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P O L I C Y

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Revised budget estimates for 1986 and budget estimates for 1987

Trust funds established in 1985

Government contributions to local costs, 1985

Report of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Administrator on the revised budget estimates for 1986 and budget estimates for 1987 (DP/1986/58) and on trust funds established in 1985 (DP/1986/61 and Add.1). The Advisory Committee has also considered the report of the Administrator on Government contributions to local office costs in 1985 (DP/1986/59).

I. REVISED BUDGET ESTIMATES FOR 1986 AND BUDGET
ESTIMATES FOR 1987

2. As stated by the Administrator in his introduction, the Governing Council approved, by its decision 85/36, an appropriation for 1986 only. At the same time, the Governing Council requested the Administrator to submit a full biennial budget, consistent with its decision on the fourth cycle, at its thirty-third session in June 1986. Consequently, the Administrator's report (DP/1986/58) is more detailed than the normal mid-biennial budget submission, i.e., it contains both revised estimates for 1986 and new estimates for 1987 as shown in the separate tables in the annex to the report. These estimates have, in turn, been combined to provide revised estimates for 1986-1987 totalling \$333.9 million gross, or \$283.5 million net.

3. The Administrator's original proposals for 1986-1987 were submitted in document DP/1985/57 and Add.1. However, the appropriation of \$170,319,100 (gross) for 1986 embodied certain reductions to those proposals, as explained in paragraphs 7 to 9 of the Administrator's current report (DP/1986/58). Consequently, the 1986 appropriation figures and the 1986 staffing totals shown in document DP/1986/58 differ from the original proposals. As can be seen from annex table 2 (a), cost adjustments have been applied to the 1986 appropriation, resulting in the 1986 revised estimate of \$161,996,600.

4. The Advisory Committee notes that Governing Council decision 85/36 also affected the original 1987 estimates. In view of this, and as explained by the Administrator in paragraphs 26 and 27 of DP/1986/58, the original 1987 estimates have also been altered to arrive at a new starting point of \$176,520,400 as shown in annex table 2 (b). As can be seen from the same table, various adjustments and a volume change have been applied to this figure to arrive at the 1987 revised estimate of \$171,945,400.

5. The revised 1986 and 1987 totals are combined in annex table 2 (c) to arrive at the biennial estimate of \$333,942,000. Table 1 compares this estimate with the 1984-1985 final appropriation and the 1986-1987 initial estimates as contained in DP/1985/57 and Add.1. The table also compares the revised total with the constructed figure of \$346,839,500, since this is the figure used by the Administrator as the basis for his comparison with the revised 1986-1987 totals. The constructed figure comprises the 1986 actual appropriation and the 1987 altered starting estimate; however, it should be borne in mind that this total was never appropriated by the Governing Council.

6. As can be seen from table 1, the revised 1986-1987 estimate of \$333,942,000 is \$12,897,500 less than the constructed total of \$346,839,500. As shown in annex table 2 (c), this is a net decrease comprising a total cost decrease of \$18,918,200, offset by a volume increase of \$6,020,700. Of the total cost decrease, an amount of \$8,322,500 relates to 1986, as shown in annex table 2 (a); the balance of \$10,595,700 is in respect of 1987, as is the volume increase of \$6,020,700 (annex table 2 (b)).

Table 1. Comparison of gross appropriations and gross estimates: 1984-1985 and 1986-1987

(Thousands of US dollars)

