director noted that the proposed $80 million APSS budget was approximately $21 million higher than the 1988-1989 biennial budget. She explained that the increase was composed of $9.7 million in costs over which UNFPA had no control, notably inflation and statutory increases, and of $11.3 million in volume, which included the following major components: $2.2 million for additional field staff; $2.4 million for additional headquarters staff; $2.6 million for the Fund's 18 proposed management information system (excluding staff costs); $0.6 million for increased staff training; $1.5 million for publications; and $0.9 million in rent for additional office space at headquarters. She noted that the volume increase of $11.3 million was more or less equally divided between headquarters and the field.

10. The Executive Director emphasized that the proposals contained in the budget, particularly those concerning staffing, were essential requirements in the Fund's efforts to meet increasing programme demands and improve the quality and effectiveness of the UNFPA programme. The intensification and expansion of the programme development process required a thorough assessment of countries' needs, an in-depth evaluation of country programmes and the development of comprehensive country-specific programme strategies. Those activities would be undertaken jointly by the Fund's Technical and Evaluation Division, the geographical division concerned and the relevant UNFPA field office, in close co-operation with the Government concerned. That required a substantial strengthening of both the field and headquarters staff. She therefore proposed the addition of 55 posts in the field, including 6 new international Professional posts and 21 National Officer posts, and 21 new posts at headquarters, comprising 12 new Professional and 9 General Service posts.

11. Within UNFPA, the main responsibility for assessment, evaluation and programme development would rest with the Technical and Evaluation Division, which would provide staff to lead missions for needs assessment and strategy development in the
various sectors of the programme. The Division would also be responsible for analysing mission findings and disseminating lessons learned to field and other programme staff. In view of the need to strengthen the human resources and technical capacity of the Division, the Executive Director requested that the Council approve five new posts of Senior Technical Officer at the P-5 level – two in the Maternal and Child Health/Family Planning Branch; two in the Population Data, Policy and Research Branch; and one in the Education, Communication and Youth Branch. She stressed that none of those positions would duplicate the work or functions of other United Nations agencies and organizations. The Executive Director then explained the Fund's rationale for each of the seven other proposed headquarters Professional posts.

12. The Executive Director then discussed her proposal concerning post classification. She explained that the realignment at UNFPA headquarters in September 1987 had necessitated a review of UNFPA post classification. Forty-three posts were presented to the UNDP/UNFPA Classification Panel for review. The Panel, which was made up of five members from UNDP and one member from UNFPA, applied the formula and methodology developed by the International Civil Service Commission (ICSC) as adapted by the United Nations General Assembly for general (common system) application. The Executive Director accepted all the recommendations of the Panel and submitted them to the Council for its consideration and approval. These included, among others: the posts of Chiefs of the three technical branches in the Technical and Evaluation Division at the D-1 level; the post of Chief of the Special Unit for Women, Population and Development at the D-1 level; the posts of Chiefs of the four geographical divisions at the D-2 level; the post of Chief of the Division for Finance, Personnel and Administration at the D-2 level; the post of Chief of the Programme Co-ordination, Management and Field Support Office at the D-2 level; and the post of Chief of the Resource Development Unit at the D-1 level.

13. The Executive Director stressed that the organizational structure and staffing proposals of the Fund reflected the collective functions that had to be performed by UNFPA if it were to fulfil its mandate and provide effective, high quality programmes. She explained that some of the posts were newly created as a result of the realignment and thus were classified for the first time. Other, existing posts were re-classified in view of the increased duties and substantive responsibilities that had resulted from the expanding and increasingly more complex and demanding programme. She further noted that the recommended levels generally compared favourably with similar positions in other agencies of the United Nations system, notably UNDP and the United Nations Children's Fund (UNICEF).

14. The Deputy Executive Director introduced the documents pertaining to the Fund's financial situation in 1988 and the audited accounts for the year 1987, and elaborated on the income and expenditure data of the Fund during the same period. He indicated that the 1987 audit report was extensive and comprehensive and that many of the issues raised by the auditors on the UNDP accounts were similarly applicable to the UNFPA accounts. He further elaborated on the four recommendations of the audit report of 1987 and the measures taken by UNFPA to follow up on those recommendations.
Summary of discussion in the Committee

15. Delegates thanked the Executive Director for her lucid and comprehensive introductory statement.

16. Delegates generally supported the new directions of UNFPA, noting the importance of strengthening the Fund's technical capacity and improving the efficiency and effectiveness of its programme. Most delegates observed that the budget proposals were directly related to the increased emphasis of UNFPA on substantive analysis and strategic planning and programming. However, some delegates stressed that the UNFPA proposals on headquarters staffing and on post classifications would have been explained in more detail had the Fund prepared an analytical paper on personnel. In addition, they stressed that, in strengthening its technical capacity, UNFPA should take care not to duplicate the work of other organizations within the United Nations system. Others sought clarification as to how the Fund had translated the new programming orientation into the overall organizational structure and staffing requirements at headquarters. Similarly, one delegate noted that while the Fund's new directions seemed to place emphasis on the field, its budget proposals seemed to favour headquarters. Another delegate sought further clarification of the relationship between the Technical and Evaluation Division and the geographical divisions, in particular regarding the formulation and management of country programmes. Queries were also posed concerning the structure of the Technical and Evaluation Division.

17. Many delegates expressed concern at the magnitude of increase in the APSS budget. A number of delegates, while acknowledging that a substantial portion of the increase was made up of mandatory cost adjustments and that new forms of assistance might place heavier administrative burdens on UNFPA, said they supported some proposals but not others. Thus they would address each proposal individually. One delegate stressed that an increase of such magnitude required special justification, which in the opinion of his delegation had not been sufficiently provided. He therefore sought further clarification on specific points, in particular regarding headquarters staffing and post classification. Several delegates noted that the volume increase was attributable to the Fund's new programme directions, although one questioned if those new directions justified a 35 per cent net increase in the APSS budget. The same delegate expressed concern about the validity of the income scenarios contained in the budget proposal, given the recent strengthening of the value of the United States dollar vis-à-vis other currencies. He noted that the stronger dollar would affect both the projected growth in income and the percentage increase of administrative expenditures.

18. Delegates generally supported the Fund's field proposals and the further decentralization of decision-making and programme implementation to the field. While most delegates considered it crucial to strengthen UNFPA field offices, a few asked why some geographic regions appeared to receive greater emphasis in the budget proposals than other regions. One delegate noted that the effort to enhance the Fund's field orientation and decentralization of authority was in line with the implementation strategy outlined by the Executive Director. However, another delegate stressed that decentralization to the field did not necessarily mean greater efficiency, especially if decision-making authority were overly
decentralized. While the Executive Director's comprehensive introductory remarks were helpful in that regard, important issues required further elaboration. In general, delegates wanted to know if the proposed staff increases and upgrading of posts at headquarters were based on a careful analysis of the best possible utilization of existing staff or on an assessment of needs in connection with the Fund's new policy directions.

19. One delegate noted that various measures had been initiated by the Fund to implement several of the recommendations made by the External Auditors and emphasized that the Fund should continue to make further progress in that regard.

20. There was general consensus among delegates that the level of the Fund's operational reserve could and should be prudently reduced from its current level of approximately 25 per cent of projected annual contributions to either 15 or 20 per cent of projected annual contributions. Several delegates asked if the current size of the operational reserve was related to the existing method of allocating resources, as set forth in last year's work plan (document DP/1988/34). One of them asked if and when the reserve had last been drawn upon and what were the circumstances. Another delegate expressed concern about the Fund's high liquidity position.

Response of the Administration

21. The Executive Director thanked delegates for their support for the Fund's new directions.

22. In response to the query concerning the relationship between the Technical and Evaluation Division and the respective geographical divisions, the Executive Director stressed that the management of country programmes was, of course, first and foremost the responsibility of Governments. Within UNFPA, however, the Technical and Evaluation Division would be responsible for review and assessment of programmes and the development of programme strategies. The geographical divisions would be responsible for the overall management of the UNFPA programme in their respective regions, including programme planning, project development, appraisal, implementation and monitoring. The chiefs of the geographical division would, for example, negotiate with the appropriate government ministries concerning, among other things, programme and project content and selection of executing and implementing agencies. Regarding the relationship between the Fund's new directions and the organizational structure and proposed staffing at headquarters, the Executive Director explained that the additional staff represented the absolute minimum required to ensure the effective delivery and high quality of the expanded programme of UNFPA. In response to concerns, the Executive Director stressed that UNFPA did not intend to take over any of the responsibilities of any other organization, nor was it planning to engage in research. In fact, UNFPA had a close working relationship with the United Nations Population Division, each year funding a considerable amount of Population Division research, as well as with the United Nations Statistical Office and many other United Nations entities.
23. Concerning the inquiry about UNFPA income assumptions vis-à-vis the recent strengthening of the value of the dollar, the Deputy Executive Director explained that the Fund's projections were based on the best available information. While UNFPA did not yet have a mechanism in place to minimize the risk of fluctuations in foreign exchange rates, the Fund had been in close consultation with financial advisers in the United Nations and UNDP on that important matter.

24. In response to delegates' concerns about greater emphasis being given to some regions over others in the Fund's field proposals, the Administration explained that the level of development of a country's infrastructure was a critical factor in determining staffing patterns in a particular region. Regarding the observation that the budget proposals seemed to favour headquarters, the Deputy Executive Director pointed out that the percentage of increase in the field budget (net) was 47 per cent, whereas the increase in the headquarters component was 28 per cent.

25. The Deputy Executive Director agreed with delegates that the current level of the operational reserve, which had earlier been approved by the Council, was too high and should be reduced. The Fund therefore sought the guidance of the Council on the matter. Addressing the query concerning the relationship between the current level of the operational reserve and existing method of allocating resources as set forth in the work plan, the Deputy Executive Director noted that they were related, but that there were other factors at work as well. Those included the cautious planning approach that the Fund had had to adopt in the face of fiscal constraints resulting in part from the absence of a contribution from its traditional major donor. The cautious planning approach had also contributed to the Fund's current high level of liquidity. Responding to the query about the use of the operational reserve, the Administration noted that the reserve was drawn on only when the Fund had a shortfall of funds, which last happened in 1981.

Further discussion of the Committee

26. Delegates generally supported the development of a management information system at UNFPA, particularly as a key element in achieving management efficiency and in the Fund's efforts to become a repository of knowledge. Many delegates requested additional information as to whether, and to what extent, UNFPA planned to draw upon the available technology and experiences of other organizations within the United Nations system, particularly UNDP. Several asked if UNFPA planned to use existing systems already in place in UNDP field offices. Other delegates, while noting general satisfaction with document DP/1989/42, requested further information on the costs and benefits of the proposed system. One delegate asked what the recurrent costs of such a system would be. Another asked if UNFPA had plans for marketing its data bases. In a similar vein, several delegates wanted to know if governments and institutions would be able to access the Fund's data bases. One delegate asked if the high microcomputer-to-staff ratio was necessary, particularly among Professional staff.

27. While concurring with the Executive Director's recommendation to integrate the Fund's regular publications into the APSS budget, most delegates recommended that the Fund also incorporate into the budget the three specialized publications that...
the Executive Director had proposed to continue to fund under programme budgets. Their primary concern in doing so was to enhance budgetary transparency. One delegate asked what the practical consequences would be of incorporating these publications into the APSS budget, in particular concerning staffing requirements. Another suggested that there was a broader issue to be considered here, namely the distinction between administrative and programme expenditures. In that connection, one delegate asked why the issue was currently being considered by the Council, since the Fund's publications had until then been financed under the programme budget. Several delegates sought clarification as to why the Advisory Committee on Administrative and Budgetary Questions (ACABQ), when recommending that the three specialized publications also be integrated into the APSS budget, had reduced the proposed amount for the additional publications from $1.7 million to $1 million. Another asked the Administration how the Fund assessed the impact and effectiveness of its publications.

28. Citing paragraph 19 of the ACABQ report, several delegates sought clarification on UNFPA inflation assumptions, reiterating the ACABQ observation that if the Fund had adopted lower rates of inflationary increases at headquarters and in the field, its proposed APSS budget level would have been lower.

29. Referring to table 3 of document DP/1989/41, one delegate asked if the increases reflected in the table were related to the remodelling of office premises and the rental of additional office space at headquarters. Another delegate also asked if table 3 included the purchase of new office equipment.

