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OPERATIONAL ACTIVITIES FOR DEVELOPMENT

Budget estimates for the administrative and programme support services of the United Nations Development Programme for the year 1973

Report of the Advisory Committee on Administrative and Budgetary Questions to the General Assembly at its twenty-seventh session

A. Introduction

1. In accordance with rule 111.6 of the Financial Regulations and Rules of the United Nations Development Programme (DP/2/Rev.1), the Advisory Committee on Administrative and Budgetary Questions presents herewith to the Governing Council its observations on the Administrator's 1973 budget estimates for the administrative and programme support services of UNDP (DP/L.228 and Corr.1). In its review of the estimates, the Committee had the benefit of a discussion with the Administrator of the Programme and some of his senior colleagues.
2. On a net basis, the estimates amount to \$36 755 500, compared with the 1972 appropriation of \$33 452 400 approved by the Governing Council last February. The increase is \$3 303 100, or about 9.9 per cent. However, when it approved the appropriation for 1972, the Council asked the Administrator to report to it at its fourteenth session on savings which he envisaged; that report is now available (DP/L.229), and it shows that the Administrator expects net savings in 1972 of nearly \$190 000. If the 1973 estimates are compared with the reduced requirements now expected for 1972, the increase is \$3 492 700, or about 10.5 per cent.
3. In his introduction to the estimates (DP/L.228 and Corr.1, part I), the Administrator indicated his intention to review the estimates in October-November 1972 in the light of (a) the best judgement at that time as to the resources needed in 1973, (b) the results of the annual UNDP pledging conference,

* A/8700.

and, (c) the comprehensive review of the headquarters structure which the Governing Council is to undertake at its fourteenth session. ^{1/} Thus the estimates as submitted at this stage are somewhat provisional and may be modified before the end of this year.

4. The Administrator estimated that about half the increase in the estimates for 1973 - compared with the appropriation for 1972 - is due to rises in salaries and wages, post adjustments, and the costs of supplies and services; he attributed the other half to an increase in the capacity of the administrative and programme support services of UNDP. However, the additional cost of paying in 1973 the full-year cost of new staff whose salaries were budgeted for only six months in 1972 is in the nature of an extra manpower resource rather than a cost increase; on that basis, the additional net resources available to the Administrator in 1973 total about \$2.16 million, or slightly less than 6.5 per cent of the approved 1972 budget.

5. Three major proposals were reflected in the estimates:

(a) A marked strengthening of the immediate office of the Administrator, including the creation of a second post of Deputy Administrator;

(b) The merger in a single bureau (the Bureau for Programme Policy and Co-ordination) of the functions previously entrusted to the Bureau for Policy Planning and several of those previously entrusted to the Bureau for Programme Co-ordination;

(c) The further strengthening of UNDP's field offices, in line with a programme initiated in 1971 which reflects the heavier responsibilities placed on the field offices in accordance with the Governing Council's consensus of 1970.

6. These and other aspects of the estimates are discussed in more detail in sections C to F below.

B. Presentation of the estimates

7. In accordance with the wishes of the Governing Council, the format of the estimates is basically the same as that used for the estimates for 1972. ^{2/} The Advisory Committee had hoped that greater effort might have been made to reduce the length of the document and, in particular, to eliminate repetition. One practice which the Committee found disconcerting was that of repeating certain tables in slightly different forms. Thus, the figures for section 1 included in

^{1/} For the Administrator's reasons for proposing that such a review be postponed until the Council's fifteenth session, see DP/L.228, paragraph 8.

^{2/} For the Advisory Committee's comments on that format, see A/8643, paras. 7-14.

table II-2 are similar to those in the table presented in paragraph 32, but the breakdown of the first two items is different, and the three columns of figures - representing 1971 expenditures, 1972 appropriations and 1973 estimates - are given in reverse order. The Committee suggests that such inconsistencies be corrected.

