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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

CONCEPT FOR INTERIM YEAR ADMINISTRATIVE BUDGET REPORT

Report by the Administrator

Summary

At its twenty-fifth session, the Governing Council requested the Administrator to prepare a short conceptual document in 1980 on the kind of report which could be submitted in the interim year of a biennium with respect to the Programme Support and Administrative Services Budgets. This paper, prepared in response to the Council's request, sets forth examples of the kinds of subjects which the Council might wish to include in such a report on either a recurrent or on an ad hoc basis. The further guidance of the Council on the scope and content desired in an "Interim Year Administrative Budget Report" would be appreciated.

## INTRODUCTION

1. In even-numbered (or interim) years, a biennial budget is not submitted. Consequently, more time should be available to the Governing Council in those years for considering longer-term reviews, analyses, projections and other matters bearing on budget formulation, monitoring and performance. The Governing Council has considered to some extent the kind of a report it wished to receive with respect to the Programme Support and Administrative Services Budgets in interim years,<sup>1/</sup> i.e. the first year of a biennium, and requested the Administrator to submit a short conceptual document thereon in 1980. The conceptual framework for such an "Interim Year Administrative Budget Report" is described in paragraphs 4 through 7 below.

### I. BACKGROUND

2. At its twenty-fourth session, during consideration by the Council of the feasibility of UNDP adopting a biennial budget cycle, the Council also mentioned the submission of "an evaluation of past activities and a longer-term review and projection in alternate years of the manner in which the use of the administrative and programme support budget contributes to the achievement of the programme objectives of UNDP while taking into account any additional aspects deriving from the fact that the budget of UNDP is financed from voluntary contributions pledged on an annual basis". 2/

3. The subject was discussed again at the twenty-fifth session of the Council. The Administrator was requested to submit a short conceptual document in 1980, reflecting the views expressed by the Committee in its report. A quotation from the pertinent part of the Committee's views follows:

"Several members spoke on the type of budget evaluation expected and the meaning of evaluation as used in the Council's decision at its twenty-fourth session. It was generally felt the document should not be a report only on the budget performance for the previous budget period. The report rather should include the broad results achieved in the previous biennial budget period

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<sup>1/</sup> The terms "even-numbered year", "non-budget year", "off-budget year", and "interim year" are, in general, used interchangeably. "Interim year" has been used for simplicity in this document.

<sup>2/</sup> E/6013/Rev.1 (para. 413, operative para. 20).

and the lessons which may have been learned or the experience gained which would be of continuing relevance in the formulation of future budgets and/or to the budget monitoring process. The results, experiences and lessons could be synthesized into a conceptual document and a parallel drawn with the ongoing budget period and projected for the upcoming budget periods. Members generally considered that the "evaluation" was one which should be carried out in budget terms rather than in substantive and programme terms. The document which would be reviewed in the even-numbered or non-budget years, could facilitate the consideration of the upcoming budget to be prepared following the guidelines proposed by the Council. Such an exercise could allow the Committee a better and more solid basis for taking a decision on subsequent budgets. The Administrator was requested to submit a short conceptual document in 1980 reflecting the views expressed on this point in the Committee." 3/

## II. CONCEPTUAL FRAMEWORK

4. In developing the conceptual framework for an "Interim Year Administrative Budget Report", the Administrator excluded those subjects which would normally be dealt with in his Annual Review of the Financial Situation and those subjects which have customarily and appropriately been presented in separate reports to the Council. He then attempted to select subjects that might be considered appropriate for review by the Council, using the following criteria:

(a) Subjects which could normally be reviewed every other year;

(b) Subjects which could be reviewed in the interim year (i.e. which would not necessarily require treatment of the subject by the Council within the context of its review of a proposed budget); and

(c) Subjects which directly relate to the Programme and Administrative Support Services Budgets.

5. The subjects identified for inclusion in the interim year report may be broadly classified as falling into two groups: (a) recurrent, i.e. those that will usually form part of the interim year report; and (b) ad hoc, i.e. those one-time or periodic analyses which either are requested by the Council or which the Administrator believes should be brought to the Council's attention.

