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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Revised budget estimates 1990-1991 and matters relating
to decision 89/59

Report of the Advisory Committee on Administrative and
Budgetary Questions

1. In accordance with regulation 9.5 of the Financial Regulations of UNDP, the Advisory Committee on Administrative and Budgetary Questions has considered the revised budget estimates for the biennium 1990-1991 (DP/1990/65). In addition to submitting standard information in respect of the revised estimates, the Administrator also reports on a number of other subjects pursuant to Governing Council decisions and requests. The Advisory Committee has also considered, in accordance with financial regulation 5.1, a report on Trust Funds Established by the Administrator in 1989 (DP/1990/68); it also had before it the addendum to that report (DP/1990/68/Add.1), providing a summary of financial information on all trust funds established by the Administrator since 1981. As requested by Governing Council decision 89/61, the Committee considered the Administrator's report on UNDP Financial Regulations (DP/1990/63). Finally, the Committee had before it the Report of the Expert Group on Agency Support Costs, contained in document DP/1990/9. During its consideration of the above items, the Advisory Committee met with the Administrator and other senior officials of the Programme.

I. Revised budget estimates for 1990-1991 (DP/1990/65)

2. As discussed in part I of DP/1990/65, the Governing Council did not approve the entire volume increase proposed by the Administrator in DP/1989/55 in respect of his initial 1990-1991 estimates; for core activities it capped the volume increase in the manner cited in paragraph 3 of DP/1990/65. In establishing these ceilings, the Governing Council also authorized 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 requested him to report to the Governing Council on how the volume increases were utilized.

3. Pursuant to that request, tables I.1 to I.4 of DP/1990/65 compare the field and headquarters staffing which was originally proposed in DP/1989/55 and the revised staffing which reflects adjustments made pursuant to Governing Council decision 89/59. In this connection, the Advisory Committee notes the Administrator's statement in paragraph 5 that "the final decision of the Governing Council imposed considerable pressure on overall staffing at headquarters", and that he therefore "felt compelled to eliminate some existing posts in order to safeguard his original priorities". The revised staffing tables therefore reflect the abolition of some established posts as well as the non-creation of some of those proposed in DP/1989/55, and the elimination of some temporary staffing. With regard to the latter, the Administrator confirms "that all temporary staffing arrangements supporting headquarters-related core activities which are to be maintained have been regularized in accordance with paragraph 5 of decision 89/59". (Para. 7 of DP/1990/65)

4. As can be seen from tables I.3 to I.4, a total of 22 new Professional posts had been proposed at headquarters (5 D-1, 7 P-5, 7 P-4, 2 P-3, and 1 P-2/1); a total of 16 were created following decision 89/59 (4 D-1, 6 P-5, 4 P-4, 1 P-3 and 1 P-2). With the exception of the Division for Global and Interregional Programmes and Short-Term Advisory Services, all of the units for which new Professional posts had been proposed were strengthened, albeit in some cases by less posts than originally proposed. A total of 47 General Service posts had been proposed at headquarters; 26 of these posts were created. As shown in table I.3, in three instances, General Service posts were abolished in units where no change had originally been proposed (Geneva Office, RBA, and DMIS). For the field offices, the Administrator had proposed 33 International Professional plus 12 Professional trainee posts, 73 National Officer, 6 Field Service and 171 local level posts. As shown in table I.1, pursuant to Governing Council decision 89/59, the Administrator established 24 International Professional, 53 National Officer, 3 Field Service, and 85 local level posts.

5. The Governing Council's decision, and the Administrator's subsequent decisions related to staffing, have also affected the distribution of resources for operating expenses; table I.5 of DP/1990/65 provides a comparison of the original and adjusted volume increases by object of expenditure in respect of core activities.

6. The Administrator's revised estimates for both core and non-core activities, i.e. the changes he is proposing to the amounts appropriated by Governing Council (decision 89/59), are summarized in annex table 1 of DP/1990/65. As shown below, the revised estimates for core and non-core activities amount to \$542.5 million gross, an increase of \$14.8 million over the approved appropriations; this includes an increase of \$8.2 million under UNDP core activities and an increase of \$7.0 million under programme support activities as well as some offsetting adjustments to trust funds:

	1990-1991 approved appropriations (<u>decision 89/59</u>)	Revised 1990-1991 estimates (<u>DP/1990/65</u>)	Total increase/ decrease
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(Thousands of US dollars)

I. RESOURCES OF UNDP

A. UNDP core activities

(i) Headquarters	146 061.9	150 493.2	4 431.3
(ii) Field offices	<u>280 376.5</u>	<u>284 177.4</u>	<u>3 800.9</u>
(iii) Total UNDP core	426 438.4	434 670.6	8 232.2

B. Programme support activities

(i) Dev. Supp. Serv.	5 000.0	5 000.5	0.0
(ii) OPS	42 362.8	45 201.5	2 838.7
(iii) IAPSO	4 187.0	4 446.8	259.8
(iv) UNV	20 696.6	23 251.0	2 554.4
(v) National execution	1 400.0	2 400.0	1 000.0
(vi) STAS	<u>0.0</u>	<u>350.0</u>	<u>350.0</u>
(vii) Total prog. supp. act.	<u>73 646.4</u>	<u>80 649.3</u>	<u>7 002.9</u>