Response of the Administration

30. In response to delegates' questions about the Fund's proposed management information system, the Administration stressed that UNFPA planned to work very closely with and draw upon the resources of other United Nations organizations, particularly UNDP, in developing its system. In fact, UNFPA had already received invaluable assistance from the Division of Management Information Services (DMIS) unit of UNDP. Regarding the marketing of the Fund's data bases, the Administration noted that while it had not yet explored that possibility, it did plan to share the Fund's data bases with others, particularly with Governments and institutions in developing countries. As to whether the Fund would make use of the existing systems already in place in UNDP field offices, the Administration noted that that was one of the Fund's top priorities. Regarding the costs and benefits of such a system, the Administration referred to paragraphs 11 and 12 of document DP/1989/42, which sought to address the issue. The Administration did note, however, that it had been unable to translate the benefits of the system into dollar amounts. As to the query on the recurrent costs of DMIS, the Administration suggested that the estimated costs given for the 1994-1995 biennium in table 3 of DP/1989/42 (page 21) were indicative. Concerning the ratio of microcomputers to Professional staff, the Administration pointed out that the microcomputer was now an essential instrument for the efficient and effective management of modern office operations.

31. In response to the queries on publications, the Administration pointed out that the report on publications and the recommendations contained therein had been...
submitted to the Council at its current session in response to decisions 88/34 I and 88/36 of 1 July 1988. The Administration explained the distinction between the Fund's regular and specialized publications and why the Executive Director had recommended incorporating the former but not the latter into the APSS budget. The regular publications directly served the dual purpose of promoting awareness of population and related development issues and of drawing attention to the work of UNFPA. The specialized publications, on the other hand, did not focus on the work of the Fund per se. For example, each year the State of World Population report focused on a different major population-related theme and was intended to serve primarily as a catalyst for many related activities at the national, regional and interregional levels. It was part of a comprehensive media package comprising print, radio and television components, as well as such ancillary activities as exhibitions, conferences and seminars. It was in essence therefore a project activity. The Administration was concerned that the incorporation of the report into the APSS budget would limit the Fund's flexibility in responding to the manifold activities generated by the report.

32. Concerning the consequences on staffing requirements of incorporating publications into the APSS budget, the Administration noted that there was a clear link between the production and distribution of publications and staffing arrangements. The newsletter, for example, required a consultancy arrangement of 180 days per year. As to the broader issue of administrative versus programme expenditures, the Administration suggested that, if incorporated into the APSS budget, publications should perhaps be considered as a special budgetary category. Responding to the question of assessing the effectiveness and impact of UNFPA publications, the Administration noted that in addition to readers surveys, the Fund monitored the media coverage generated by specific publications, as well as the public reactions of various intergovernmental bodies, such as the Council itself. As to why ACABQ had recommended reducing the amount of the publications budget by $700,000, the Administration noted that it did not know why that had been done.

33. In response to the query on the Fund's inflation assumptions, the Administration explained that UNFPA used the same inflation rates as UNDP did for the salaries of international staff, both at headquarters and in the field. Moreover, the rates of inflation for field offices were based on reports prepared by the respective UNDP resident representatives. However, for certain items, such as the rental and maintenance of premises in New York and various administrative services at headquarters, the Fund's inflation assumptions were based on actual rates of inflation. The Administration said that it was confident that the Fund's inflation assumptions were both realistic and prudent.

34. With respect to the queries on remodelling expenditures and the rental of additional office space, the Deputy Executive Director explained that table 3 of document DP/1989/41 did in fact reflect those expenditures. In response to the question about the purchase of office equipment, the Deputy Executive Director said that the figure in table 3 did include the purchase of some replacement office equipment, notably for new desks and work stations for General Service staff.
Further discussion of the Committee

35. The Committee discussed at some length the Fund's proposals for additional staff at headquarters and the upgradings of posts resulting from the recent classification exercise. While recognizing the prerogative of senior management to determine the number and grade of staff required to ensure the efficient and effective delivery of the Fund's programme, delegations at the same time emphasized that they regarded highly the opinions and recommendations of ACABQ. In view of the considerable variance between the Executive Director's recommendations and those of ACABQ, particularly regarding the upgrading of posts, many delegates sought clarification on the rationale for the addition or upgrading of specific posts, as well as more information on how the classification exercise was conducted.

36. Some delegates asked why the headquarters staff was being expanded and upgraded if the Fund was in the process of decentralizing decision-making and programming to the field. Others wanted to know if UNFPA had considered the redeployment of existing staff as an alternative approach to meeting its staffing needs. A number of delegates suggested that the Fund should take a selective approach to staffing, establishing priorities among posts and meeting personnel needs gradually over time.

37. Concerning specific posts, several delegates adhered strictly to the recommendations of ACABQ. Others used the ACABQ recommendations as a starting point, adding posts selectively on a post-by-post basis. For example, a number of delegates endorsed the addition of two posts that ACABQ had not recommended: a Senior Technical Officer in the Population Data, Policy and Research Branch and an Information Officer in the Information and External Relations Division. Some delegates, while expressing general support for the need to strengthen the Technical and Evaluation Division, asked why the strengthening of the Fund's evaluation staff per se had not been included in the Executive Director's proposal. In reviewing the Fund's staffing proposals, several delegates questioned whether UNFPA efforts to enhance its in-house technical capacity might result in a duplication of functions both within the Fund itself and with other United Nations entities, in particular the Population Division.

38. Addressing the recommended post upgradings resulting from the classification exercise, a number of delegates expressed concern that the Fund was becoming top heavy. Several delegates pointed out that the misgivings ACABQ had expressed the previous year, in document DP/1988/44 concerning future grade creep, had actually come about. Some delegates also expressed concern about the proliferation of units, particularly with regard to the Programme Co-ordination, Management and Field Support Office. That was also a concern of some delegations with respect to the overlapping of some functions, particularly between the Office of the Executive Director and the Executive Office, as well as with regard to information activities. One delegate suggested that it might be helpful if the Executive Director indicated priorities on the post upgradings which were absolutely essential for the functioning of the Fund and which were not. Committee members would then have some basis on which to make a decision on the various posts.
39. Several delegates raised questions concerning the classification process itself. Some delegates, citing the ACABQ observation that the results of the UNFPA classification exercise raised the question of subjectivity in the application of the ISCC master standard (document DP/1989/45, para. 31), felt that UNFPA was perhaps being held to a different standard than other United Nations organizations which had benefited from similar classification exercises. Still, some of those same delegates noted that it was difficult to accept the classification upgradings in full, given the observations of ACABQ in document DP/1989/45. Several therefore suggested that a decision be deferred until the next session of the Council, with the understanding that the Executive Director would submit to the Council a comprehensive report on headquarters staffing requirements and grade levels.

Response of the Administration

40. Concerning the relationship between an expanding headquarters staff and increasing decentralization, the Administration explained that the two were inextricably linked. Both headquarters and the field had to be strengthened if the Fund was to succeed in its efforts to intensify and expand the programme development process. The Administration stressed that the Fund's primary objective was to strengthen and upgrade UNFPA headquarters capacity to evaluate programmes and develop strategies, while at the same time decentralizing certain aspects of approval and programming authority to the field in order to facilitate the implementation of programmes and projects. The programme strategy would serve as the framework through which field staff could manage and monitor programmes and projects efficiently and effectively.

41. In response to the queries on the redeployment of staff as an alternative approach, the Administration stressed that the additional staff requested was a basic minimal requirement for the Fund to meet the needs of its expanding programme. UNFPA had in fact redeployed field staff to help meet rapidly increasing programme needs in sub-Saharan Africa, which had been approved by the Council at its thirty-fifth session.

42. In response to the concerns of a number of delegates about duplication of functions, the Administration reiterated that UNFPA did not intend to take over the responsibilities of any other organization or to engage in research. As to the possibility of the overlap of functions at the Fund itself, the Administration stressed that lines of responsibility between the Technical and Evaluation Division, the geographical divisions and the field were clearly delineated and complementary. Regarding the strengthening of evaluation, the Administration noted that the matter was a top priority for UNFPA. That, however, did not require additional staff in the Evaluation Branch, but rather a new emphasis on the component by the entire Technical and Evaluation Division. The Administration pointed out that an integral part of the Fund's new directions was to carry out evaluations of all country programmes.

43. With respect to the observations that the Fund was becoming "top heavy", the Administration pointed out that UNFPA had always had more or less this structure, since it was in the nature of a funding organization for its staff to have a high
degree of substantive expertise and proven managerial skills. As to whether the classification process itself was subjective, the Administration explained that UNFPA followed established procedures precisely. Detailed job descriptions for each post were scrutinized by the respective Division Chief and by either the Deputy Executive Director or the Assistant Executive Director before being sent to the Personnel Branch for action. The Personnel Branch then examined each post description within the context of its Division and of the Fund as a whole. Based on such a comprehensive review, the Executive Director presented 43 posts to the UNDP/UNFPA Classification Panel for consideration. The Executive Director accepted all the recommendations of the Panel and submitted them to the Council for its consideration and approval.

Recommendation of the Committee

44. Following its consideration of this item, the Budgetary and Finance Committee recommended that the Council adopt the following decision:

The Governing Council,

Having considered the biennial budget estimates of the administrative and programme support services for the 1990-1991 biennium (DP/1989/41 and DP/1989/41/Corr.1), the report of the Executive Director on the strategy of the United Nations Population Fund for office automation including the development of a management information system (DP/1989/42), the report of the Executive Director on United Nations Population Fund publications and audio-visual productions (DP/1989/40), the annual financial review, 1988 (DP/1989/43), the audited accounts of executing agencies as at 31 December 1987 (DP/1989/44) and the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1989/45),

Having taken into account the views and comments of members of the Council on the documentation before it,

Recalling its decision 88/36 of 1 July 1988,

1. Notes with satisfaction the steps which the Executive Director has taken, or is taking, following paragraph 1 of Council decision 88/36, within her competence, to correct the situations or conditions that gave rise to the qualification of the audit opinion, as required by General Assembly resolution 43/216 of 21 December 1988;

2. Notes with concern that the audit opinion of the Board of Auditors on the 1987 accounts of the United Nations Population Fund was qualified on the count of the certification of programme and programme support expenditures, although that aspect relating to the certification of programme expenditures by United Nations executing agencies was technical in nature;
3. **Decides** that the provisions of decision 89/61 concerning the audit reports on United Nations Development Programme accounts are also fully applicable to the United Nations Population Fund;

4. **Takes note** of the audited accounts of executing agencies (DP/1989/44);

5. **Approves** the establishment, in the administrative and programme support services budget for the biennium 1990-1991, of six new regular international Professional field posts, three at the P-5 level and three at the P-3 level, and of 49 new regular local posts, with emphasis in sub-Saharan Africa;

6. **Requests** the Executive Director to present to the Governing Council at its thirty-seventh session (1990) a proposal for the conversion of 89 existing temporary local posts (referred to in paragraph 9 of decision 88/36) and 57 existing temporary local posts (referred to in paragraph 7 of decision 88/36) into regularly established posts, together with the criteria and procedures for the establishment of temporary and regular posts in the field offices and at headquarters;

7. **Approves** the proposals for 1990-1991 of the Executive Director on the strategy of the United Nations Population Fund for office automation, including the development of a management information system (DP/1989/42), taking into account the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1989/45), and **requests** the Executive Director to report on the implementation of the strategy at the thirty-seventh session of the Governing Council;

8. **Approves** the recommendations of the Executive Director concerning the funding of United Nations Population Fund publications as set out in document DP/1989/41 and requests the Executive Director to prepare a detailed report to be presented to the Governing Council at its thirty-eighth session (1991) to enable the Council to consider further the question of funding of United Nations Population Fund publications from the administrative and programme support services budget;

9. **Approves** the establishment of the following new regular posts at headquarters in the administrative and programme support services budget for the biennium 1990-1991: two Professional posts (P-4, P-3) and two General Service support posts in the Division of Finance, Personnel and Administration; two Professional posts (P-3) and two General Service support posts in the Africa Division; and three Professional posts (P-5) and two General Service support posts in the Technical and Evaluation Division;

10. **Approves** the establishment of two temporary Professional posts (P-5 and P-3) in the administrative and programme support services budget for the biennium 1990-1991 in Programme I (Executive Direction and Management);
11. **Decides** to establish, in the administrative and programme support services budget for the biennium 1990-1991, as regular posts those two new Professional posts which it had approved by paragraph 13 of decision 88/36 as temporary posts;