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6. Recurring subjects to be treated in the interim year report:

(a) Formulation and performance evaluation of the Programme Support and Administrative Services Budgets - prior, current and forthcoming biennia

(i) Performance evaluation report on the preceding biennium:

This section of the interim year report would include a comparison, in budget terms, between actual expenditures incurred and the levels of expenditure forecast, together with an analysis of any significant volume/cost variations between the two. It would also identify, in descriptive terms, the major tasks undertaken during that time and indicate the extent to which these have contributed to the achievement of the programme objectives of UNDP. The results of the analyses would also provide the basis for proposals concerning the monitoring of the budget for the current biennium and the formulation of the budget for the forthcoming biennium;

(ii) Performance evaluation report on the current biennium:

Although at the time of preparation of this section of the interim year report only about two months of actual experience for the current biennium will be available, one year will have elapsed since the preparation of the budget estimates for the biennium. Therefore, comments and information concerning the current biennium would be presented, including workload or other significant changes, and emphasizing in particular changes in the financial environment which are beyond the control of the Administrator or the Council, such as inflationary costs and exchange rate fluctuations. The report would further indicate the measures which the Administrator intends to take in order to attempt to absorb additional costs that are foreseeable, as well as the extent to which he considers absorption feasible or practical. The Administrator would also indicate whether and for what purposes supplementary appropriation can at that stage be forecast as possibly being required to be appropriated during the second year of the biennium, by which time more fully verifiable data will be available;

(iii) Formulation of the budget for the next biennium: It would be in this section of the report that the Administrator would present a synthesis of the lessons learned from past experience which would have an impact on the formulation or presentation of the next biennial budget. Specifically,

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any proposed changes in the methodology used to determine budgetary requirements would be indicated. Similarly, proposed changes in format, arrangement or content could be provided for the Council's review;

(b) Administrative Budget implications of special programme activities, e.g. Technical Co-operation Among Developing Countries (TCDC), Government execution, cost-sharing arrangements

Although the Administrative Budget implications of such activities for the programme as a whole will also be included elsewhere in the report, e.g. as described in (a) above, it would be the Administrator's intention to provide such information as is available on workload, staffing and related support costs for special programme activities to assist the Council in gauging their impact on the resources available to the programme from the Administrative Budget. This supplementary information would be provided to the extent appropriate for the prior, current and forthcoming biennia;

(c) Management studies

Given the dynamic nature of the Programme and the importance the Administrator attaches to creating and maintaining the most effective and efficient support mechanisms for the Programme - at the least cost consistent with optimum efficiency and effectiveness - he is constantly alert to possible improvements in organization, methods and systems related to the administrative structure of UNDP. In consequence, studies or other actions on various aspects of management are undertaken continuously. It would be the Administrator's intention that this section of the report deal primarily with planned studies and actions: the results of past studies and actions would be covered under the section of the interim report described in paragraph (a)(i) above, i.e. the performance evaluation report on the preceding biennium. Interim progress reports on studies under way would also be covered in this section of the report.

7. Ad hoc or periodic subjects to be treated in the interim year report

(a) Interrelationship of five-year planning cycle, biennial administrative budget cycle and annual funding: The Administrator would submit, periodically, an analysis of these interrelationships, highlighting factors that may adversely affect the smooth functioning of UNDP or the balanced growth of the Programme.

(b) Special subjects: Studies requested by the Council or undertaken by the Administrator not directly related to ongoing management improvements would also be reported upon.

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(c) Incorporation of Governing Council decisions into the UNDP Financial Regulations: Changes required by Governing Council decisions would normally be codified into the Financial Regulations in the Interim Year.

### III. SUMMARY

8. In response to the Governing Council's request for a short conceptual document on what might be included in an "Interim Year Administrative Budget Report", the Administrator has identified subjects of a recurring nature covering: (a) formulation and performance evaluation of the Programme Support and Administrative Services Budgets; (b) budgetary implications of special programme activities; and (c) management studies. He has also suggested several ad hoc or periodic subjects that might be dealt with in the interim year report.

9. The views of the Council on the concepts presented, as well as such further guidance as it may wish to give on the scope of an Interim Year Administrative Budget Report, would be appreciated.

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