C. Total resources of UNDP	<u>500 084.8</u>	<u>515 319.9</u>	<u>15 235.1</u>
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II. RESOURCES OF TRUST FUNDS

A. Resources of UNCDF	9 565.6	9 756.6	191.0
B. Resources of UNRFNRE & UNFSTD	6 455.0	5 670.6	(784.4)
C. Resources of UNSO	8 572.2	8 621.4	49.2
D. Resources of UNIFEM	3 980.6	4 123.6	143.0
E. Subtotal I, II (A,B,C,D)	528 658.2	543 492.1	14 833.9
F. Adjustment for UNDP contribution to UNSO-UNDP/ UNEP joint venture	<u>(1 000.0)</u>	<u>(1 000.0)</u>	<u>0.0</u>

III. TOTAL APPROPRIATIONS	<u>527 658.2</u>	<u>542 492.1</u>	<u>14 833.9</u>
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7. The gross increase of \$14.8 million for UNDP as a whole is attributable to the following elements:

Thousands of US dollars

Volume increase	3 199.9
Various cost adjustments	8 088.7
Currency adjustment	(2 602.4)
Inflation adjustment	<u>6 147.7</u>
Total	14 883.9

8. The Advisory Committee notes from annex table 1 of DP/1990/65 that the net volume increase of \$3.2 million relate entirely to non-core activities and comprises increases totalling \$4.0 million under various Programme support activities (OPS, UNV, National Execution, and STAS), offset by a decrease of \$0.8 million for Trust Funds (UNRFNRE and UNFSTD, and UNIFEM). The Advisory Committee's observations concerning these programmes and funds, which are discussed in various sections of the Administrator's report, are contained below.

9. An explanation of currency, inflation and other costs adjustments affecting the original 1990-1991 appropriations is contained in Part IX (paras. 70-78) of the Administrator's report. In this connection, the Advisory Committee notes that, as explained in paragraph 71 and shown in annex table 1, the change in currency parities between 1 February 1989 and those of 1 February 1990, has resulted in a net currency release of \$3.3 million in respect of core activities. As can also be seen from annex table 1, currency increases in respect of UNV and IAPSO under programme support activities have partially offset the release under core activities; as shown above, the total net savings under currency in respect of UNDP as a whole amounts to \$2.6 million.

10. The inflation adjustment for UNDP core activities totals \$5,331,800. Of that total, an amount of \$3.0 million represents the impact on inflation arising from the adoption of General Assembly resolutions 44/198 and 44/199 (see table IX of DP/1990/65); the balance of \$2.4 million for headquarters and field offices combined (\$1.1 for headquarters and \$1.3 for field offices) is attributable to other factors. In this connection, the Advisory Committee notes that the increase for headquarters "is the result of an increase in projected inflation rates as established by the United Nations (see document A/C.5/44/52 and Corr.1)". (Para. 72) The Committee also notes that the revised estimates embody an overall inflation rate of 7.4 per cent, comprising 5.2 per cent at Headquarters and 8.5 percent in the field offices.

11. The increase under various cost adjustments for core activities amounts to \$6,166,500; as shown in table IX of the Administrator's report, \$3.9 million derives from General Assembly resolutions 44/198 and 44/199. In this connection, the Advisory Committee notes that the main components of that increase relate to proposed changes regarding mobility and hardship allowances and assignment grants. The balance of the increase under various cost adjustments, i.e., that not related to the above-mentioned resolutions, is discussed in paragraph 73 of DP/1990/65. As noted therein, the net increase of \$2.2 million comprises a decrease relating to

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the average post costing, offset by increases for the reclassification of posts (see paras. 30 to 32 below), for UNDP reimbursement to the United Nations for various services and jointly financed activities, and for the revision of the UNDP contribution to the Joint Staff Pension Fund.

12. As mentioned above, the Administrator's report contains a number of other "sub-reports", one of which is the Administrator's review of UNDP Senior Management Structure. In this connection, the Advisory Committee recalls that a review of the senior management structure had been submitted by the Administrator in his report DP/1989/55; however, the Council, in its decision 89/59, recognized that the review had come at a time when a number of factors of crucial importance for the future management structure had not been settled. It therefore requested the Administrator to prepare a comprehensive review and to take into consideration a number of elements, including, inter alia, the responsibilities of all posts at the D-2 level and above, with justification, and the opportunities for reducing the total number of senior level posts (D-2 and above); the desirability of merging or consolidating core units performing similar or related functions, and the possibility of integrating the management of some of the smaller funds. The Administrator was also requested to take into consideration the recommendations of the expert group on successor arrangements for agency support costs.

13. Part II of DP/1990/65 contains the Administrator's review and the proposed changes in the current structure. In the opinion of the Advisory Committee, it is not clear from the report the extent to which the guidelines contained in decision 89/59 have been addressed. While acknowledging that some of those guidelines are very general, the Committee regrets that the Administrator's review does not indicate more clearly how, or indeed whether, they have been taken into account.

14. The Advisory Committee notes that the changes proposed by the Administrator involve, for the most part, reshuffling of various organizational units from one bureau to another; in other instances, units which currently report directly to the Administrator's office will henceforth be included within the framework of a particular bureau. This can be seen most clearly by comparing the organizational chart included in the Administrator's report DP/1990/55 with the proposed organizational chart contained in DP/1990/65.