12. (a) **Approves** the classification of two existing Professional posts in the field at the P-5 level, as proposed in table 21 of document DP/1989/41;

(b) **Approves** the classification of 31 existing Professional posts at headquarters up to and including the P-5 level as set out in table 4.B of document DP/1989/41, as amended by document DP/1989/41/Corr.1;

(c) **Authorizes** the classifications at the D-1 level of the following posts:

(i) three posts of Chief of technical branch in the Technical and Evaluation Division,

(ii) Chief, Special Unit for Women, Population and Development,

(iii) Deputy Chief, Information and External Relations Division and Chief, Governing Council, United Nations Liaison and External Relations Branch;

(d) **Approves** the classification at the D-2 level of the post of the Chief, Programme Co-ordination, Management and Field Support Office;

(e) **Decides** to continue the consideration of the classification of the remaining posts, proposed by the Executive Director at the D-1 and D-2 levels, at its thirty-seventh session (1990), on the basis of a detailed report on all staff reclassifications at these levels and their functions, to be submitted through the Advisory Committee on Administrative and Budgetary Questions;

13. **Approves** appropriations in the amount of $83,492,500 gross to be allocated from resources indicated below to finance the 1990-1991 biennial budget for administrative and programme support services, and agrees that the overhead credits available to the Fund in the estimated amount of $4,000,000 and the miscellaneous income from trust funds for support services in the estimated amount of $500,000 shall be used to offset the gross appropriations, resulting in net appropriations of $78,992,500 as indicated below.
1990-1991 biennial budget

(Thousands of United States dollars)

<table>
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<tr>
<th>Programme</th>
<th>Appropriations</th>
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<td>Administration and information and external relations services</td>
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<tr>
<td>Programme planning, appraisal and monitoring</td>
<td>21 550.8</td>
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<td>Field programme support</td>
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<td>Less: Estimated credits and income</td>
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<td><strong>Total net appropriations</strong></td>
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14. **Authorizes** the Executive Director to transfer credits between programmes of the administrative and programme support services budget within reasonable limits, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions, and requests her to report thereon to the Governing Council;

15. **Takes note** of the annual financial review, 1988 (DP/1989/43);

16. **Decides** that, with effect from 1989, the level of the operational reserve shall be set at $45 million and that the level of the operational reserve should be reviewed at the thirty-eighth session (1991) of the Governing Council;

17. **Further decides** that all other provisions of decision 81/7 III relating to the operational reserve shall remain in effect.

45. The Governing Council subsequently adopted decision 89/49.
CHAPTER III. OTHER FUNDS AND PROGRAMMES

46. The Committee reviewed the financial implications contained in the following documents:

(a) Focal point for STAS (DP/1989/47)

(b) United Nations Fund for Science and Technology for Development (DP/1989/48)

(c) United Nations Revolving Fund for Natural Resources Exploration (DP/1989/49)

(d) United Nations Sudano-Sahelian Office (DP/1989/50)

(e) United Nations Development Fund for Women (DP/1989/51 and Add.1)


CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

A. Annual review of the financial situation, 1988

48. The Associate Administrator introduced this item by summarizing UNDP financial activities in 1988. He highlighted the increased expenditures achieved, indicating that all expenditure targets had been met or surpassed. On the income side, he noted the impact of the strengthening dollar on contributions and assets held in 1988 and its continuing impact in 1989. Through May 1989, losses of approximately $60 million had been recorded in the value of pledges and assets.

49. The Associate Administrator reviewed the forecasts for 1989 and 1990. Because of the impact of exchange rate changes, he requested the Committee’s guidance on the release of the final 25 per cent of the supplementary indicative planning figure (IPF) approved by the Council in 1988 and the prudence of levelling off 1991 expenditure in order to facilitate a smooth transition to the next cycle. He noted that, based on recent trends in project commitment and delivery build-up, the programme had the capacity to increase expenditure in the fourth cycle to a level which would (a) fully deliver fourth cycle IPF entitlements and (b) totally deplete the balance of UNDP general resources. In that event, a significant increase in future annual contributions would be required to sustain, in 1992, the level of expenditure achieved in 1991.

50. The Associate Administrator indicated those items on which a decision was requested: (a) the authority to overcommit the Reserve for Field Accommodation; and (b) the grade level of Senior Industrial Development Field Advisors. He also
indicated those items which were being brought to the attention of the Committee: (a) the level of the operational reserve; and (b) the proposed methodology for the handling of UNDP co-operation with non-governmental organizations (NGOs) and grass-roots organizations.

Summary of the discussion of the Committee

51. The Members expressed their satisfaction with the results achieved in 1988, in particular with the increased delivery. Several members expressed concern about the impact of exchange rate fluctuations on UNDP resources and requested prudent management on the part of UNDP, recalling that expenditures should not exceed available resources. One member indicated that future contributions should not be mortgaged by establishing expenditure levels now which could not be sustained in future or which would preclude future project approvals. One member, supported by others, requested a presentation of the impact of various resource assumptions on future expenditures. Most members supported an orderly transition from the fourth programming cycle to the fifth.

52. While indicating general support for the overcommitment of the Reserve for Field Accommodation, one member wanted assurance that the increase was not related to increased staff. One member, supported by others, asked whether UNDP was pursuing the sharing of common premises with other United Nations organizations and specialized agencies, as requested by the General Assembly in its resolution 42/196 of 11 December 1987. Most members supported such sharing of premises and urged UNDP to work with other organizations to ensure implementation of the practice. Several members questioned why Governments were not respecting the conditions of the Standard Basic Assistance Agreement, which called for the provision of office accommodation, and requested information on the circumstances under which waivers were agreed upon.

53. Most Governments supported the proposed guidelines for co-operation with NGOs and grass-roots organizations. Several members raised queries concerning the involvement of Governments in the activity and sought clarification on the areas of accountability. One member welcomed the initiative of UNDP in that respect as it fostered self-help in developing countries. One member indicated the need to arrive at a tenable solution to the accumulation of non-convertible currencies, while another stated that all contributions should be fully convertible. One member requested clarification of some aspects of UNDP investments.

Observations of the Administration

54. The Associate Administrator agreed to provide resource planning tables under various assumptions as requested by the Committee. He indicated to the Committee that UNDP strongly supported the sharing of common premises and that a report would be provided on actions taken by UNDP in that respect, along with the results of a survey undertaken by UNDP on the status of common premises by country. He indicated that, as in the case of local office costs, for which there were no sanctions should they not be paid, if a Government could not, for various reasons,
provide office accommodation, then UNDP must make its own arrangements in order to operate. With respect to the proposed NGO programme, he assured the Committee that the Governments are involved at two levels: (a) on signature of the umbrella project document committing IPF funds and (b) as a member of the committee convened to select the NGO to execute specific activities. He also confirmed that the NGO is accountable to UNDP for the funds advanced. He further indicated that he would expect that UNDP field offices would assist the NGOs to the extent needed in administrative functions. The Associate Administrator described the discussions entered into with one Government regarding the accumulation of its currency. The Assistant Administrator, Bureau for Finance and Administration, responded to the questions raised on UNDP investments. He reiterated elements of UNDP investment guidelines, indicating that at present, in view of the strength of the dollar, UNDP non-dollar placements had been reduced to 30 per cent of the total.

Resumed summary of the discussion in the Committee

55. For its consideration, the Committee had before it a report on the sharing of the premises in the field and resource planning tables under various assumptions on resource growth. Members stressed that, to the extent possible, organizations of the Joint Consultative Group on Policy (JCGP) should share common premises. One member asked for clarification of lease back arrangements and how many of these there might be. Another member asked whether the specialized agencies were receptive to the proposal. Several questions were raised regarding specific country situations. One member expressed the view that the administrations of United Nations agencies and programmes could not enter into commitments to build or lease new offices without seeking the prior approval of their respective governing bodies.

56. With respect to the resource scenarios presented, several members observed that UNDP administrative and programme support costs remained constant under each assumption while field programme costs varied significantly, and asked why the expenditure had not been varied under the various assumptions. Another member asked whether a reduction at the beginning of the fifth cycle in expenditures would create major problems. Most members felt that it would be necessary to smooth the fluctuation in expenditures between 1991 and 1992. One member indicated that the proposed reduction or deferral of the programme was not appropriate. He further stated that resources had not grown in real terms in that increases were primarily the result of exchange rate fluctuations.

57. Several members questioned the level of the operational reserve. One member noted that, under the 6 per cent growth scenario, expenditures in 1996 would be less than the level which could be achieved in 1991 if the full fourth cycle IPF were delivered.

Observations of the Administration

58. The Associate Administrator reported on discussions which had been initiated with several banks on the construction of office premises under long-term lease arrangements with UNDP. The Deputy Assistant Administrator, Bureau for Finance and
Administration (BFA), indicated that any such arrangements would be entered into only after a cost/benefit analysis taking into account the specific local situation. He further stated that specialized agencies could be expected to share premises with UNDP only when it was cost-effective for them to do so. The Director, Division for Administrative and Management Services (DAMS) responded to the specific questions posed by members in regard to office premises. The Associate Administrator stated that should expenditures be reduced in the fourth programming cycle to effect a smooth transition from the fourth cycle to the fifth cycle, there might be a carry-forward of unspent fourth cycle entitlements to the fifth cycle and an unspent balance of general resources at the end of the fourth cycle.

Resumed summary of the discussion

59. For its consideration, the Committee was provided with the information requested on the Special Measures Fund for the Least Developed Countries (SMF/LDC), the Senior Industrial Development Field Adviser (SIDFA) programme and expenditure levels to enable a smooth transition from the fourth cycle to the fifth cycle.

60. With respect to SMF/LDC, one member regretted that the Council had established special purpose funds which were not utilized to any great extent. Another member suggested that it might be appropriate to request the Council to review the Fund in depth at its next session to reaffirm its purpose and obtain a broader base of support. Several members asked if it was necessary to maintain the fund on a fully funded basis. While members generally supported the reclassification of the SIDFA posts to a range not exceeding D-1 or L-6, several requested assurance that within the structure of personnel in a field office the UNDP resident representative would be the most senior official. One member expressed the view that that should not lead to upgrading the posts of resident representatives in the field. Members also requested assurances that the distribution of SIDFA posts should be within that range, with the higher level posts being established only in countries where the size of the programme and managerial responsibilities, including supervisory functions, warranted the classification.

61. With respect to the smoothing of the transition from the fourth cycle to the fifth cycle, one member asked that all options available be explored, drawing attention to the increased level of resources allocated to the Special Programme Resources in the fifth cycle, the Development Support Services (DSS) programme and administrative and programme support budget. He further stated that resource projections would not keep up with inflation so there would be a reduction in real terms. Most members reiterated that, on the basis of anticipated resources, projected expenditures in 1990 and 1991 would need to be reduced in order to avoid major significant expenditure reductions in 1992. Several members felt that presently projected expenditure levels should be maintained.
Observations of the Administration

62. The Associate Administrator agreed to a policy review of SMF/LDC. He stressed that a change from the present fully-funded basis of operations would need to be based on the assurance of continuing contributions similar to the assurances provided to the main programme in the five-year cycle deliberations. The Senior Finance Officer of the Regional Bureau for Africa (RBA) responded to specific questions raised by members regarding the commitment of the Fund.

63. The Deputy Director-General, Department for Programme and Project Development of the United Nations Industrial Development Organization (UNIDO) reported on the need for the reclassification of the SIDFA posts and discussions between UNDP and UNIDO. He assured the Committee that the structure of personnel would be taken into account in the staffing of the posts. The Associate Administrator responded to specific questions posed by members on smoothing the transition and suggested an expenditure profile which he felt would not create significant disruption in the system, taking into account agency staffing considerations.