C. General observations on the budget estimates

8. It is not possible at this time to evaluate definitively the requirements of UNDP for its administrative and programme support services in 1973 because the estimates are subject to revision late in 1972 (see paragraph 3 above). The Advisory Committee points out that, in the new time-table for presentation and consideration of the budget estimates (which appears in the Financial Rules and Regulations of UNDP), 3/ revised estimates of the kind proposed this year are not envisaged. The need for careful forecasting and projection of needs was implicit in the Governing Council's decision to review, at its June session, the estimates for the next calendar year. The submission of later, revised estimates would largely nullify the advantages that the new time-table was intended to ensure, besides complicating unnecessarily the budget-review process.

9. For the above reasons, the Advisory Committee considers that the desire to have a "closer-range" look at prospects for the coming year should not normally justify the issuance of revised estimates after the initial estimates have already been considered by the Advisory Committee and approved by the Governing Council. The Advisory Committee would certainly have serious reservations were the submission of revised estimates to become a regular practice. The Committee recognizes, however, that special considerations apply this year and that the new Administrator should be allowed a reasonable time in which to review the structure of the organization and formulate his proposals.

10. In its review of the estimates for 1973 as presented at this time, the Advisory Committee bore in mind the recommendation of the Governing Council that, as a general rule, the rate of growth in the administrative and programme support services budget of UNDP should be below, or at most equal to, the average annual increase in contributions during the period 1972-1976. The latter rate cannot be predicted with any certainty, but the Council assumed a minimal annual increase in contributions of 9.6 per cent. In fact, the increase in the contributions pledged for 1971 (\$239.3 million) over those pledged for 1970 (\$225.6 million) amounted to about 6 per cent; the comparative increase in the administrative and programme support budget was nearly 20 per cent. 4/ Contributions pledged for 1972 (\$268.0 million) exceeded those pledged for 1971 by 11.5 per cent; the comparative increase in the administrative and programme support budget was of the order of 17.5 per cent. 5/ Thus in recent years - at a time admittedly when

3/ Rule III.9.

4/ Based on actual expenses in 1970 and 1971.

5/ Actual expenses in 1971; expected out-turn in 1972 (see DP/L.229).

UNDP was reorganizing and re-equipping itself in line with the Governing Council's consensus - the budget has been growing much faster than the Council had envisaged. The Advisory Committee trusts that, in line with the Council's wish, the increase in administrative and support costs in future years will be more consistent with the increase in contributions from Governments.

11. The Administrator called attention to another percentage in paragraph 18 of the introduction to his estimates (DP/L.228 and Corr.1). Unlike those discussed above, 6/ this percentage does not measure growth, but rather the size of the administrative and programme support budget in relation to total new UNDP resources available each year. As the Administrator noted, he has in the past indicated that the administrative and programme support budget might be envisaged at about 10 to 12 per cent of total UNDP resources available each year. In 1972, that percentage will be about 11.3 per cent, 7/ which is towards the upper end of the range suggested by the Administrator. In 1973, based on current expectations, it is likely to be still higher - around 11.6 per cent. 8/ The Advisory Committee believes that both the Governing Council and the Administrator will agree on the desirability of reducing this percentage.

12. The budget estimates for 1973 should be considered in conjunction with budgetary expenditure in 1971 and the expected out-turn in 1972. For 1971, the Governing Council originally approved an appropriation of \$29.5 million, but asked the Administrator to report on savings he had made, or expected to make, in that year. The Administrator reported that he envisaged savings of about \$715 000 (in staff costs, temporary assistance and consultants), and the budget was accordingly revised downward to \$28 785 000. In fact, expenditures were almost \$0.5 million less than that figure, mainly as a result of further savings of \$852 250 on salaries and wages. A somewhat similar pattern seems to be emerging in 1972. The Administrator will report separately to the Governing Council at its fourteenth session (DP/L.229) that he hopes to achieve savings aggregating \$654 400, mostly in staff costs. Those savings would be offset by additional costs not foreseen when the budget was drawn up, but, even taking those expenses into account, the expected surplus for 1972 would be in the neighbourhood of \$190 000. The Advisory Committee deals in more detail with the outlook for 1972 in section E below.

6/ And in paragraphs 17 and 19 of the introduction to the estimates (DP/L.228 and Corr.1, part I).