15. As can be seen from those charts, the Administrator is also proposing to redesignate the Bureau for Special Activities as the Bureau for Resources and Special Activities. The new Bureau will cover two distinct functions. As is now the case, it "will provide an umbrella for the special funds and activities under the Administrator as mandated in particular by the General Assembly". (Para. 17) Under this arrangement, UNCDF, UNSO, UNV, STAS, UNFSTD and UNRFNRE would be included in the Bureau. The Administrator emphasizes that these arrangements are administrative in nature and will not impinge on the autonomous character of each fund. However, "the inclusion of all Funds and activities within the framework of a Bureau is expected to ensure a closer integration at the operational level between the various funds and activities and the UNDP core programme". (Para. 17) As can also be seen from the proposed organizational chart, UNIFEM will, however, continue to report directly to the Office of the Administrator.

16. In addition to bringing the above-mentioned funds under one Bureau, the Administrator proposes to merge the management of UNFSTD and UNRFRNRE. In making such a proposal, he emphasizes that both funds would remain separate entities; however, the merger of their management "would enable certain savings in administrative costs which should be beneficial to both funds". (Para. 21) As a consequence of this streamlining, the Administrator proposes to reduce the combined staffing of the two funds by 11 posts (1 D-2, 1 D-1, 2 P-4, 2 P-3 and 5 General Service). The cost of the new division would be shared between the two funds on the basis of gross expenditures.

17. As stated in its report DP/1989/56, the Advisory Committee sees merit in combining the administrative structures of those funds/programmes, which have failed to achieve the necessary financial support. At the same time, it recommends that the staffing situation of the consolidated unit be kept under review to ensure that the magnitude of the post reduction does not adversely affect the funds' ability to secure pledges of contributions and to implement mandated activities. The Committee is also of the view that the possibility of integrating the management of smaller funds has not been exhausted and urges the Administrator to pursue his efforts to this end. Similarly, the Committee believes that it may be possible to consolidate some of the smaller core units whose functions are related.

18. The second function of the Bureau for Resources and Special Activities relates to resource mobilization and information. The units responsible for these functions (the Division of Information and the Resource Mobilization Unit), which formerly reported to the Office of the Administrator, will be consolidated within the Bureau. According to the Administrator, this arrangement is expected to "provide greater coherence to UNDP efforts in these areas" and that consequently, "UNDP will benefit in particular from a more focused relationship with donors." (Para. 19)

19. A number of other changes have been proposed. In this connection, the Advisory Committee notes that responsibility for the Inter-Agency Procurement Office has been shifted from the former Bureau for Special Activities to the Bureau of Finance and Administration. Responsibility for the Division for Global and Interregional Programmes has also been shifted from the Bureau for Special Activities; it will henceforth report directly to the Administrator. In this connection, the Administrator states that "it is expected that the establishment of a more structured consultation process will lead to a closer integration between DGIP, the operational activities of the Bureaux and the Bureau for Programme Policy and Evaluation policy work." (Para. 25) Notwithstanding this statement, the Advisory Committee queries whether in fact the DGIP might more appropriately "fit" in the Bureau for Special Activities and Resources. In this connection, the Committee was informed that DGIP often initiates the establishment of various trust funds on behalf of a number of UNDP Funds such as UNFSTD, UNCDF etc., which, as mentioned above fall under the "umbrella" of BRESA.

20. With regard to the senior management of the Office for Project Services, the Administrator proposes that the post of Director, which, pursuant to Governing Council decision 89/59 is graded at the Assistant Administrator level until 30 June 1990, be maintained at that level. The views of the Advisory Committee on

this question have been set out in its previous reports DP/1988/58 and DP/1989/56. As noted in paragraph 24 of DP/1990/65, the Administrator has made other proposals relating to the reclassification exercise in OPS, including the reclassification of the Deputy Director post to the D-2 level; these are discussed in paragraphs 36 to 45 below.

21. In paragraph 28 of DP/1990/65, the Administrator states that in proposing the above-mentioned changes in the organizational structure, he "has focused on a management structure which is most responsive to functional requirements". He also acknowledges that he is not proposing any reductions in the numbers of ASG and D-2 posts at headquarters in the core programme, stating that "it is not in the overall interests of the organization" to do so at this time. (Para. 32) The Administrator also states that he has reviewed the functions attached to each of the D-2 posts in headquarters and "believes that a clear rationale exists for the level of the posts in relation to the functions performed". (Para. 28)

22. A listing of the D-2 posts at headquarters (27) is provided in table II.2 of DP/1990/65; as indicated in paragraph 33, there are 33 resident representative/resident co-ordinator posts in the field graded at the D-2 level. The total number of D-2 posts in UNDP thus totals 60, comprising 54 core posts and 6 non-core posts as shown in table II.3.

23. Table II.3 also shows that there are 8 posts graded at the ASG level, one of which is a non-core post (OPS). The remaining ASG posts head the four regional bureaux, the Bureau for Programme Policy and Evaluation, the Bureau for Resources and Special Activities and the Bureau of Finance and Administration.