Recommendations of the Committee

64. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Taking note of the report of the Administrator of the United Nations Development Programme on the annual review of the financial situation (DP/1989/54 and Add.1 and Add.2),

Taking into account the observations and comments made by its members on the report,

Taking note of the comments of the Administrator on the level of the operational reserve,

1. Notes the procedures established by the Administrator for the execution of small-scale projects by non-governmental and grass-roots organizations;

2. Urges the Administrator to continue to seek the co-operation of other United Nations organizations and specialized agencies to share common premises in the field, with a view to seeking greater co-ordination and maximum economies and to submit a report annually through the Advisory Committee on Administrative and Budgetary Questions to the Governing Council on the result of the consultations;

3. Strongly urges Governments to provide or assist the United Nations Development Programme to the maximum extent possible in obtaining office accommodation in accordance with the agreements of host countries;
4. Decides to authorize the Administrator to overcommit the Reserve for Field Accommodation by up to $10 million, including existing commitments, up to June 1990, while ensuring that funds disbursed from the Reserve do not exceed $25 million at any time;

5. Further decides that posts for Senior Industrial Development Field Advisers may be classified in a range from the P-4 or L-4 level to the D-1 or L-6 level;

6. Requests the Administrator to continue to report on problems related to the utilization of non-convertible currencies;

7. Further requests the Administrator to establish expenditure targets over the balance of the fourth cycle which would, subject to resources being available, provide for a continuous increase in the rate of indicative planning figure delivery, while ensuring as smooth a transition as possible to the fifth programming cycle;

8. Further requests the Administrator, with respect to the transition, to continue to monitor closely and review the resource situation and to report on the most desirable expenditure targets for the balance of the fourth cycle to the Council at its special session in 1990 and at its thirty-seventh session;

9. Further requests the Administrator, in the light of the review of resources undertaken in paragraph 8 above, to report to the Council, at its special session in 1990, on his recommendation regarding the release of the final 25 per cent of the supplementary indicative planning figures and Special Programme Resources authorized in decision 88/31 of 1 July 1988 and the resulting final indicative planning figures and special programme resources authorized for the fourth cycle, i.e., the original amounts plus whole or part of the supplementary indicative planning figures and Special Programme Resources, on the understanding that if any additional resources become available as a result of subsequent improvement in the financial situation of the United Nations Development Programme, the whole or part of the balance of country indicative planning figures and Special Programme Resources resulting from decision 88/31 of 1 July 1988 shall be available for use in the fourth cycle or be carried over to the fifth cycle and added to their respective indicative planning figures;

10. Further requests the Administrator (a) to review projects financed from the Special Measures Fund for the Least Developed Countries since the adoption of the new approval procedures in 1986 and to assess the relevance and results of these projects in the light of the Fund's objectives; (b) to assess the Fund's mandate; (c) to examine alternate funding arrangements; and (d) to report thereon to the Council at its special session in February 1990.

65. The Governing Council subsequently adopted decision 89/57.

66. For its consideration of this item of the agenda, the Committee had before it the following documentation:


Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1989/56);

Role and functions of the Office for Project Services, report of the Administrator (DP/1989/75).

67. Agenda item 8 relating to other funds and programmes and agenda item 9 (e) relating to the Office for Project Services are covered in this report in respect of budgetary and financial implications.

68. The Administrator noted that since 1982, UNDP had basically followed a zero-growth policy, with the exception of additional staffing made available since 1986 to deal with the natural calamities and economic setbacks in Africa. Meanwhile, UNDP resources had grown from $678 million in 1982 to $1.02 billion in 1988. The budget proposals reflected a desire to regain lost ground, to cope with current needs and to equip UNDP to deal better in the future with the challenges and changes that were certain to be confronted. The Administrator considered that ACABQ had underestimated the extent to which his proposals were based on current needs. The budget did not relate to some hypothetical future, it related to current needs and to existing work-load. He noted that a figure of 44 per cent had been quoted with respect to the budget. He considered that figure misleading, since it lumped together the growth currently proposed for the core budget, the growth of OPS, the growth in the United Nations Volunteers (UNV) approved by the Council in 1988, the growth relating to Africa approved by the Council in 1988, and last, but certainly by no means least, cost increases unrelated to real changes in budgetary levels, for example, inflation.

69. In volume terms, the budget represented an increase of 8.8 per cent for the UNDP core budget. The increase was the same in the field as in headquarters and therefore retained the traditional ratio of two thirds of the core budget being spent on field offices. If DSS proposals were excluded, the volume increase for UNDP and the associated funds was 8 per cent. However, when the new proposal was included, the overall volume increased by 14.7 per cent. The Administrator stated that the main objective of the budget proposals was to achieve an organizational structure and staffing which would enable UNDP to improve the quality and efficiency of its operations; in other words, to ensure that each dollar of assistance produced the maximum benefit. To achieve those results, the proposals concentrated on a few major areas:

(a) To strengthen the field offices to undertake more efficiently what might be regarded as their normal function;
(b) To add a new dimension to the field offices in the form of DSS;

(c) To improve the quality of staff through enhanced personnel management;

(d) To improve the substantive capacity of UNDP to make technical appraisals of projects;

(e) To strengthen those operational units in headquarters, most notably the Regional Bureaux, which had been artificially restricted in their staffing and in areas where serious bottle-necks had arisen.

70. With regard to the regular strengthening of the field offices, the Administrator considered that the proposals were characterized by a particular focus on Asia, which, together with Africa, had benefited most from the increase in IPF resources in the third and fourth cycles and a continued emphasis on building up the national officer cadre. The Administrator provided information relating to the field package and stressed that the proposals were characterized by their specificity and by their attention to country-level needs and requirements.

71. With regard to the DSS concept, the Administrator stressed that the underlying rationale was to respond to the challenges and pressures being faced in the field and to the need for a locally based substantive capacity. He stated that he wanted resident representatives to be able to make informed programme choices and to be able to provide appropriate strategic choices to Governments. With regard to the relationship with the specialized agencies, the idea was not to try to rival the depth and breadth of technical expertise available within an agency but rather to assist Governments to translate their priorities into programmes to adopt cost-effective and innovative approaches. A coherent country programme focus was an essential prerequisite to sound implementation of agency projects and to complement the technical expertise of the agencies.

72. The Administrator went on to provide detailed information regarding the headquarters proposals. He focused on the proposals for the Division of Personnel and the Technical Advisory Division (TAD) in the Bureau for Programme and Policy Evaluation (BPPE). He stated that personnel management currently represented a critical priority for UNDP, independent of any outcome of discussions on the future of UNDP. Regarding the UNDP in-house capacity for technical appraisal, the Administrator considered that his accountability to the Governing Council required a minimum level of in-house technical expertise.

73. The Administrator noted that concern had been expressed about the growth of the Office for Project Services (OPS). He believed that the growth should be judged in the light of previous Governing Council decisions, which related its budgetary and staffing levels to actual work-load. He stressed that the OPS budget was financed from its own support-cost earnings. All OPS posts were treated as temporary and would disappear as soon as there was insufficient support-cost earnings to pay for them. He noted that 60 per cent of its work-load was, in fact, not related to the IPF programme. In that connection, the growth in OPS IPF delivery reflected the general build-up of the programme rather than any increase in the overall share of OPS, which had stayed remarkably constant for the past
10 years, at around 8 per cent of the IPF delivery. He considered that, provided a donor and a recipient wished to use UNDP and provided the activity was within the UNDP mandate, it was the duty of UNDP to respond to such requests. He stated that management services did not endanger UNDP core resources but rather promoted appreciation for UNDP. Moreover, bilateral management services should be kept in perspective: in 1988 they represented some 6 per cent of total UNDP delivery. The Administrator also provided details regarding the proposals relating to the other non-core activities. He referred in particular to the proposal for the upgrading of the post of the Director of the United Nations Development Fund for Women (UNIFEM) to D-2 and for the continuation of the Assistant Secretary-General position in OPS.

74. The Administrator concluded by noting that he had been asked to undertake a review of UNDP senior management structure. He was not proposing any changes at that time, but would await the results of the forthcoming high level debate on the future role of UNDP.

Summary of the discussion in the Committee

75. Many delegates expressed respect and appreciation for the ACABQ report. Some delegates noted that the extent to which the different elements of the budget related to current needs or were tied to the discussion of the future role of UNDP was open to interpretation. The issue was raised of the relationship of the growth in the budget to resource projections. It was suggested that the hump in delivery in 1990-1991 could lead to a distorted budgetary situation after the following biennium. Some delegates considered that administrative expenses should not grow at a faster pace than programme resources. Some donors warned that the income projections on which the resource tables were based appeared too optimistic. It was noted that the windfall resulting from currency movements should not be expected to continue. Some delegates also warned that large increases in contributions should not be expected. Concern was expressed at the overall size of the budget request. In that connection, delegates noted the severe constraints on public sector budgets faced by both donors and recipients.

76. Some delegates stressed that while they had no objection to growth in principle, they felt that there were different ways of responding to work-load pressures. In that regard, they stressed the need for increased productivity of staff, improved management systems and increased qualifications. Many delegations stressed the need for greater prioritization and were looking for evidence of redeployment reflecting it. Many delegates expressed appreciation for the restraint exercised by UNDP in the past and felt that another zero-growth budget was not feasible. Many delegates, however, felt that the size of the budget increase being requested was simply too large; one delegate stated that acceding to the request at that time would not be in the interests of UNDP in the long run. Several delegates suggested that an independent assessment of current work-load was required. The closest to such an assessment, the ACABQ report, would suggest that increases in staffing were not warranted.
77. Several delegates recognized that the work-load imposed on UNDP was the responsibility of the Governing Council and the General Assembly and that the Governing Council had to decide what it really wanted out from UNDP. Ultimately, a decision would be required that would enable the Administrator to carry out the mandates entrusted to him or the burdens placed on UNDP would have to be diminished. Many delegates recognized the very wide range of tasks entrusted to UNDP field offices and in that regard accepted that it would be a misrepresentation of the nature of the UNDP work-load to take administrative costs as a percentage of programme delivery. In that regard, delegates stressed the need for effective cost-recovery mechanisms. Other delegates noted that cost recovery might be very difficult to implement in practice. Many delegates recognized and appreciated the changing role of UNDP and commented on the extent of the change in the character of UNDP. A number of delegations felt decentralization would be one means to achieve economies without staff increases. A detailed strategy for decentralization was requested by one delegate. Many delegates stated that more information would be required to be able to assess the request. One delegate expressed concern that the Council was focusing on matters of detail when it should be concentrating on more fundamental issues pertaining to overall control of the budget, the nature of the budget appropriation and overall policy direction.

78. Many delegates stressed that the field office network was the most precious UNDP asset. Many delegates expressed support for the need for selective strengthening. However, many stated that they felt the proposed package was too big. In view of the fact that only 55 per cent of the time was spent on the IPF, the importance of cost recovery was emphasized. In addition, the need to maintain flexibility, for example, with regard to emergency posts, was stressed. A number of delegates expressed particular sympathy for the proposals regarding the strengthening of offices in Asia, where it was pointed out the largest number of the poorest continue to live. Several delegates expressed serious concern that a failure to strengthen the offices in the region would lead to a serious decline in the ability of those offices to perform their functions and the tasks ahead of them. It was suggested that the economist posts in Africa were established as a result of structural adjustment and not the existence of the round-table process, which should be considered a normal part of UNDP business. For that reason, the delegates questioned the level of economist posts proposed in Asia. Some scepticism was expressed with regard to the need for separate aid co-ordination posts and interest was expressed in the views of the recipients themselves in that regard. Several recipients responded by supporting the concept. A number of delegates supported in particular the proposals relating to the strengthening of local staff. Others noted that the proposals relating to local staff were very substantial and had to be carefully reviewed. One delegate sought clarification as to whether management services and trust fund activity was contributing to work-load. In that respect, one delegate noted that the two emergency posts being requested in Central America related to the Special Plan and that since one Government was contributing to the plan any additional costs should be borne by that Government and not core UNDP resources. Several delegates expressed scepticism with regard to the proposal for 12 separate trainee posts and suggested that in view of the vacancy rate in the field, the trainees be financed through savings generated by the vacancy rate. Support was expressed by a number of delegates for the proposals relating to the strengthening of field office
administration and for the operations-manager concept. One delegate expressed surprise that additional proposals should be made in regard to Africa.