	DP/1985/57 1984-1985 gross appropriations (Decision 85/35)	DP/1985/57 and Add.1 1986-1987 gross estimates	DP/1986/58 1986-1987 gross appropriations and estimates <u>a/</u> (Decision 86/36)	DP/1986/58 Revised 1986-1987 gross estimates
Resources of UNDP				
(i) UNDP core activities	278 528.6	306 204.4 <u>b/</u>	299 401.2	287 870.2
(ii) OPE	15 254.5	17 101.4	17 101.4	16 945.8
(iii) IAPSU	2 072.7	1 966.0	1 966.0	2 166.7
(iv) UNV	6 027.8	6 445.1	6 445.1	7 308.9
(v) UNSO-UNDP/UNEP joint venture (institutional support)	2 255.5	2 067.2	2 067.2	2 067.2
(vi) TCDC/INRES	632.5	736.4	736.4	739.6
(vii) CGIAR	900.0	900.0	900.0	900.0
(viii) Africa strengthening			4 768.0	2 480.0
Total UNDP	305 671.6	335 420.5	333 385.3	320 478.4
Resources of United Nations Capital Development Fund	5 595.6	6 192.9	6 192.9	6 196.5
United Nations Revolving Fund for Natural Resources Exploration	3 199.6	3 124.3	3 124.3	3 034.2
United Nations Sudano-Sahelian Office	4 085.4	4 137.0	4 137.0	4 232.9
Total appropriation	318 552.2	348 874.7	346 839.5	333 942.0

a/ Based on decision 85/36, projected into 1987 also. See paragraph 26 of DP/1986/58.

b/ Incorporates co-ordinating and emergency elements of the Africa strengthening package in the core budget. This was subsequently treated as a reimbursable subvention, with a separate appropriation line under UNDP resource.

7. The Administrator discusses the cost decreases for the biennium and the 1987 volume increase in paragraph 28 (a) to (e) of his report. The factors comprising the net decrease are summarized below.

<u>Resources of UNDP</u>	\$
1986 approved appropriation and 1987 altered estimate <u>a/</u>	346 839 500
Volume increase	6 020 700
Cost adjustment decrease	(1 991 100)
Currency adjustment decrease	(2 740 200)
Inflation adjustment decrease	<u>(14 186 900)</u>
Revised 1986-1987 estimate	333 942 000

a/ Based on decision 85/36 projected into 1987.

8. As indicated by the Administrator in paragraph 28 (a), the volume increase of \$6,020,700 results from the implementation of Governing Council decision 85/16 concerning the fourth cycle. As explained in paragraphs 10 to 12 of document DP/1986/58, the Administrator had originally proposed that countries with a per capita GNP in excess of \$3,000 should finance the field office by extrabudgetary contributions except for the costs of the Resident Representative. The related costs (except for those of the Resident Representative) are therefore shown as extrabudgetary in DP/1985/57. As a consequence of Governing Council decision 85/16, however, it has been necessary to reinstate the cost of those field offices into the core budget, with the reimbursement paid by the host Government to be shown as income. However, since the Governing Council also decided that the costs of the Deputy Resident Representatives, in addition to those of the Resident Representatives, should be borne by the core budget, the income resulting from the local office costs contributions is less than the amount of expenditure which has been reinstated into the core budget. Consequently, as stated in paragraph 12, the net cost of the reinstatement is \$0.8 million.

9. The Administrator discusses the currency release of \$2.7 million and the inflation release of \$14.2 million in paragraphs 28 (c) and (d) respectively.

10. As explained in paragraph 28 (b), the bulk of the decrease of \$1,991,100 under various cost adjustments is attributable to the reduced resources required for the reimbursable subvention related to the Africa strengthening package. In this connection, the Advisory Committee recalls that in his report DP/1985/57, the Administrator indicated that a number of posts for aid co-ordination and the emergency element of the Africa strengthening package, both at headquarters and in

the field, would be financed from extrabudgetary resources to the extent possible. Because of a shortfall in extrabudgetary contributions, the Administrator subsequently proposed moving those posts to the regular budget category; however, upon recommendation of the Advisory Committee (DP/1985/56, para. 40), it was decided that the posts should remain extrabudgetary with any shortfall in contributions being made up by a reimbursable subvention.

11. The reduction in resources for the subvention is due primarily to decreased expenditure estimates, as can be seen from the table following paragraph 29 of the Administrator's report. As noted in footnote (f) to that table, the reduced expenditure estimate of \$5,464,000 "incorporates the reduction of two Professional and two General Service posts in headquarters, as a result of the Office of Emergency Operations in Africa (OEOA) contraction, as well as further adjustment to the phased recruitment of posts". In this connection, representatives of the Administrator informed the Committee that it is the phased recruitment of posts which accounts for the bulk (some \$1.8 million) of the reduction.