24. In paragraphs 30-31, the Administrator discusses the historical trend with regard to the USG, ASG and D-2 posts in UNDP. Representatives of the Administrator also provided the Advisory Committee with similar data vis-à-vis these level posts under the United Nations regular budget and the UNICEF programme and administrative budget, pointing to the growth over the years, a growth which the Administrator points out in DP/1990/65 has not occurred in UNDP. Rather, in paragraph 31, the Administrator states that "in sum, over 17 years, despite the assumption by UNDP of a range of new responsibilities, the number of USG, ASG and D-2 posts in the UNDP core programme have in total seen a reduction in two posts (1 USG, 1 D-2)."

25. In the opinion of the Advisory Committee, the comparison of the UNDP with the United Nations and UNICEF is not relevant in this case. In the first place, the United Nations deals with both developmental and political issues as can be seen from an examination of its structure. The United Nations regular budget provides senior posts for a number of quasi-autonomous organizations such as UNRWA, UNEP, Habitat, UNDRO, UNHCR, and UNCTAD. The size and growth of one organization is not necessarily relevant to another organization; i.e. the considerations determining the size and structure are not identical from organization to organization; for this reason, a direct comparison with the growth pattern of UNICEF is equally not relevant. Moreover, the Advisory Committee has never specifically commented on the overall grading pattern of UNICEF; it has only examined UNICEF's budget since the 1982-1983 biennium. In any event, the Committee does not see the evolution of the grading structure of that organization as a justification for not reducing high-level posts in UNDP.

26. The Advisory Committee therefore questions the Administrator's statement that he does not believe it is in the overall interests of the organization to propose reductions in the senior management of the UNDP core programme at this time. It is also not convinced that serious consideration has been given to this issue, and questions whether in the Administrator's words, "a clear rationale exists" for the level of each of the ASG posts. In this connection, the Committee recalls that in its report DP/1989/56, it pointed out that "the Administrator has moved the Division of Personnel from the Bureau for Finance and Administration (BFA) into his office. The question therefore arises if the BFA should continue to be headed by an ASG." (Para. 54) This issue was not addressed in the Administrator's report DP/1989/55 nor has it been addressed in the Administrator's current review of senior management. The Advisory Committee notes that the Division of Personnel, which comprises 60 staff, is headed by a D-2; as discussed below the Administrator is requesting the reclassification of 3 P-5 posts in that Division to the D-1 level. Although the Inter-Agency Procurement Office has been moved within BFA, the Committee continues to question whether the level of functions currently attached to BFA merits an ASG; it also believes that a "comprehensive" review should have focused on this question.

27. In any event, the Advisory Committee, in the event that the Division of Personnel is maintained as a separate unit, points to the necessity for close co-ordination between this Division and the Bureau for Finance and Administration. In this connection, the Advisory Committee notes that most of the expenditure under the biennial budget relates to personnel costs.

28. The Committee also recalls that, as indicated in its report DP/1988/58, the Committee had been informed by UNDP that, in response to recommendation 15 of the Group of High-level Intergovernmental Experts concerning reductions in the number of ASG/USG posts, the Administrator did not intend to fill one of the eight ASG posts in UNDP, namely the ASG post in the BFA, i.e. the post was "frozen". The Advisory Committee understands that the Administrator has now decided to fill the post; however, no reference to, or explanation of this fact has been included in the Administrator's report.

29. In view of the misgivings expressed in the paragraphs above as to the sufficiency of the Administrator's analysis of the UNDP senior management structure, the Advisory Committee doubts whether the Governing Council, on the basis of the documentation before it, is in a position to act on this question, as contained in part II of DP/1990/65. In the Advisory Committee's opinion, the Governing Council should request the Administrator to refine and further substantiate proposals in this regard and submit them for further consideration of the Council.

30. Part III of the Administrator's report contains his proposals for reclassifications at headquarters; as stated in paragraph 34, these have been resubmitted pursuant to the Governing Council's request in its decision 89/59. The Administrator is proposing to reclassify eight P-5 posts to the D-1 level, comprising three posts in the Division of Personnel, three posts in the Technical Advisory Division and two posts of Division Chief, one in the Regional Bureau for Arab States and Europe and one in the Regional Bureau for Latin America and the

Caribbean. The Administrator is also proposing to reclassify two Principal level General Service posts to the P-2 and P-3 levels respectively.

31. Very little information is contained in the Administrator's report to facilitate a review of these requests; at the minimum the Committee would have expected information on the staffing levels of each unit concerned and more details concerning the responsibilities of each post. Because of this deficiency, the Advisory Committee discussed the reclassifications at length with representatives of the Administrator and received additional information in an attempt to gain a better understanding of "increased responsibilities" or "changed nature of work", traditional yardsticks used in considering reclassifications. The information provided to the Committee, however, revealed that, with particular reference to the posts in DOP and TAD, the rationale for the reclassifications related not so much to the responsibilities of the posts but to the salary system in place; i.e. the reclassifications were salary-driven. As alluded to in paragraph 38, it is the market demand which determines the level required to attract and retain the skills and experience that are needed. That being the case, the Committee inquired as to which of the eight P-5 posts were unencumbered and was informed that only one vacancy existed in TAD. Representatives of the Administrator emphasized that the reclassifications were still needed in order to retain the incumbents. This explanation is unsatisfactory.