79. In general, a number of delegates pointed out that they found it more difficult to justify increases in staffing at headquarters than in the field. In general, delegations stressed that headquarters staff should be kept to an absolute minimum. While many delegates expressed reservations with respect to the size of the proposal, many also expressed support for specific elements. A number of delegates expressed support for the idea of the strengthening of the Division of Personnel (DOP). One delegate suggested that it would be short-sighted to deny the division the resources it needed for the critical tasks it faced. One delegate requested more information on the personnel practices used, while recognizing that the implementation of personnel management was the prerogative of the Administrator. Many delegates considered that the issue of the strengthening of TAD was closely linked to the outcome of the discussion on the future role of UNDP and that therefore that discussion should not be pre-empted. On the other hand, one delegate suggested that the request could be considered within current needs. One delegate asked why there was a need for 13 Director-level posts in BPPE. Several delegates stressed the need to strengthen the Division of Information (DOI), since UNDP activities were not well known in the donor capitals. Some support was expressed for the two computer systems posts. Several delegates expressed support for the proposals in relationship to the Central Evaluation Office (CEO). Many delegates referred to the need to support the proposals relating to the strengthening of the Regional Bureau for Asia and the Pacific (RBAP). Several delegates expressed concern with regard to the regularization of temporary posts and the circumstances in which that was allowed to happen. The existence of long-term temporary assistance was criticized. Some delegates felt that not all the positions should be regularized; some delegates emphasized that a clean solution should be adopted. One delegate requested detailed information on the types of contracts and termination dates of all staff concerned. It was emphasized by several delegates that a clear understanding had to be reached so that the situation could not recur. One delegate stressed that the Administrator should not agree to any further temporary or project posts at headquarters in the future. Detailed information with regard to the number of project posts at headquarters was requested. Several delegates expressed concern regarding the ratio of General Service to Professional staff and in that connection noted that savings in General Service staff should be expected as a result of increased computerization.

80. With regard to OPS, many delegates wished to reserve their views on the subject for the plenary discussion. While a number of delegates expressed support for the work OPS was doing and for its flexibility in carrying out programmes of both a multilateral and multi-bilateral nature, many also expressed concern about the rate of growth of OPS in recent years and considered that greater controls were needed, particularly in terms of staff increases. Some considered that the 1982 decision which formed the basis of the Administrator's authority to increase the OPS staff as required needed revision. In that regard, one delegate was concerned with the ratio of permanent staff to the number of staff with fixed-term contracts, which would indicate the degree of flexibility of OPS to decrease staffing levels in relation to a decrease in work-load. The delegate also believed that the number

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of new secretarial posts created in OPS was excessive in relation to the number of professional posts created, but noted that it was a problem for the United Nations system as a whole. Other delegates expressed support for the staff increases requested as well as for the proposed reclassifications. One delegate indicated that the upgrading of the post of the Director to the Assistant Secretary-General level should not be made permanent until the review of the management structure of UNDP was completed. Several delegations were concerned that cost coverage should be provided by OPS both to field offices and to headquarters units and one delegate expressed the view that OPS would need to prove its self-sufficiency to the Council on a regular basis. Some delegates commented on the study on the organizational structure and management practices of OPS made in 1988 and expressed concern on how its recommendations were going to be implemented in the future, particularly in terms of financial management and work-load calculation and distribution. One delegate requested a work-load comparison with other agencies, the Department of Technical Co-operation for Development (DTCD) in particular. A number of delegates raised the issue of the impact of management services on the multilateral character of the programme and were concerned with the policy criteria followed by UNDP for entering management services agreements. Some delegates suggested that the issue of the future role of OPS and the possible revision of decision 82/31 of 18 June 1982 and the desirability of a numerical ceiling to the growth of OPS could appropriately be taken up within the framework of the future funding strategy of UNDP. Some delegates expressed concern at the level of growth of OPS and proposed that the rate of growth should ideally be restricted to 8 per cent, but to a maximum of 15 per cent pending a detailed review of OPS. Those delegations also hoped that the authorizations contained in paragraph 7 of decision 82/31 would be withdrawn.

81. Several delegates considered that the criteria established in the UNV report were reasonable. Several of them considered that the issue of the appropriate budget line for the costs of UNV should be reviewed in conjunction with the findings of the expert group on support costs. They therefore considered that no change should be made to the current arrangement at that time. Several delegates expressed sympathy with the notion that a portion of the costs should be charged to the support cost line. Other delegates expressed the view that UNV should continue to be charged to the administrative budget.

82. Several delegates supported the request that the new Director of UNIFEM be allowed to review the situation before the Administrator presented a substantive budget request. They generally supported the request to defer the issue to the Council at its thirty-seventh session (1990). Several delegates supported the reclassification of the post of UNIFEM Director to the D-2 level, while others were not convinced that the upgrading was justified. However, several delegates suggested that the reclassification should be accommodated within the existing pool of posts graded at the D-2 level. One delegate requested further clarification on the division of responsibilities between the Division for Women in Development and UNIFEM. Another delegate considered that the question had already been amply discussed.
83. Several delegates expressed support for the Administrator's proposals with regard to the United Nations Capital Development Fund (UNCDF) either in part or in whole. Several delegates questioned the rationale for having a separate UNCDF evaluation unit outside CEO. Several delegates questioned the rationale for the technical posts and wondered whether those should be incorporated in the administrative budget of UNCDF. One delegate was concerned with the relationship between the functions of information and evaluation. Several delegates expressed support for the proposals relating to the United Nations Sudano-Sahelian Office (UNSO).

84. With regard to the Inter-Agency Procurement Services Office (IAPSO), many delegates expressed support for the work of the Office. Some delegates noted that there was a staff increase despite the fact that the move in location was supposed to reduce costs. Several delegates expressed reservations with regard to the way the decision taken to move from Geneva to Copenhagen had been implemented and remained unconvinced as to the reasons for the move. One delegate could support the two posts that related to work previously covered by the Geneva office on condition that the corresponding two posts were reduced in Geneva. One delegate noted the importance of the work undertaken by IAPSO and wondered whether the chief post should not be appropriately graded at the D-2 level. Several delegates noted the improvement in the position of certain underutilized major donors, but it was noted that the improvement was not evenly distributed and still further attention to the issue was required.

85. In general, delegates welcomed the review presented of the senior management structure. However, a number of delegates suggested that more radical rethinking was required and that bolder proposals were needed. One delegate considered that the review did not consider the issue of the need to cut down on senior posts while others stated that it appeared that the breadth of responsibility of certain functions did not appear to warrant ASG status. Several delegates felt that the principles enunciated by the Administrator were sound. Some delegates noted that the departure of the Associate Administrator lent urgency to the need to review the senior structure of the organization. They proposed that the Administrator present a further review of the senior management structure at the special session in February 1990. A number of delegates stressed that it remained the Administrator's prerogative to decide on the appropriate structure. Many delegates expressed the view that the proliferation of separately administered funds should be kept to a minimum and noted that it appeared that a number of funds did not appear to have a sufficient level of resources to justify a separate administrative structure. The principle that the administration of separate funds should be integrated within the core structure of UNDP was widely adhered to. It was, however, noted that certain funds might have particular characteristics that would make such a principle impractical. It was noted that the final arrangements to be decided on should take into account the current reports being prepared by the Director-General for Development and International Economic Co-operation and the Expert Group on support costs.

86. Many delegates stated that the new DSS concept was closely linked to the outcome of the discussion on the future role of UNDP. A number of delegates considered, therefore, that policy issues would first have to be taken in plenary.
Many delegates raised a variety of issues relating to the concept, the size of the proposal, and its implementation. Some delegates expressed concern at the risk of impeding national capacity-building. Concern was expressed regarding the danger of institutionalization of the posts. The issue of the financial remuneration of the Development Service Officers was raised, as was the question of the clearance procedures to be applied. Several delegates expressed support for the concept which they considered timely and innovative. Many stated an interest in seeing the concept tried out on a pilot, experimental basis. One delegate was convinced by the underlying rationale of the need for expert advice to resident representatives and in that connection noted that bilaterals used similar schemes of sector specialists. However, the delegate expressed doubts with respect to creating, for that purpose, a new personnel category, i.e., the Development Support Officers (DSO). Several delegates stated that while the concept might be valid in some countries it might not be in others. Several delegates suggested a trial experiment should be limited to a few countries; others stressed that any experiment should be sufficiently broad to include different regions and countries. Several delegates noted the recommendation of ACABQ that the costs of any DSS scheme should be charged to the administrative budget and in that connection felt that the issue should be resolved in the context of the decisions taken in conjunction with the review being undertaken by the support cost group. One delegate noted the Administrator's reference to the fact that test cases had already shown that the concept would work and sought more information regarding those cases. Several delegates differentiated between the DSO proposal and the consultancy package and suggested that the consultancy package was in effect responding to immediate needs. In that respect, one delegate suggested that consideration be given to a consultancy package which could be appropriately financed from Special Programme Resources (SPR).

87. With regard to the issue of the structure of the appropriation decision, several delegates stated that they felt the structure of the appropriation decision should be further examined.

Response of the Administration

88. The Administrator expressed appreciation to those delegates who supported the proposals and fully agreed that UNDP could not afford another zero-growth budget. With regard to the regular strengthening of field offices, the Administrator reiterated that many of the offices were significantly understaffed for the job they had to do. He reaffirmed that UNDP experience to date in Africa had been very positive with regard to the use of field economists. He urged the Committee to examine the particular needs of specific field offices before passing judgement on that element. Regarding cost-recovery, he noted that UNDP was required by decision of the Council to support agency execution of IPF projects and agency regular programmes from the core budget. The Council might wish to review its past instructions on that issue. He also indicated that by means of the extrabudgetary mechanism, the field offices did in fact operate as cost centres, recovering the costs associated with support to cost-sharing, trust funds, and management service agreements. However, he stressed that such a mechanism presumed that a basic infrastructure existed, upon which such a concept could be built. With regard to
redeployment, he stressed that UNDP had redeployed over the years. For example, in 1986-1987, posts were redeployed to Africa from the other three regions. In 1988-1989, posts were redeployed from Geneva to establish the Division for Non-Governmental Organizations and the Division for Women in Development. In 1989, posts were being redeployed from, for example, Chile to Haiti, from Malaysia to Viet Nam and from Mozambique to the Sudan. He stressed, however, that while UNDP tried to optimize the resources it had been given (as such would continue to be the case), there were limits, especially in a situation in which UNDP was required and wanted to maintain the full range of field offices. He noted that the quality of staff was as important as the quantity. He whole-heartedly agreed with that and stated that it was why he was proposing to strengthen the personnel function in all its aspects. He concurred with the need for the support of host Governments to act rapidly in order to avoid a high vacancy rate in the field. He also stressed the need for support on such matters as terms and conditions of staff service, which had been seriously eroded.

89. With regard to the senior management structure, the Administrator noted that while some delegations considered there was no need to change the senior structure of UNDP, others indicated that there was. He stated that he would be examining the justification of the separate funds with a view to establishing whether their integration into the core programme was feasible. He stated that he would report to the Governing Council on these issues at its special session in February 1990. He stressed however, that he could not at that stage indicate whether or not this report would include recommendations for change in the senior management structure.

90. The Administrator welcomed the statements of those delegates who supported the proposal for the DSS concept and were prepared to consider it in more detail. He noted the preference of certain delegations for the consultancy element of the DSS proposal and noted that the DSOs themselves in effect represented medium-term consultants and would be accorded consultant contracts rather than staff contracts. There was no intention that they be treated as UNDP staff members and be incorporated in the UNDP career structure. On the question of the pilot nature of the proposal, he reminded the Committee that he had already scaled down the original proposal from 1,000 to 275 posts after extensive consultations had taken place.

91. With regard to the proposals relating to UNDP headquarters, the Administrator stressed that field offices needed adequate policy and operational support at headquarters. He noted support for the proposals in respect of DOP, CEO and the posts related to electronic data processing. He understood that the issue of the regularization of posts would be discussed on a case-by-case basis. Regarding TAD, he stated that UNDP could not wash its hands of substantive responsibility for the programmes it funded. He considered that his accountability to the Council required a minimum level of technical expertise in-house. He emphasized that the grading of the technical advisers did not reflect managerial responsibility so much as the pulling power in the market that was needed in order to attract the kind of intellectual skills and experience needed for those posts.
92. With respect to the non-core units, the Administrator noted the concern expressed by several delegations about the potential for overlap between UNIFEM and the Division for Women in Development. He considered that the Fund and the Division had quite different roles to play: the one to promote the role of women in the development process; the other to guide UNDP fundamental corporate thinking on the subject. Regarding the question on the additional Professional post in IAPSO, he stated that the post was specifically for procurement from developing and underutilized donor countries. Regarding the grading of the chief post, he noted that it was appropriate, given the size of the unit at that time. The Assistant Administrator, Bureau for Special Activities (BSA), noted the criticism of the way in which the decision to relocate IAPSO had been implemented and expressed regret for any mistakes that might have been made in that regard. He reiterated the commitment of UNDP to make progress with regard to the twin issues of developing country procurement and the use of underutilized donors. In that regard, he noted that many complex issues were involved, citing as an example the issues relating to the implementation of the decision granting a 15 per cent preference to procurement from developing countries.