12. The Advisory Committee notes that the planned contraction of the OEOA, resulting in the decrease of the four extrabudgetary posts mentioned above, will take effect 1 July 1986. The Committee also notes the Administrator's statement in paragraph 19 that the Office is expected to be phased out entirely by the end of 1986. In response to inquiries, the Advisory Committee was informed that the costs of three Professional and three General Service posts in the OEOA are covered by the subvention; as mentioned above, four of these posts are being abolished as of 1 July 1986 with a corresponding decrease in requirements for the subvention. According to representatives of the Administrator, even if the Office closes completely by the end of 1986, it is assumed that there would be a residual function in 1987 relating to the remaining Professional and General Service posts covered by the subvention. Consequently, a further adjustment to the subvention estimate resulting from the OEOA closure is not anticipated.

13. The Administrator discusses other changes to the Africa strengthening package in paragraphs 15 to 21; in particular, he notes that it has been necessary to "strengthen UNDP's emergency support services in both the Sudan and Ethiopia, by redeploying posts within the overall resource level approved last year for this purpose" (para. 17). In addition, the posts of resident representative/resident co-ordinator in these two countries have been temporarily reclassified to the Assistant Secretary-General level, and the incumbents have been accorded special post allowances to this grade on a strictly temporary basis. The Advisory Committee cautions against requests for ex post facto approval of post reclassification. Furthermore, in keeping with the Administrator's statement of the "strictly temporary" arrangements, the Advisory Committee expects that the upgradings will not last beyond the end of the current biennium.

14. In paragraph 21, the Administrator discusses the aid co-ordination element of the Africa strengthening package. As mentioned in paragraph 10 above, the Administrator had originally intended that these posts be financed from extrabudgetary sources. In his current report, the Administrator states that he "has always maintained that this [aid co-ordination] should constitute a longer-term reinforcement of UNDP's capacity to support aid co-ordination efforts in Africa" (para. 21). He therefore intends "to seek inclusion of this element in the core budget for the 1988-1989 biennium".

15. As mentioned in paragraphs 22 and 23 of DP/1986/58, the Administrator also intends to include in the 1988-1989 budget submission his recommendations regarding the strengthening of the UNDP Central Evaluation Office and the Special Unit for Technical Co-operation among Developing Countries.

Staffing

16. Annex table 4 of the Administrator's report breaks down the 1986-1987 staffing requirements for both core and non-core activities. As shown in annex table 4B, the number of non-core posts proposed for 1987 is the same (235) as the approved 1986 level. For UNDP core activities, the Administrator is proposing 4,297 posts in 1987, a net reduction of 34 posts from the 1986 level of 4,331 as shown in annex table 4A (3).

17. Four of these 34 posts are extrabudgetary (one D-2, one P-5 and two General Service) as can be seen from annex table 4A.1, which shows the staffing requirements for UNDP core activities at headquarters. This reduction relates to the planned contraction of the OEQA, discussed in paragraphs 11-12 above.

18. The remaining 30 posts relate to changes in the number of established and temporary (budgetary) field posts for UNDP core activities as shown in annex table 4A.2. In this connection, the Advisory Committee notes that although the staffing totals reflect a net reduction of 30 posts, the number of established posts shows an increase of 23 posts, offset by a reduction of 53 temporary posts.

19. In response to inquiries, the Advisory Committee was informed that a total of 32 established posts (3 Professional, 3 National Officer and 26 local level) would be abolished in 1987 in view of proposed office closures in Greece, Romania and Yugoslavia (see para. 21 below). This reduction would be offset by the addition of two posts (one Professional and one local staff) at Geneva to compensate for the office closures, and by the conversion to an established basis of 53 temporary budgetary posts (9 Professional, 30 National Officer and 14 local staff) relating to the Africa strengthening package. These changes can be summarized as follows:

Table 2. UNDP core field staff

	<u>Established posts</u>				<u>Temporary posts (budgetary)</u>				<u>Grand Total</u>
	<u>Professional and international staff</u>	<u>National Officer</u>	<u>Local staff</u>	<u>Total</u>	<u>Professional and international staff</u>	<u>National Officer</u>	<u>Local staff</u>	<u>Total</u>	
<u>1986 Level</u>	465	174	2 660	3 299	9	42	67	118	3 417
Closure field offices	(3)	(3)	(26)	(32)	-	-	-	-	(32)
Geneva office addition	1	-	1	2					2
Conversion to established (Africa strengthening package)	9	30	14	53	(9)	(30)	(14)	(53)	-
<u>1987 Revised Total</u>	472	201	2 649	3 322	-	12	53	65	3 387

20. With regard to the conversion of 53 temporary posts to an established basis, the Committee recalls that as a part of his Africa strengthening package contained in DP/1985/57, the Administrator had proposed a number of temporary posts for 1986 which would be released when established posts became available from office closures and reimbursable indicative planning figure (RIPF) countries. Representatives of the Administrator informed the Committee that although the RIPF proposal had not been approved, the Governing Council had approved an African strengthening package; consequently, the Administrator had established the temporary posts in question. Because it remained his intention that these should be established posts, his present submission contains the above-mentioned conversions, which represent an increase of 23 over the net reduction of posts released by office closures. The Advisory Committee has no objection to these conversions.

21. As mentioned above, the Administrator's estimates incorporate reductions which would result from the closure of field offices in Yugoslavia, Romania and Greece. However, as indicated in paragraph 24 of DP/1986/58, the Administrator intends to report to the Governing Council on the outcome of his consultations concerning the closure of the offices in Yugoslavia and Romania. Should the Council decide that these offices are to remain open, an appropriate adjustment to both the estimates and staffing tables would have to be made.

Income

22. As can be seen from annex table 3, income for the biennium for the budget as a whole has been estimated at \$50,446,100, thus giving rise to a net estimate of \$283,495,900. Of the total income, \$29.5 million is expected to be generated from host Government contributions in cash, as shown in annex table 3. This represents a net increase of \$1.5 million over the corresponding estimate of \$28.0 million set forth in DP/1985/57, comprising a decrease of \$2.0 million in the 1986 estimates and a net increase of \$3.5 million in the 1987 estimate.

23. The Advisory Committee was informed that the decrease of \$2.0 million in the 1986 estimate was due to the first application of the "accounting linkage" between Government contributions to local office costs and voluntary programme costs (see para. 26 below). A similar decrease figured in the calculation of the 1987 estimate; however, it was more than offset by the estimated income from the reinstatement of the RIPF field offices and the estimated income arising from the implementation of Governing Council decision 85/16 on the fourth programming cycle.

24. Taking into account its observations in the paragraphs above, the Advisory Committee recommends that the Governing Council adopt a revised 1986-1987 biennial budget in an amount of \$333,942,000 gross, with income estimated at \$50,446,100, for a net amount of \$283,495,900.

II. TRUST FUNDS

25. The report on trust funds established by the Administrator in 1985 (DP/1986/61 and Add. 1) was submitted to the Advisory Committee pursuant to UNDP Financial Regulation 5.1. A description of each trust fund is provided in part I, while annex I summarizes financial and other information for all of the funds. As noted in paragraph 3 of the Administrator's report, annex II "provides detailed information concerning individual projects financed by the USSR/UNDP Trust Fund for Training in the USSR of Specialists from Developing Countries, which was established in 1982, and the Bulgaria/UNDP Trust Fund for the Training in Bulgaria of Specialists from Developing Countries, which was established in 1984". In response to the Governing Council's request in its decision 85/37, the Administrator has, in addendum 1, provided summary information on trust funds established by him since 1981 which are still financially active.

III. GOVERNMENT CONTRIBUTIONS TO LOCAL COSTS, 1985

26. Pursuant to Governing Council decision 84/9, the Administrator has submitted a report (DP/1986/59) on Government contributions to local office costs during 1985, including information on actual contributions and the impact of applying an accounting linkage of voluntary contributions, contributions to voluntary programme costs, and contributions to local office costs. This information is provided by country in the annex to the report. The total global shortfall, as stated in paragraph 4, amounts to \$2.3 million, after account has been taken of actual contributions received in 1985 and the accounting linkage. As pointed out in paragraph 23 above, the Administrator has used this experience in formulating his income estimates for 1986-1987.