32. The Advisory Committee does not dispute the Administrator's assertions of what the market demand may be. At the same time, it points out that purported deficiencies in the salary system cannot be addressed through reclassification of posts.

33. By its decision 89/59, the Governing Council authorized the Administrator to submit, on an exceptional basis, substantive proposals for the 1990-1991 UNIFEM budget to its thirty-seventh (1990) session. The appropriations for 1990-1991 approved by decision 89/59 (\$3.98 million as shown in table IV.1) therefore reflected, with two exceptions, a carryover of the 1988-1989 appropriation which had been adjusted for changes in staff entitlements and inflation (see DP/1989/55, para. 125). Pursuant to decision 89/59, the Administrator, in part IV of DP/1990/65 (paras. 42-46), has submitted UNIFEM budget estimates for 1990-1991 in the amount of \$4.1 million. The increase of \$143,000 over the current appropriations includes, as shown in table IV.1, a volume decrease of \$2,400 and a cost increase of \$145,400.

34. Although the Administrator attributes the volume decrease to the "result of the proper apportionment of these costs between the Fund's core and technical support budgets" (para. 45), in the Committee's view, this does not constitute an adequate explanation. The Advisory Committee regrets that adequate justification was not included in DP/1990/65 to facilitate the review of the budget. In this connection, the Committee points out that, notwithstanding the net decrease in volume, certain objects of expenditure reflect substantial increases, including temporary assistance, consultants, other staff travel, information contracts, communications and office furniture. At its request, the Committee was provided with additional details concerning these and other line items.

35. The Administrator's proposals regarding UNIFEM also include the reclassification of a G-5 post to the P-3 level in view of the identified need for an executive assistant (para. 44). In response to inquiries, the Committee was informed that the G-5 post is currently vacant and that the reclassification was based on a new set of requirements for a Professional post, the incumbent of which would perform what is commonly known as an Executive Officer function. The Committee points out that it is not common practice to reclassify G-5 posts to the P-3 level and that the request should have been made for the establishment of a new post, with the concurrent abolition of the General Service post if it were determined that the functions related to that post were no longer required. Subject to these observations, the Advisory Committee has no objection to this request.

36. The Administrator's proposals concerning the Office for Project Services (OPS) are contained in part V of his report; these relate to the Administrator's resubmission of post reclassifications. In this connection, the Advisory Committee notes that in decision 89/58, the Governing Council deferred action on the proposed reclassifications submitted in the Administrator's report DP/1989/55 and invited the Administrator to resubmit them in the context of the full classification exercise to be undertaken in the Office.

37. The results of the classification exercise are presented in table V of DP/1990/65; as can be seen, the Administrator is proposing a staffing establishment of 192 consisting of 77 Professional and above (1 ASG, 1 D-2, 9 D-1, 24 P-5, 17 P-4, 18 P-3 and 7 P-2) and 115 General Service, of which 30 are at the Principal level. The total of 192 reflects an increase of 6 posts (2 P-5 and 4 GS) which the Administrator, within the authority delegated to him by the Governing Council, has approved. That increase accounts for the volume increase of \$976,200 shown for OPS in annex table 1.

38. As shown in table V, the above-mentioned grading structure reflects a number of proposed reclassifications. In this connection, the Advisory Committee notes from paragraph 51 that "it is proposed to reclassify four Division Chief posts to the D-1 level"; however, the net increase in D-1 posts is three since it is further proposed to upgrade one D-1 post to the D-2 level for the Deputy Director post. A number of other reclassifications are also proposed at the P-5 level and below.

39. In paragraph 49, the Administrator states that "the results of the reclassification exercise are fully in line with the findings of the management consulting firm which issued its report in 1988," as a result of which a revised organizational structure was proposed; a copy of the revised organizational chart is provided in the Administrator's report.

40. The Advisory Committee notes that all of the proposed reclassifications to the D-1 level relate to the Operations Branch. The current grading pattern of that branch, as compared to the proposed, is as follows:

OPERATIONS BRANCH

Deputy Director

Current Proposed
D-1 D-2

Division	<u>I</u>		<u>II</u>		<u>III</u>		<u>IV</u>		<u>V</u>		<u>TOTAL</u>	
	Current	Proposal	Current	Proposal	Current	Proposal	Current	Proposal	Current	Proposal	Current	Proposal
D-1	1	1	0	1	0	1	0	1	0	1	1	5
P-5	2	3	5	3	1	3	3	3	3	6	14	18
P-4	3	2	2	2	4	1	3	2	5	3	17	10
P-3	0	1	0	2	1	3	1	1	0	0	2	7
P-2	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>5</u>
TOTAL	<u>8</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>8</u>	<u>10</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>10</u>	<u>41</u>	<u>45</u>

- Notes:
1. Division III proposed level of 10 Professional posts includes reclassification of two G-7 posts to P-2.
 2. Division V includes two new P-5 posts. (See para. 53 of DP/1990/65.)

As shown above, only one of the Divisions in the Operations Branch is currently headed by a D-1 (see para. 42 below); as stated in paragraph 51 of DP/1990/65, it is proposed to reclassify 4 P-5 posts so that all five chiefs of the Branch would be at the D-1 level.