93. Regarding the rationale for charging UNV to the support cost line rather than to the biennial budget, the Administrator reiterated his firm belief that the bulk of UNV work was similar to that of an executing agency, namely the delivery of project inputs to a project, UNV for the case in point. The Executive Secretary of UNCDF indicated that the location of an evaluation officer in UNCDF would allow for easier feedback into the programme. He also noted that the unit to be strengthened also had responsibilities in the area of information.

94. Regarding OPS, the Administrator expressed the hope that the Council would not let the role of bilateral management services get out of perspective. At 6 per cent of overall UNDP programmes, that would be inappropriate. UNDP was providing a service to the development community in that area. The Administrator stated that he believed that UNDP had followed the 1982 decision faithfully, bringing to the Council and ACABQ every year any changes in OPS budgetary and staffing levels. He stressed that OPS was wholly self-financing; that its posts were temporary in nature; that many of its staff were kept on fixed-term contracts; and that, therefore, any decline in its size would not require any subsidy from the UNDP core budget. The Associate Administrator noted that clear procedures were in place to ensure that UNDP took a policy decision before OPS could agree to a management services contract. The criteria used included an assessment of the appropriateness of the proposed project in the country and the impact of the contract on UNDP overall. He also noted that the average size of management service contracts was significantly larger than IPF projects and that in that respect it was noteworthy that there were only 29 management service contracts being implemented as of 1988. With regard to the issue of cost coverage, he noted that it should be borne in mind that in a number of cases programme support services were directly negotiated with the donors and included in the project budget.

95. The Director, OPS, stated that about 40 per cent of Professional staff had fixed-term contracts. Regarding work-load, he noted that each Programme Management Officer handled around 40 projects. He stated that field offices and central...
services were fully compensated for work-load relating to management services. On the other hand, neither TAD nor the Regional Bureaux incurred significant additional work-load. He concluded by thanking all delegations for what had been termed their constructive criticism.

Further discussion in the Committee

96. One delegate welcomed the decision of the Administrator to carry out a further review of the senior management structure as requested by several delegations. It was, however, emphasized that the intention of the review was to examine the justification of the separate funds, as had been mentioned by the Administrator; the main objective of the further review, however, was to include a more comprehensive review, taking into account changing circumstances.

Statement on behalf of the Administrator

97. On the question of the introduction of development support services in the field office network, in response to various queries, the administration confirmed that, in assessing the short-term expert advice, resident representatives would as a norm rely upon nationals of the country wherever available. However, depending upon specific needs and circumstances, resident representatives might engage consultants available regionally or interregionally; in that connection, the emphasis was on providing the resident representatives with as flexible an instrument as possible. The administration also assured members of the Committee that resident representatives would take into account expertise available through any agency representations in the country or government agencies. In making the statement, the administration pointed out that resident representatives normally enjoyed close day-to-day working relations with their agency and Government colleagues and these development support services were intended to enrich those relations. Finally, the administration confirmed that the report requested would include information on those, as well as other aspects of experience gained in introducing development support services.

Final discussion in the Committee

98. In response to questions about the Administrator's plans with respect to UNDP senior management structure, representatives of the Administrator indicated that, in the light of various impending changes of personnel in the upper echelons of the organization, he would be making certain adjustments to the responsibilities of ASGs and the USG within the limits of the number of senior posts authorized by the Governing Council. Whilst noting that such adjustments were within the managerial prerogative of the Administrator, the Committee nevertheless pointed out that, in view of the requirement of the Council for the Administrator to undertake an in-depth review of the senior management structure, such adjustments as he might make should not prejudice any changes which might be necessary in the light of the review and report to be submitted to the Council in 1990.
Recommendation of the Committee

99. Following its consideration of this item, the Budgetary and Finance Committee recommended that the Council adopt the following two decisions in respect of the 1988-1989 revised budget and the 1990-1991 biennial budget:

Revised budget estimates for the biennium 1988-1989

The Governing Council,

Having considered the revised 1988-1989 biennial budget estimates of the United Nations Development Programme and the Funds administered by the United Nations Development Programme (DP/1989/55),

1. Takes note with appreciation of the Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1989/56);

2. Decides to introduce a revised structure for the appropriations decisions in respect of the Programme support and administrative services budget of the United Nations Development Programme, as included in this decision;

3. Decides to charge the cost of the United Nations Volunteers to the programme support and administrative services budget of the United Nations Development Programme, as indicated in the appropriations table included in this decision;

4. Approves the revised budget estimates in respect of the Office for Project Services, excluding the proposed reclassifications;

5. Invites the Administrator to resubmit to the Governing Council, at its thirty-seventh session (1990), proposals for reclassification in the context of the full classification exercise to be undertaken in the Office for Project Services;

6. Approves revised appropriations in the amount of $431,869,000 gross, to be allocated from the resources indicated below to finance the 1988-1989 biennial budget and resolves that the income estimates in an amount of $48,284,700 shall be used to offset the gross appropriations, resulting in net appropriations of $383,584,300 as indicated below.
**UNDpluckDel**

*1988-1989 biennial budget for programme support and administrative services*

(in thousands of United States dollars)

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<td>(v) Total programme support activities</td>
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<td><strong>C. Total resources of UNDP</strong></td>
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**II. RESOURCES OF TRUST FUNDS**

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a/ The appropriation for UNDP core activities is broken down into those related to the field office network and those related to headquarters. The Administrator is permitted to redeploy between the two lines up to a maximum of 5 per cent.

b/ Includes UNDP's contribution to UNSO-UNDP/UNEP joint venture of $1,000.0.

c/ Includes estimated income of $29,000.0 for host Government contributions in cash.

d/ Represents estimated income from Trust Funds and management service agreements.

e/ Represents headquarters accounting and auditing support costs for government execution projects, see decisions 87/14 and 88/18.

f/ Includes $2,000.0 for UNSO-UNDP/UNEP joint venture of which $1,000.0 is funded from the UNDP core budget and $1,000.0 from that of UNEP.
Budget estimates for the biennium 1990-1991

The Governing Council,

Having considered the 1990-1991 biennial budget estimates of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1989/55), as well as the report on the role and functions of the Office for Project Services (DP/1989/75),

1. Takes note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1989/56);

United Nations Development Programme core budget

2. Notes the substantial volume increase being proposed in the core biennial budget of the United Nations Development Programme at a time when the prospect for significant real growth in voluntary contributions is uncertain;

3. Decides to confine the overall volume increase in the biennial budget to 4.6 per cent, plus the balance of the Africa strengthening package approved in decision 88/46 of 1 July 1988, comprising a volume increase in respect of headquarters of $6,430,800 and a volume increase in respect of field office activities of $13,196,900;

4. Authorizes the Administrator to deploy the volume increase thus approved for headquarters and field offices respectively with regard to sustaining and increasing the quality of programme delivery and the overall operational effectiveness of the organization, and requests him to report to the Council at its thirty-seventh session (1990) on how he has utilized the volume increases approved;

5. Further requests the Administrator to regularize within the 1990-1991 biennium temporary staffing arrangements at headquarters other than any new arrangements explicitly authorized by the Council and in future requests him to report annually on any temporary staffing arrangements in excess of six months;

6. Decides to defer all the proposed post reclassifications at headquarters and invites the Administrator to resubmit his proposals in the context of the revised 1990-1991 budget estimates to the Governing Council at its thirty-seventh session (1990), through the Advisory Committee on Administrative and Budgetary Questions, which is invited to review the proposals in detail;

7. Endorses the operations manager concept in the field, including the related reclassifications, and expresses the expectation that this will enable greater decentralization and budgetary economies in the future;
8. Requests the Administrator to finance, to the extent possible, the proposed trainee positions from general vacancies in the field rather than through the establishment of budgetary posts;

9. Notes that a significant proportion of field office staff time is devoted to supporting activities not related to core responsibilities of the United Nations Development Programme and invites the Administrator to ensure that field office costs are recovered to the maximum extent possible consistent with existing authorizations;

10. Further requests the Administrator to provide a descriptive report on field office cost recovery in the context of the 1992-1993 biennial budget estimates;

**Development Support Services**

11. Decides to establish in the 1990-1991 biennial budget a separate appropriation of $5 million for the introduction of development support services in the field offices of the United Nations Development Programme, giving the resident representative, in implementing General Assembly resolution 42/196 of 11 December 1987, access to nationally- or regionally-available independent short-term expert advice, including through Governments and local representations of the specialized agencies of the United Nations system;

12. Requests the Administrator to provide a detailed report on the utilization of this new facility, including, by country, the number of such short-term experts recruited by resident representatives, nationally, regionally and interregionally, and also general information on the consultations of the resident representatives with Governments and agencies, by the Governing Council at its thirty-eighth session (1991) in the context of the 1992-1993 budget proposals;

**Office for Project Services**

13. Notes the continued substantial growth in the programme delivery of the Office for Project Services and the consequent increases in its budgetary and staffing levels; and that this growth is partly attributable to the increase in management service agreements and support to trust funds;

14. Stresses that this growth should not be at the expense of the quality of delivery or of the operational effectiveness of the Office for Project Services, or of the core activities of United Nations Development Programme headquarters and field office network; and, with reference to the issues raised in the organization and management study, further stresses that the Office for Project Services should not embark on the implementation of new projects or management service agreements until the Administrator has ensured that all conditions, managerial and otherwise, required for proper implementation have been met;
15. Invites the Administrator to ensure that the activities of the Office for Project Services are in line with the overall thrust of the development programmes of the United Nations Development Programme and that assistance provided by the Office for Project Services is in accordance with the development priorities of recipient countries;

16. Further stresses that bilateral management services should not compromise the multilateral nature of the United Nations Development Programme;

17. Welcomes the steps that the Administrator has taken to consolidate the organizational structure and staffing of the Office for Project Services, following the management study that has been undertaken;

18. Notes that the Office's budget is fully funded from its support cost earnings and that all the posts in the Office for Project Services are of a temporary nature;

19. Requests that the role, functions and activities of the Office for Project Services, in particular in respect of management services, be addressed as elements in the forthcoming report of the Administrator on an appropriate funding strategy for the United Nations Development Programme as a whole, to be presented to the Council at its thirty-seventh session (1990);

20. Confirms the requests to the Administrator contained in its decision 88/54 of 1 July 1988 to prepare for the consideration of the Governing Council, at its thirty-seventh session (1990), a report on the status of management services which, in the light of the proposed Funding Strategy, should contain guidelines designed to take into account the central funding role and the multilateral mandate of the United Nations Development Programme;

21. Approves the 1990-1991 biennial budget estimates in respect of the Office for Project Services and requests the Administrator to ensure, taking into account the requests for assistance from developing countries, that the growth of the Office for Project Services staffing, if any, is kept to a minimum in order not to prejudice the wider review of the Office and of paragraph 7 of decision 82/31 in 1990;

22. Decides to continue on a temporary basis until 30 June 1990 the grading of the post of Director of the Office for Project Services at the ASG level, pending the outcome of the review of the senior management structure of the United Nations Development Programme;

23. Decides to review the financial situation of the Office for Project Services, together with its budgetary and staffing estimates, at the thirty-seventh session of the Council (1990);
Other non-core units

24. **Authorizes** the Administrator to submit, on an exceptional basis, substantive proposals in respect of the United Nations Development Fund for Women 1990-1991 biennial budget to the Council at its thirty-seventh session (1990);

25. **Approves** the classification of the post of the Director of the United Nations Development Fund for Women at the D-2 level, effective 1 January 1990;

26. **Approves** a revaluation of the parameters for the United Nations Volunteers core budget to $17 million for the biennium, and of the per capita charge relating to the supplementary budget to $3,700;

27. **Approves** the Administrator’s proposals with respect to the 1990-1991 biennial budget of the United Nations Capital Development Fund and, with regard to the establishment of one post for evaluation activities, requests the Administrator to ensure that evaluation activities of the Fund follow the principles, procedures and criteria of the United Nations Development Programme;

Review of the senior management structure

Having considered the review of the senior management structure contained in the 1990-1991 biennial budget estimates (DP/1989/55),

28. **Recognizes** that the review has been presented at a time when a number of factors of crucial importance for the future management structure are not settled, including the future role of the United Nations Development Programme;

29. **Requests** the Administrator to prepare a comprehensive review for consideration by the Council no later than at its thirty-seventh session (1990) that takes into consideration, *inter alia*, the following elements:

(a) Decision 89/20 of 30 June 1989 on the future role of the United Nations Development Programme in the 1990s;

(b) The resolutions and decisions of the Economic and Social Council and of the General Assembly on operational activities for development;

(c) The recommendations of the expert group on successor arrangements for agency support costs;

(d) The responsibilities of all posts at the D-2 level and above with justification;

(e) The desirability of merging or consolidating core units performing similar or related functions;
(f) The possibility of integrating the management of some of the smaller funds, including information on potential savings, taking into account the relevant resolutions and decisions of the General Assembly and of the Governing Council;

(g) The opportunities for reducing the total number of senior level posts (D-2 level and above);

**Appropriations**

30. **Approves** proposed appropriations in the amount of $528,658,200 gross, to be allocated from the resources indicated below to finance the 1990-1991 biennial budget, and resolves that the income estimates in an amount of $53,514,000 shall be used to offset the gross appropriations, resulting in net appropriations of $475,144,200, as indicated below.
UNDP

1990-1991 Biennial Budget for Programme Support and Administrative Services

(in thousands of United States dollars)

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| **II. Resources of Trust Funds** |                       |                  |                    |
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| B. United Nations Revolving Fund for Natural Resources Exploration | 3 530.5 | 0.0 | 3 530.5 |


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a/ The appropriation for UNDP core activities is broken down into those related to the field office network and those related to headquarters. The Administrator is permitted to redeploy between the two lines up to a maximum of 5 per cent.

b/ Includes UNDP contribution to UNSO-UNDP/UNEP joint venture of $1,000.0.

c/ Includes estimated income of $32,000.0 for host Government contributions in cash.

d/ Represents estimated income from trust funds and management service agreements.

e/ Represents headquarters accounting and auditing support costs for government execution projects, see decisions 87/14 and 88/18.

f/ Includes $2,000.0 for UNSO-UNDP/UNEP joint venture, of which $1,000.0 is funded from the UNDP core budget and $1,000.0 from that of UNEP.

100. The Governing Council subsequently adopted decision 89/58 and 89/59.

C. Trust funds established by the Administrator in 1988

101. For its consideration of item 9 (c) of the Council's agenda, the Committee had before it the reports of the Administrator contained in documents DP/1989/57 and DP/1989/57/Add 1. The ACABQ report on the subject was contained in document DP/1989/56.

/...
102. In introducing the item, the Deputy Assistant Administrator, BFA, and Director of Finance summarized the two documents before the Committee. He informed the Committee that as at 31 December 1988 a total of nine trust funds were in deficit, but he noted that all of the deficit amounts were covered by pledges and provided information on contributions which had since been paid by the donors concerned.

Summary of the discussion of the Committee

103. Some delegates sought an explanation as to why trust funds were allowed to incur expenditure in excess of contributions and accumulated resources. In that regard, one member asked whether UNDP was providing funding, from its own resources, to the trust funds that were in deficit and whether the result was a loss of interest income to UNDP. Another delegate asked whether it would not be in accordance with the financial regulations to finance those deficits from the operational reserve.

104. Several delegates sought clarification regarding the different rates applied for reimbursement of support costs. One delegate requested that in future years a brief narrative be provided that would summarize trust fund activities and trends. Several delegates were concerned at the proliferation of trust funds, which could result in a fragmentation of UNDP total resources. They questioned whether a recipient country’s interests would not be better served by co-ordinated funding through the IPF. Delegates also commented that the administrative costs of operating small trust funds might be excessive in relation to the size of such funds.

105. One delegate noted the lack of consistency in the titles of the trust funds. Another delegate sought clarification on the role of UNDP with respect to the USSR Trust Fund.

106. Noting that some trust funds had not been credited with interest on the unspent balance held, one delegate asked for an explanation as to the calculation and apportionment of interest income to the trust funds.

107. Some delegates were concerned at the apparent low rate of resource utilization and at the consequent high value of unexpended resources as at 31 December 1988.

Response of the Administration

108. The Deputy Assistant Administrator informed the Committee that UNDP Financial Regulations and Rules provided that funds should be received in advance for all trust fund activities. Unfortunately, delays in the receipt of pledges occurred from time to time. Since the donors concerned were established contributors to the Programme and firm pledges existed, it had so far been considered reasonable to allow projects to continue despite such temporary deficits. The Deputy Assistant Administrator noted that there had not yet been a single permanent default by a trust fund donor. He agreed that temporary shortfalls in trust funds could result in a reduction in interest income to the trust funds.
109. With regard to support costs, the Deputy Assistant Administrator advised that the rates were set on the basis of the anticipated support costs associated with administering the activities of each specific fund, taking into account the basic rates established by the Governing Council.

110. With regard to the expansion of trust fund activities, the Deputy Assistant Administrator recalled that the Governing Council had specifically amended UNDP Financial Regulations and Rules to provide for the establishment of trust funds by the Administrator. He noted that in many cases both the donor Governments and the recipient Governments preferred to utilize the trust fund modality, and, as many of the specialized agencies were successfully using the modality, it was important that UNDP continue to offer it.

111. With regard to the risk of duplication of activities between UNDP-administered trust funds and the role of the specialized agencies, the Deputy Assistant Administrator commented that there were occasions when a donor country and/or a recipient country might prefer to use UNDP rather than one of the specialized agencies. Although the title of a trust fund might suggest an encroachment on the activities of a specialized agency, the Deputy Assistant Administrator assured the delegates that there was no duplication of work performed. The titles of the trust funds were those reflected in the trust fund agreements negotiated with donor Governments.

112. The Deputy Assistant Administrator reported that the role of UNDP with respect to the USSR Trust Fund was to assist the executing agencies in establishing their training programmes in the USSR and to provide an evaluation service for those programmes.

113. The Deputy Director of Finance explained that interest income was apportioned to trust funds one year in arrears. The calculation took into account the amount and timing of contributions received and the amount of expenditure incurred.

Recommendation of the Committee

114. Following its consideration of the subject, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the report of the Administrator on trust funds established by him in 1988 (DP/1989/57) and the report of the Advisory Committee on Administrative and Budgetary Questions thereon (DP/1989/56),

Having considered also the report by the Administrator on all trust funds established by him since 1981 (DP/1989/57/Add.1),

Taking into account the views expressed and observations made by its members during the consideration of these reports,
1. Takes note of the information provided in the report on trust funds established by the Administrator in 1988 and of the information provided in the report on trust funds established since 1981;

2. Urges the donor Governments concerned to ensure that funds are received in advance of trust fund activities in accordance with the provisions of the United Nations Development Programme Financial Regulations and Rules;

3. Requests the Administrator to provide, in future reports on the trust funds established by him since 1981, a brief narrative text on the scope and nature of such activities.

115. The Governing Council subsequently adopted decision 89/60.

D. Audit reports

116. For its consideration of item 9 (d) of the Council's agenda, the Committee had before it documents DP/1989/58/Add.1 and DP/1989/58/Add.2, which contained the audited financial statements for the period ended 31 December 1987 of the executing agencies on both annual and biennial audit cycles, together with the report of their external auditors on those financial statements. The Committee also had before it document DP/1989/58, which contained comments by the Administrator on the observations in those audit reports and the audit report relating to UNDP itself. Also made available were copies of General Assembly document A/43/5/Add.1, which contained the audited financial statements of UNDP for the year 1987, together with the report and recommendations of the United Nations Board of Auditors. The Committee was further provided with copies of General Assembly document A/43/674, containing the ACABQ report on the UNDP audit report.

117. In introducing the item, the Deputy Director of Finance drew attention to the audit report dealing with the UNDP financial statements. The report had been very extensive in its range and scope and raised a number of important issues to which the Council would wish to give its full consideration, as requested by General Assembly resolution 43/216. As in 1986, the Board of Auditors had found it necessary to qualify its audit opinion on the statements. The Administrator was very conscious of the potential effect that might have on the trust and confidence which UNDP needed to retain among Governments and the public at large and was anxious to do everything he could to remove as quickly as possible all grounds for qualification.

118. The Deputy Director of Finance was pleased to inform the Committee that of the nine specific grounds for qualifying the 1987 UNDP financial statements, only three remained in the draft audit opinion recently received in respect of the 1988 statements. As a result of subsequent action by UNDP and further consultations with the Board, the other six issues were no longer considered grounds for qualification.

119. The three issues which still remained as a basis for qualification were then discussed by the Deputy Director of Finance. It was noted that they were largely technical in nature.
120. The reliance on the external auditors of executing agencies remained a problem in that, at the time the Board of Auditors had to express an opinion on the UNDP accounts, they had not received all audit confirmations with respect to programme expenditure. Some progress had been made in that area in that virtually all agencies that followed annual audit procedures had been able to provide audit clearance in time for the 1988 closing. The major difficulty remained with respect to those agencies following biennial reporting practices and those included the major agencies associated with UNDP. UNDP had written to all those organizations concerning the costs and impact of the "limited audit" proposed by the Board for the first year of each biennium. In response to the two specific issues raised by UNDP, most agencies considered that additional costs would be incurred and that UNDP should cover those costs, but that a change in their financial regulations or specific action by their governing bodies to allow such audits would probably not be required.

121. With regard to the audit of government-executed projects, the Deputy Director of Finance noted that no significant improvement in obtaining audited accounts had taken place. A small unit to administer and manage those audits was now fully staffed and operational and audit guidelines would be issued in June 1989. Ten training seminars had been held to date and fifteen more were scheduled for later the same year. It was to be noted that the new guidelines would not attempt 100 per cent audit coverage but instead would aim to cover a substantial portion of expenditure. He pointed out that for the 1988 delivery, $72 million was disbursed by UNDP (field office and headquarters) and executing agencies, whereas $23 million was disbursed by Governments themselves. Future audit work would focus on the latter amount, specifically on approximately 20 "concentration countries" which made up roughly 80 per cent of government expenditure. Audit missions were planned to each of these countries during 1989 and 1990.

122. The third remaining ground for qualification concerned cash-counterpart accounting, specifically the difficulty in reconciling, on a project-by-project basis, the unspent balance of cash-counterpart funds shown in total in the financial statements. The Deputy Director of Finance stated that the major difficulty lay in the fact that contributions and expenditures were made in local currencies and then converted into dollars at various rates of exchange. At the beginning of 1988, the unspent balance of those funds was approximately $10 million. It had not been possible to conduct the in-depth study planned for 1988, but it would be carried out in 1989. All agencies had been contacted concerning information on their procedures in that regard and every effort would be undertaken to reach a satisfactory solution.

123. The Deputy Director of Finance concluded by referring to the question of accounting for unliquidated obligations. He recalled that the Governing Council, in decision 88/49 of 1 July 1988, requested UNDP to continue its existing procedures pending review of the matter by the Panel of External Auditors. UNDP welcomed the Panel's recommendation that an examination be made of whether any significant abuse of the existing procedures was taking place. The Board of Auditors had drawn attention to the high level of savings in liquidating obligations from prior years reported by some executing agencies at the end of 1988. The Administration believed that, without further analysis, it was difficult...
to determine the extent of abuse which might be involved. UNDP would pursue the question with its executing agencies on an individual and collective basis.

Summary of the discussion in the Committee

124. Members of the Committee reaffirmed the great importance they attached to the reports of the external auditors. Members were again concerned that the Board had qualified its opinion on the financial statements of UNDP for 1987 and that the same would occur for 1988. They were pleased to note that six of the issues that had given rise to the qualification in 1987 had been either resolved or removed from the audit opinion on the 1988 financial statements. Several members reiterated that, while some of the grounds for qualification were technical in nature, UNDP should nevertheless take all necessary steps to resolve the remaining three issues.

125. The members welcomed the presence of a representative of the Board of Auditors to respond to questions addressed to him by the Committee in the course of its discussion of the item.

126. With regard to the external audit of the executing agencies, some members sought further clarification in connection with the proposed limited or mid-biennium audit and the responses that UNDP had received from the executing agencies in that regard. They also inquired as to whether there was any additional information on the costs of such audit. One member made a request for the representative of the Board to express his views on the subject. Some members remarked that since most of the larger executing agencies were on a biennial audit, the issue of a mid-term audit might continue to prevent removal of the audit qualification. UNDP should therefore consider adopting a biennial audit itself instead of an annual one. Members sought further clarification from the representative of the Board and from the UNDP administration on the proposal and on the relevant cost implications.