7/ Total new resources available, \$294.5 million; expected 1972 expenditure for administrative and programme support services, \$33.26 million.

8/ Estimated total resources available, \$315 to \$320 million; administrative and programme support budget, \$36.75 million.

D. Organizational proposals

13. The Bureau for Programme Co-ordination and the Bureau for Policy Planning, most functions of which would be merged in a new bureau (the Bureau for Programme Policy and Co-ordination), were set up in the first half of 1971; their establishment was in line with proposals of the administration which the Governing Council approved at its eleventh session. The Advisory Committee notes that the Administrator has decided to proceed with this merger without awaiting the broader review of the headquarters operations of UNDP referred to in paragraphs 3 and 8 above. Taken in isolation, it is not easy to grasp the implications of the merger. The Advisory Committee trusts therefore that, when reporting to the Council at its fifteenth session, the Administrator will enlarge on the reasons for the merger, which involves a modification of the headquarters structure agreed by the Council at its 262nd meeting when it considered the future organization, methods and general procedures of UNDP. 9/

14. The Administrator informed the Advisory Committee that his decision to request a second post of Deputy Administrator reflects his view that, with the growth in the activities of UNDP, the Administrator requires one high-level colleague to deal with ongoing, day-to-day administration of the Programme, such as personnel, financial and budgetary matters, and general services, and another to supervise country and other programmes at all stages, including their follow-up, and over-all programme co-ordination. Should this proposal be implemented, the top echelon of UNDP would consist of the Administrator, two Deputy Administrators, and six Assistant Administrators. The immediate office of the Administrator, which formerly included two top posts (those of Administrator and Deputy Administrator) would henceforth include four, the additions being the second Deputy Administrator post and one post of Assistant Administrator transferred from the Bureau for Programme Policy and Co-ordination (which, as such, would disappear).

15. The Advisory Committee prefers not to express its views on the above proposals of the Administrator before his proposals on the headquarters structure in general become available. Given that the estimates for 1973 are to be reviewed by the Governing Council at its fifteenth session early in 1973, consideration of the proposals might with advantage be deferred until that session. This is particularly true in the case of the Assistant Administrator transferred from the Bureau for Programme Policy and Co-ordination as the Advisory Committee understands that the new functions attaching to that post have not yet been defined.

9/ Official Records of the Economic and Social Council, Fifty-first Session, Supplement No. 6 (E/4954 and Corr.1), paragraph 52.

E. Staffing proposals

16. Staff costs are provided for in sections 1 and 2 of the budget (Salaries and wages, and Common staff costs), which between them account for 82 per cent of the gross total. The changes proposed for 1973 are as follows: 10/

I. At headquarters:

(a) The addition of two Professional and three General Service posts. Only three offices would be affected: the immediate office of the Administrator would acquire, in addition to a second Deputy Administrator and an Assistant Administrator (see paragraph 14 above), one P-5 and one P-4 post, and three additional General Service posts; the Development Support Information Service would acquire an additional General Service post; and, finally, the new Bureau for Programme Policy and Co-ordination would on a net basis gain one P-5 post in exchange for one P-4 and one General Service post.

II. In the field:

(b) The addition of 40 posts at the Professional and higher levels, 12 at the General Service level and 139 at the local level in order to strengthen the field offices;

(c) The take-over by UNDP of 20 local staff in the field attached to the corps of 58 agricultural advisers, two-thirds of whose expenses are met by UNDP and the balance by the Food and Agriculture Organization of the United Nations;

(d) The appointment of four additional industrial development field advisers (bringing their number to 30) and of 16 related staff (mostly at the field local level).

17. Thus the total of new posts proposed at all levels would amount to 237, 11/ distributed as follows:

	<u>1972</u> <u>establishment</u>	<u>Proposed 1973</u> <u>establishment</u>	<u>New</u> <u>posts</u>
I. <u>Headquarters</u>			
Professional and above	237	240	3
General Service	339	342	3
Total (headquarters) . .	<u>576</u>	<u>582</u>	<u>6</u>

10/ The proposed appointment of a second Deputy Administrator is dealt with in section D above.