41. The Advisory Committee notes from paragraph 51 that each chief will be responsible, on average, for eight Professional Officers. The Administrator goes on to state that "with each division currently handling on the average an aggregate project budget of \$80 million, the management function of the division chief has considerably increased over the last four years, particularly in view of the fact that OPS management, in line with recommendations made by the management study is increasingly delegating authority to the incumbents."

42. In considering these reclassifications, the Advisory Committee notes that project budget is not necessarily an accurate measure of the responsibility involved; it also notes that the number of Professionals in each division is small and more in line with what one might expect to find in a section, headed by, for example, a P-5. The Committee therefore recommends against the reclassifications to the D-1 level. In so stating, the Committee is aware that one Division Chief post is currently classified at the D-1 level; however, in the Committee's view this is not sufficient reason to reclassify 4 other posts. (See also para. 46 below.)

43. In line with the above, the Committee also finds it unusual that the operational units have been designated as "divisions", each one headed by a Chief. In the Committee's view, "division" normally implies a larger unit which, in the case of UNDP core activities, is often headed by a Director. In the Committee's view, these "divisions" would have been more appropriately called sections.

44. Consistent with its recommendation in paragraph 42 above, the Committee also recommends against the reclassification of the D-1 Deputy Director post to the D-2 level. In this connection the Committee also points out that, the management consulting firm (see DP/1989/75) recommended that OPS be reorganized into four major units, one of which was the Operations Branch; in document DP/1989/75, the Administrator stated that this Branch should be headed by the Deputy Director, Operations. As shown in the organizational chart included in DP/1990/65, the Operations Branch is the largest of the four units; however, the Committee does not believe that this justifies designating the head at the D-2 level. The fact that the Deputy Director is second in command of the Office and takes charge whenever the Director is absent is also, in the Committee's view, insufficient justification for the reclassification. Finally, the Committee's recommendation is also in line with its views concerning the level of the Director of OPS.

45. The Committee accepts the reclassifications at the P-5 level and below; however, in so stating, the Committee emphasizes that, in its view, the resulting grading pattern (especially in respect of the number of P-5 posts) should be more than sufficient and it cautions against further reclassifications which may distort the resultant grading structure.

46. As mentioned above, one of the division chiefs in the Operations Branch is currently at the D-1 level; in addition, the Committee points out that there are currently five other D-1 posts (see table V) in OPS, all of which were established prior to the introduction of the new organizational structure. The Committee notes that the total number of D-1 posts has increased in recent years as a result of the authority granted to the Administrator to adjust staffing in mid-bienniums (Governing Council decision 82/31). For example, the Administrator's original estimates for 1988-1989 (DP/1987/55) for OPS as well as his revised estimates for that biennium (DP/1988/52) provided for four D-1 posts. That number was then increased to six as shown in DP/1989/55. The Advisory Committee does not dispute the authority of the Administrator to establish posts for OPS in mid-biennium. However, it believes that the establishment of these posts should be consistent with the procedure approved for the establishment of extrabudgetary posts in the United Nations. In this connection, it points out that, pursuant to General Assembly resolution 35/217, the establishment of extrabudgetary posts at the D-1 level and above for which the approval of an intergovernmental organ is not required is subject to the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions. The Advisory Committee therefore recommends that henceforth the same procedure be applied in OPS.

47. Part VI of the Administrator's report (paras. 55-58) relates to the revised estimates for the United Nations Volunteers programme (UNV). As seen in annex table 1, the revised estimates for 1990-1991 amount to \$23,251,000, an increase of \$2,554,400 over the initial appropriation of \$20,696,600. That increase comprises a volume increase of \$1,975,800 and a net cost increase of \$578,600 (consisting of increases for cost adjustments and currency offset by a reduction for inflation).

48. The volume increase relates to the increase in the Programme's supplementary budget. In this connection, as recalled by the Administrator in paragraph 55, the UNV budget comprises three components including a supplementary budget for UNV headquarters to be funded by means of an annual supplement to the core budget of \$3,700 per serving volunteer in excess of 1,000 on 31 December of the previous year. The 1990-1991 appropriation for UNV took into account the number of 1,534 serving volunteers on 31 December 1988. As of 31 December 1989, that number had increased by 267 to 1,801; hence the supplementary budget has been increased to \$5,927,400 ($801 \times 2 \times \$3,700$), an increase of \$1,975,000 over the supplementary budget of \$3,951,600 approved within the initial appropriations ($534 \times 2 \times \$3,700$).

49. The Advisory Committee notes from paragraph 58 of DP/1990/65 that "the revised budget has enabled the Administrator to establish a further 2 Professional and 8 General Service posts, bringing the total UNV staffing Geneva to 32 Professional and 55 General Service posts." In this connection, the Advisory Committee recalls that when, by its decision 88/46, the Governing Council approved the concept of a supplementary budget, it said that this could be used for additional staffing units at a rate of one unit per 70 additional serving United Nations volunteers. As reported in the Advisory Committee's report DP/1988/58, a staffing unit comprises either 1 Professional and 1 General Service or 3 General Service. On the basis of 267 additional volunteers, the Administrator is therefore entitled to increase staffing by 3.8 staffing units; his increase of 2 Professional and 8 General Service is equivalent to 4 units (2 units each comprising 1 Professional and 1 General Service, and 2 units each comprising 3 General Service).