127. Several members commented on the steps being taken and the progress made in the area of financial administration of government execution. Some members were pleased to note that the new audit unit was fully staffed and operational. One member remarked that his delegation was not generally in favour of creating additional positions at UNDP headquarters and sought confirmation that the unit would remain small and would be entirely field-oriented in its work. Some members cautioned that UNDP should continue to seek ways to solve the problems encountered in the financial administration of government-executed projects and that those problems should not be allowed to undermine the quality of the UNDP technical assistance programme. The members also stressed that UNDP should devise appropriate training programmes for government staff responsible for administering government execution activities and that all relevant manuals be issued in the appropriate languages. In general, members were generally positive in their comments on the flexible support UNDP was providing to Governments in the administration of projects and they looked forward to the comprehensive report on the overall effect of the new accounting and financial reporting procedures which would be presented to the Council in 1990.
128. With regard to accounting for projects funded by government cash counterpart contributions, one member requested clarification on the reasons for the audit qualification. Another member remarked that her own Government experienced difficulties in accounting for technical assistance programmes in local currencies.

129. Members were pleased to note that the issue of the physical delivery of goods and services was no longer considered to be grounds for qualifying UNDP financial statements. One member remarked that UNDP should consider adopting a uniform approach by allowing Governments, as well as other executing agencies, to report unliquidated obligations as expenditures.

130. In connection with OPS, one member sought further clarification on the external auditors' comments regarding excessive reimbursement of programme support costs for non-technical inputs to certain projects. The member also commented on programme support cost charges which executing agencies were allowed to report as project expenditures and said that UNDP should explain why the guidelines permitted the practice. Two members noted, with interest, the remarks on the programme logistical support projects and umbrella projects and requested the administration to clarify further its position vis-à-vis the external auditors' comments.

131. One member noted that, while efforts were being made to exercise budgetary control, over the last eight years the biennial budget had increased from 12 per cent to 16 per cent. The member asked for the Administration to provide information on the level at which senior Professional posts were encumbered compared to the level of the established posts.

132. In connection with the audit of executing agencies, two members sought the response of UNDP to comments on shortcomings in the project formulation process and the lack of a comprehensive training policy for national project directors. Several members stated that the training of project staff should be given very high priority and that guidelines should be issued.

Response of the representative of the Board of Auditors

133. Concerning the audit of executing agencies, the representative of the Board explained that the Board was required to report on the fairness of UNDP accounts as a whole and, as such, had to rely on the external auditors of the executing agencies. In that regard, he also stated that the Board should not be treated as a third party but should be in direct communication with the auditors. Although the Board had suggested a simplified procedure for receiving timely clearance on the accounts of organizations with a biennial audit period, progress had been to date rather limited. It was the responsibility of UNDP and the administrations of those agencies to ensure that adequate mid-biennium audits were carried out.

134. The representative noted that the Board was in agreement with the new procedures being undertaken in respect of the audit of government-executed projects. However, he cautioned that the sampling technique employed should ensure reasonable assurance as to the total government-executed expenditure.
135. In response to questions concerning the accounting of government cash counterpart contributions the representative noted that some progress had been made in 1988. However, there was still insufficient supporting documentation to allow a reconciliation of totals shown in the financial statements to individual project balances.

136. Concerning accounting for unliquidated obligations, the representative stated that in the view of the Board, present guidelines were too flexible and created uncertainty as to reported expenditure. Agencies surrendered on average 20 per cent of the unliquidated obligations outstanding at year-end and that raised questions on the manner in which the guidelines were applied. Application of the delivery principle would allow for a more accurate presentation of financial information. He also stated that since the UNDP financial regulations did not require application of generally accepted accounting principles, the 1987 financial statements had not been qualified on those grounds.

137. With regard to budgetary control and the exceeding of budgetary allotments, the representative pointed out that although there was no qualification of the 1988 accounts in that regard, audit findings did suggest that a problem of budgetary discipline and control still existed at the field office level.

138. In response to a query concerning questionable support costs, the representative explained that, in a number of instances, support costs were being paid on projects where the executing agency concerned had no real input, including projects consisting of teams of specialists located in an agency's headquarters and projects executed in research centres. In the view of the Board, payment of support costs in such cases was not clearly justified.

Response of the Administration

139. In response to the comments concerning the limited audit report for executing agencies on a biennial reporting basis, the Deputy Director of Finance explained to the Committee that the agencies contacted had informed UNDP that, while specific action would probably not be required by the governing bodies to allow a limited, interim audit, if such audit involved the issuance of a formal report, or if it gave rise to a critical observation, a report would have to be submitted to the governing body concerned.

140. Concerning the suggestion that UNDP itself adopt a biennial audit cycle, the Deputy Director of Finance noted that the proposal would have the advantages of removing the related audit report qualification and achieving some reduction in the time spent on audit matters. Noting that in 1987 the General Assembly had called for more harmonization of financial reporting, UNDP, by adopting the practice, would become consistent with the major agencies. UNDP would, however, continue to report annually to the Governing Council on income, expenditure and all other pertinent financial information. There would probably be no resultant savings in audit fees.
141. The Deputy Director of Finance stated that the Administration was encouraged by comments that UNDP was heading in the right direction in relation to government-executed audits and assured the Committee that the audit unit would remain totally field-orientated and small in size.

142. With regard to the accounting of government cash counterpart contributions, the Deputy Director of Finance said that the next step would be to review with the agencies what methodology they used to convert expenditures into dollars and to develop an automated system to control and reconcile financial data on those projects.

143. The Administration then replied to a number of comments and questions concerning budgetary matters. The Deputy Director of Finance explained the present procedures of UNDP concerning the level of established posts versus the level of incumbents in those posts. Concerning overruns on allotments by certain field offices, the Director of Finance commented that the planned automated monitoring system would greatly assist in that regard, but reminded the Committee of the numerous difficulties UNDP faced at both the field office and headquarters level. He also emphasized that UNDP had always remained within the appropriations approved by the Council.

144. With respect to Programme Logistical Support Projects and umbrella projects for programme support, the Deputy Director of Finance noted that comprehensive guidelines had not as yet been prepared for the latter. An inherent difficulty was that those projects covered a wide range of activities. They were all, however, programme oriented.

145. The Deputy Director of Finance, replying to queries on questionable support costs, pointed out the complexity of the matter but noted that procedures were consistent with the rules for support cost reimbursement established by the Council. The standard rule followed was that support costs of 13 per cent applied to most agencies and 11 per cent to selected organizations such as OPS and the World Bank, in recognition of the fact that agencies were not reimbursed fully for support costs, and that the actual support costs for any given project might be more or less than the standard rates. Even projects at headquarters required additional administrative and logistical support. In conclusion, it was noted that all issues concerning OPS, programme logistical support projects, and programme support costs, should be examined by the Expert Group on Support Costs established by the Council in February 1989.

146. In response to comments and questions concerning unliquidated obligations and the subsequent related savings, the Deputy Director of Finance stated that further analysis of the data and consultations with the individual agencies would be required before a conclusion on any abuse of the system could be arrived at. He explained briefly UNDP policies in that regard and the alternative accounting treatments available. He concluded that as the delivery method of recording expenditures would be very difficult to implement and to administer and as most of the executing agencies followed the commitment approach, they would prefer not to move from the commitment basis at present. That was what had been recommended by
the Governing Council and ACARQ. In addition, he pointed out that the main difficulty of the Board of Auditors now appeared to be in the possible abuse of the current system.

147. The Deputy Director of Finance pointed out that a number of UNDP manuals were being issued in French and Spanish during 1989 and agreed that translation of all revisions into those languages should be undertaken promptly in future.

148. The Senior Evaluations Officer replied to questions concerning the audit report of one of the executing agencies, particularly in regard to UNDP responsibility for project appraisal. He stated that the agencies should ensure that, overall, a project was sound but that UNDP should undertake periodic reviews both with the agencies individually and within the Inter-Agency Working Group. UNDP would monitor the effectiveness of any measures taken to remedy weaknesses noted in the report.

Recommendation of the Committee

149. Following its consideration of this item, the Budgetary and Finance Committee recommended that the Council adopt the following decision:

The Governing Council,

Having considered the audited financial statements of the United Nations Development Programme for the year ending 31 December 1987, and the report of the United Nations Board of Auditors thereon, contained in General Assembly document A/43/5/Add.1, as well as the views of the Advisory Committee on Administrative and Budgetary Questions thereon, contained in document A/43/674, having also considered documents DP/1989/58 and Add.1 and 2, containing the audited financial statements of executing agencies for the year ending 31 December 1987, the reports of the external auditors thereon, the comments of the Administrator on the audit reports of those executing agencies and of the United Nations Development Programme itself and a description of actions taken in response to Governing Council decision 88/49 of 1 July 1988 and to General Assembly resolution 43/216 of 21 December 1988,

Responding to General Assembly resolution 43/216 of 21 December 1988,

Taking into account the views and comments of the members of the Council on these matters, as well as the additional information provided orally by the Administration and by the representative of the Board of Auditors,

1. Expresses its appreciation for the valuable work performed by the Board of Auditors and for the thoroughness and wide scope of their audit report;

2. Notes with concern that the audit opinion of the Board of Auditors on the 1987 accounts of the United Nations Development Programme was qualified on several counts, though some of these were technical in nature;
3. Notes with satisfaction that the Administrator has taken, or is taking, the necessary steps within his competence to correct the situations or conditions that gave rise to the qualification of the audit opinion, as required by General Assembly resolution 43/216 of 21 December 1988;

4. Recognizes that, in addition to the problem referred to in paragraph 6 below, the audit opinion on the accounts of the United Nations Development Programme may remain qualified so long as audit confirmation of programme expenditure incurred by those organizations of the United Nations system which have adopted biennial auditing procedures has not been received by the Board of Auditors at the time the Board issues its opinion on the United Nations Development Programme accounts;

5. Requests the Administrator, in order to resolve the problem referred to in paragraph 4 above, to submit to the Governing Council at its thirty-seventh session (1990), after review by the Advisory Committee on Administrative and Budgetary Questions, appropriate amendments to the United Nations Development Programme Financial Regulations which would provide that, beginning with the biennium 1990-1991, audited financial statements for the United Nations Development Programme shall be submitted to the General Assembly and to the Governing Council on a biennial basis and that, beginning in 1990, the Board of Auditors shall submit, through the Advisory Committee on Administrative and Budgetary Questions, to the General Assembly and to the Governing Council a report on their findings and recommendations resulting from the audit examination of substantive matters, including management issues, carried out in respect of the first year of each biennium;

6. Urges the Administrator, in consultation with the Governments concerned, to continue his efforts to obtain adequate audit coverage of funds disbursed by Governments in their capacity as executing agencies for United Nations Development Programme-financed projects and to include a detailed account of what progress has been made in this respect, including steps taken to enhance the capacity of Governments to carry out the audit function, as part of his report on government execution to be submitted to the Governing Council at its thirty-seventh session (1990) in accordance with paragraph 7 of Governing Council decision 88/18 of 1 July 1988;

7. Requests the Administrator, in consultation with the executing agencies concerned, to take the necessary steps to resolve as soon as possible the problem of obtaining proper documentation for and reconciliation of expenditures financed from government cash counterpart contributions;

8. Further requests the Administrator to review with the executing agencies the procedures for recording unliquidated obligations, taking into account the views of the Board of Auditors, of the Panel of External Auditors and of the Advisory Committee on Administrative and Budgetary Questions on this subject, including the means to ensure that such procedures do not lend themselves to abuse;
9. **Welcomes** the attendance of a representative of the Board of Auditors at the meetings of the Budgetary and Finance Committee during the discussion of this agenda item and requests the Administrator to invite such representation at future sessions of the Council;

10. **Requests** the Board of Auditors to review the current project budgeting procedures of the United Nations Development Programme, including in particular the impact of procedures introduced by the United Nations Development Programme for a three-year experimental period beginning 1 July 1987, relating to the concept of a two-year project budget cycle and invites the administrations of the executing agencies to involve their external auditors in this process;

11. **Recommends** that the General Assembly request the Administrator, in co-operation with the executing agencies, to report to the Governing Council on specific corrective actions taken by the executing agencies, to implement recommendations resulting from the external audit reports on United Nations Development Programme-financed activities executed by them.

150. The Governing Council subsequently adopted decision 89/62.

E. **Other matters: Role and functions of the Office for Project Services**

151. The Committee reviewed the financial implications contained in the report on the role and functions of the Office for Project Services (DP/1989/75).