11/ Including the proposed second post of Deputy Administrator.

	<u>1972 establishment</u>	<u>Proposed 1973 establishment</u>	<u>New posts</u>
II. <u>Field</u>			
(a) <u>UNDP proper</u>			
Professional and above	380	420	40
General Service international	130	142	12
Professional local . .	74	77	3
Other local	2,097	2,233	136
Subtotal. .	<u>2,681</u>	<u>2,872</u>	<u>191</u>
(b) <u>Agricultural advisers</u>			
Professional and above	58	58	-
General Service international	5	5	-
Local	116	136	20
Subtotal. .	<u>179</u>	<u>199</u>	<u>20</u>
(c) <u>Industrial advisers</u>			
Professional and above	26	30	4
General Service international	-	1	1
Local	44	59	15
Subtotal. .	70	90	20
Total (field) .	<u>2,930</u>	<u>3,161</u>	<u>231</u>
GRAND TOTAL. .	<u>3,506</u>	<u>3,743</u>	<u>237</u>

18. According to paragraph 15 (a) of his introduction to the estimates (DP/L.228 and Corr.1), the Administrator may wish later in 1972 to amend his staffing proposals for headquarters in the light of his review of organizational arrangements. The Advisory Committee was informed that he had begun a study of the staff needs of UNDP, one aspect of which is the optimum use of staff within the various offices at headquarters. It believes that such a study could point the way to staff economies at headquarters if and when the staffing requirements for 1973 are reviewed later in the current year.

19. In the light of expenditure in 1971 and the Administrator's expectations for 1972 (see para. 12 above), the Advisory Committee inquired into the vacancy situation in UNDP. It was informed that, at 5 May 1972, vacant posts at the Professional and higher levels for which no recruitment action had been taken amounted to 17 at headquarters and 32 in the field (including the sectoral advisers in agriculture and industry), a total of 49. However, there were a further 44 vacant posts for which candidates had been selected but had not taken up duties. Thus the effective total of vacancies amounted to 93. This represents about 13 per cent of the total establishment at the Professional and higher levels (701 posts); the Advisory Committee was informed that such a relatively high figure was largely due to the Administrator's deliberate policy of delaying recruitment for some new and existing vacant posts pending his review of existing staff. The Advisory Committee has observed, however, that at times of expansion and adaptation, such as UNDP has been passing through since the Governing Council adopted its consensus, organizations tend to make over-optimistic assumptions about their ability to recruit quickly the relatively large number of new staff required. Indeed, the Committee was informed that there were unexpected delays in recruiting staff in 1971 - with resultant budgetary savings - and that similar delays might recur in 1972. Moreover, the Administrator informed the Advisory Committee that he hopes to improve the over-all quality and performance of the UNDP staff and that he intends to bear that objective very much in mind when making new appointments. This is a welcome move, but it may well take longer to find and to recruit the top-quality staff that the Administrator has in mind. Given these considerations, the Advisory Committee believes that some savings on staff costs may be expected during 1973.

20. The Administrator has requested an increase from \$360 000 (the 1972 figure) to \$368 000 in the provision for consultants under chapter III of section 1. The Advisory Committee believes that careful control should be exercised over this category of expenditure and it is not fully satisfied that the schedule proposed reflects clearly established needs. It also believes that UNDP might need fewer consultants of its own were it to make the greatest possible use of the expertise available within the United Nations system. The Committee is pleased to note from paragraph 27 of the introduction to the estimates that the Administrator intends to phase out continuing, full-time consultants and to limit the engagement of consultants to periods "for which their services are demonstrably in need"; however, it would have expected that such a policy would lead to economies. The provision required under this chapter may be affected by the outcome of the Administrator's intended review of the functioning of the Advisory Panel on Programme Policy, for which \$68 000 is provided in the estimates.