50. Headquarters support to National Execution is discussed in part VII of the Administrator's report. As shown in annex table 1, appropriations for 1990-1991 under the heading "National execution" under programme support activities totalled \$1.4 million. This amount represented headquarters accounting and auditing support costs for government executed projects.

51. As stated in paragraph 61, the Administrator proposes a revised appropriation of \$1.15 million in 1990 and \$1.25 million in 1991, i.e. a total of \$2.4 million, as shown in annex table 1. At its request, the Advisory Committee was provided with a breakdown by object of expenditure of this total. As also shown in annex table 1, the increase of \$1 million over the initial appropriation comprises a volume increase of \$745,100 and an adjustment for inflation of \$254,900.

52. The Advisory Committee notes that the volume increase relates to the Administrator's proposals to increase the staffing levels of the National Execution Unit of the Audit Division by 1 Professional and the National Execution Unit of the Accounts Section by 2 General Service, as well as to provide for systems development and training relating to the new accounting and financial reporting procedures introduced in 1989. A breakdown of the \$745,100 was provided to the Committee at its request.

53. In proposing the above, the Administrator, in paragraph 65, emphasizes that "since \$400,000 was appropriated annually for the accounting function, national execution delivery has increased two and one half times ..."; accordingly, "he believes his proposals incorporate the minimum requirements necessary to enable him to discharge his accounting and audit obligations."

54. In the circumstances, and taking into consideration the ever-increasing importance attached to national execution, the Advisory Committee recommends acceptance of the Administrator's proposals. The Committee welcomes the progress achieved thus far in ensuring a more complete understanding of audit requirements by Governments and field offices, and it trusts that the increased staffing levels and training will lead to still further improvements. The Advisory Committee also hopes that the new accounting and financial reporting procedures introduced in 1989, which are currently being reviewed by a consultant, will bring about yet further progress. Recognizing that the Administrator's proposals represent the minimum requirements (see para. 53 above), the Committee looks forward to receiving an updated report on the subject in the context of the Administrator's budget proposals for 1992-1993; it also intends to follow up on the matter in the context of its examination of the report of the Board of Auditors.

55. In part VII of DP/1990/65, the Administrator recommends that the Short-Term Advisory Services (STAS) be made an operational part of UNDP from 1 July 1990 and that funding and staffing (1 Professional and 1 General Service) for the programme be provided under programme support activities at current levels. The Administrator bases his proposal on a recommendation by an evaluation team; as stated in paragraph 66 of DP/1990/65, the report on this evaluation and the recommendation are contained in the Administrator's report DP/1990/58.

56. The Advisory Committee regrets that this report was not available at the time it discussed the revised estimates with the Administrator and, in this connection, it requests that in future, all reports which impact on the estimates be made available to the Committee prior to its meeting with the Administrator. It also requests that all documents to be considered by the Committee be produced in a more timely fashion.

57. The Administrator's report DP/1990/58 has been submitted pursuant to the Governing Council's request in its decision 89/51 to report "on the details of the evaluation carried out of the short-term advisory services programme with a recommendation on the establishment of a focal point for short-term advisory services as an operational part of the United Nations Development Programme". The Advisory Committee notes from DP/1990/58 that the evaluation team, as reported in DP/1990/65, did recommend that "STAS be made an operational programme of UNDP as early as possible and that UNDP allocate sufficient human and financial resources to enable it to grow at a steady and sustainable rate". (Para. 11) However, the Committee also notes that the summary contained in DP/1990/65 neglects to mention a number of problems as well as other findings identified by the evaluation team.

58. The Advisory Committee notes, for example, that the evaluators identified a need for promotional efforts to activate demand and create a sustained awareness of the programme. The problem of the high rate of cancellation or withdrawal of requests was also highlighted. While part of this is attributable to changed business circumstances, the team also found that the high rate of cancellation resulted from premature (improperly screened) requests. The Administrator is attempting to address these and other points; however, the Committee queries the necessity of "institutionalizing" the programme before it has been demonstrated more fully that there is consistent and sustained demand for it.

59. A number of other questions also need to be addressed. In paragraph 3 of DP/1990/58, the Administrator states that to date (since 1985), approximately 200 advisers from 23 countries have undertaken missions to 51 developing countries; as shown in annex III, in 1989 a total of 28 assignments were completed in nine countries. The Advisory Committee questions whether these statistics justify taking a decision now as proposed by the Administrator.

60. As indicated in paragraph 8 of DP/1990/58, "the team urged closer working relationships with the specialized agencies and improved networking with similar United Nations technical assistance programmes." The Administrator responds to this by stating that "several discussions have been held with the United Nations specialized agencies for greater collaboration in the use of STAS advisers in their projects and programmes", and that "discussions are under way with these agencies to further develop relationships with STAS". (Para. 14) Notwithstanding this statement, the Advisory Committee would have appreciated a more detailed discussion on the substance of the agencies' views.

61. As cited above, the recommendation of the evaluation team was not simply to make STAS an operational part of UNDP but also to provide sufficient resources to allow for its expansion; however, the scope of this expansion has not been adequately addressed. Although the Administrator requests that funds be provided

under programme support activities at current levels (para. 69 of DP/1990/65), he also states that "funding from programme resources will allow for an expansion of programme activities as necessary over time". (*Ibid.*) Furthermore, in DP/1990/58, he states that "to meet the expected increase in demand for STAS, UNDP proposes to cover these additional costs from programme resources." No further details are provided regarding the estimated extent of such expansion and the corresponding costs involved.

62. The Advisory Committee also notes the Administrator's plans to increase the use of local volunteers on an expense only basis "to develop and promote the programme" (para. 16 of DP/1990/58). One such volunteer has already been recruited on a pilot basis; however, no details are provided regarding the expected number of volunteers, the cost involved and how those costs fit into the budget provided in DP/1990/65.

63. In paragraph 16 of DP/1990/58, the Administrator states that the expansion of STAS will "enable UNDP better to meet the recognized and growing needs of firms in the production, commercial and service sectors of developing countries for short-term, highly specialized technical and management-related expertise"; in paragraph 19 he states that "an operational STAS programme will be of significant benefit to the private and parastatal sectors of developing countries in the coming years." The Advisory Committee believes that the role of STAS vis-à-vis the private sector and the impact this may have on UNDP resources needs to be discussed and agreed on.

64. The Advisory Committee also recalls that in its decision 89/59 the Governing Council established a separate appropriation of \$5 million for the introduction of Development Support Services in the field offices "giving the resident representative ... access to nationally - or regionally - available independent short-term expert advice ...". While recognizing that the STAS short-term advisory services refer to very specific services, while those under the DSS may relate to a variety of fields, the Advisory Committee believes that there may be potential overlap. In addition, the Committee recalls the existence of another service TOKTEN (Transfer of Knowledge through Expatriate Nationals), established 11 years ago (see DP/1990/17, para. 33). Since the Advisory Committee was also previously informed that one source of expertise for DSS was expatriate nationals, the potential for overlap may also exist between these two programmes. Pursuant to decision 89/59, the Administrator will present a report on the utilization of DSS in the context of his 1992-1993 budget proposals. In the Committee's opinion, the report should clarify the respective roles of STAS, DSS and TOKTEN.

65. In the circumstances, and bearing in mind its observations and concerns in the above paragraphs, the Advisory Committee believes that it is premature to act on the recommendation to make STAS an operational part of UNDP, effective 1 July 1990 as proposed by the Administrator.

66. With regard to the proposed estimates for 1990-1991, and without prejudice to its observation in paragraph 65 above, the Advisory Committee believes that the budget presented in document DP/1990/65 is lacking in transparency and detail. In addition, because of differences in format and line items, it is difficult to

relate that budget with the actual STAS expenditures as shown in annex IV of DP/1990/58. The Advisory Committee emphasizes the importance of linkage between documents and, as mentioned above, the necessity of providing related documents to the Committee in time.

67. The Advisory Committee also notes that resources amounting to \$45,000 have been included in the proposed estimates for consultants. The Advisory Committee queried as to the rationale for this provision and was informed that the consultants were needed both to identify donors for STAS and to match these donors with recipient Governments. It is unclear to the Committee whether the proposed provision of \$45,000 for other staff travel in 1990-1991 also relates in part to consultants; in any event, the Committee questions whether resources for consultants in the magnitude requested are warranted.

II. UNDP financial regulations (DP/1990/63)

68. In its decision 89/61, the Governing Council requested the Administrator to submit, through ACABQ, appropriate amendments to the UNDP financial regulations "which would provide that, beginning with the biennium 1990-1991, audited financial statements for the UNDP 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."

69. The Administrator's report DP/1990/63 provides the amended text of financial regulations 16.1, 16.3, 17.1 and 17.2 which reflect the biennialized submission of the audited financial statements for UNDP. The Committee has no problem with these amendments which relate to the first half of the above-cited decision. The Committee, however, sees no compelling reason for the Board of Auditors, in intervening years, to be required to submit to the Governing Council and the General Assembly through ACABQ, a report on substantive matters. In this connection, the Committee points out that in the case of the United Nations, biennial reports are also submitted to the General Assembly; however no report on substantive issues is submitted to the General Assembly in the intervening years. The Board continues its work during the intervening year and discusses issues with the administration; however, the Board waits until its submission of its report on the financial statements and accounts to report on its findings on substantive and other issues. The Advisory Committee sees merit in this procedure since it might be difficult to appreciate the Board's findings on financial, substantive and management matters in the absence of the audited financial statements and accounts.

III. Agency support costs (DP/1990/9)

70. The Advisory Committee discussed the procedural aspects related to this matter with the Administrator and colleagues, and indicated its intention to follow developments closely. In this connection, the Committee will discuss the subject with the specialized agencies and IAEA in the context of its annual meetings on administrative and budgetary co-ordination. The Committee also intends to submit a report at the appropriate time. Accordingly, the Committee requests the Administrator, for his part, to keep it apprised of all developments related to the issue.

IV. Trust funds established by the Administrator in 1989
(DP/1990/68 and Add.1)

71. The Administrator's report DP/1990/68 contains information on the trust funds established by the Administrator in 1989, as well as a listing of activities financed from the USSR/UNDP trust fund in 1989. Document DP/1990/68/Add.1, submitted pursuant to Governing Council decision 89/60, provides information on all trust funds established by the Administrator since 1981. The Advisory Committee discussed both of the above reports with representatives of the Administrator.