21. Proposed expenditure on chapter IV of section 1 (Temporary assistance) shows a small drop - from \$185 700 in 1972 to \$183 000. While the provision for the field offices is increased, the Advisory Committee notes that the Administrator has reduced his request for headquarters from \$65 000 to \$50 000; this reflects savings realized in 1971 and expected in 1972 under this chapter (see DP/L.229, para. 11).

22. As noted in the introduction to the estimates, the Administrator has proposed a sharp increase in 1973 in expenditure on staff training and welfare (chapter XI of section 2) - from \$70 000 (the 1972 appropriation) to \$200 000. The Advisory Committee agrees with the Administrator's assessment that in the past insufficient attention has been given to improving the capacity and output of the staff. Nevertheless, it trusts that the expanded training programme in UNDP will be carefully worked out and that it will fully take into account the related developments currently taking place in other parts of the United Nations system. As for the proposed appropriation for 1973, the Advisory Committee finds it difficult to express an opinion in the absence of more specific information than appears in the budget as to how the funds would be used. It suggests, however, that it might be prudent to expand the training programme more gradually than the budget figures would suggest, so that such modifications as experience might dictate can be made with a minimum of disruption. One factor to be borne in mind is that any decision by UNDP to participate in financing the proposed United Nations Staff College might well call for a review of other requirements in 1973 for staff training.

F. Other budgetary provisions

23. Estimated expenditure in 1973 for travel and transportation (section 3) amounts to \$1 900 600, which is about \$206 000 more than the appropriation for 1972 and \$484 000 more than actual requirements in 1971. The bulk of the increase related to the field offices, which account for about 75 per cent of the total request; as in the 1972 budget, provision is made for four regional meetings of resident representatives rather than one global meeting. With respect to local travel by resident representatives, which shows a substantial increase, the Administrator informed the Committee that he considers it essential that those officials and their staff have sufficient mobility to oversee effectively progress on projects in the country or countries for which they are responsible. The Advisory Committee would have liked to have seen the increase in the field travel budget offset by reductions at headquarters, especially for travel on official business. One estimate which the Committee believes has been overstated is that for home leave travel. Although \$623 800 was appropriated in 1971, actual expenditure was only \$517 464, mainly due to the non-exercise or deferral of entitlements, better co-ordination of home leave and other travel, and changes in the duty stations of staff members. On the basis of the 1971 experience, the Advisory Committee believes that the estimate of \$748 000 for 1973 is unlikely to be required in full, especially if advantage is taken of all opportunities to combine home leave and other travel.

24. Section 4 of the budget provides for permanent equipment. In response to inquiries, the Advisory Committee was informed that the amount estimated for replacements takes into account the expected proceeds from the sale of used equipment (mainly vehicles). At the beginning of 1972, UNDP had 410 vehicles in its field offices, excluding vehicles attached to specific projects; an amount of some \$60 000 was provided in the 1972 budget for the purchase of additional vehicles and the 1973 estimates provide a further \$90 000 for this purpose. The Advisory Committee suggests that a review of the use of vehicles in the field might lead to savings under this chapter.

25. Under section 5 (Other general expenses), the Advisory Committee was particularly concerned about three items: the continued high rate of expenditure on communications; the steep rise in the estimate for contractual printing; and the estimate for hospitality expenses.

26. The budget tends to give an incomplete picture of expenditure on communications, as that word is applied to what are principally cable costs; telephone services and air pouch expenses are budgeted under separate chapters. If all those categories of communications expenditure are added together, the total for 1973 comes to \$685 000; in 1971, actual expenditure was even higher (\$733 201), since in all three categories the appropriations were exceeded. The Advisory Committee was encouraged to learn that UNDP is studying proposals which might help reduce communications costs, especially those for cables; it also believes, however, that there is room for cutting down the volume of cable traffic between UNDP headquarters and other points (more than 3.5 million words in 1973), rather than automatically increasing it each year.

27. Expenditure in 1973 on contractual printing is estimated at \$192 000, which is \$37 000 more than the appropriation for 1972 and more than four times actual expenses in 1971. The Committee noted that, in 1971, less than half of the appropriation of \$90 000 was spent, as some printing projects were not carried out and others were modified. On that basis, and even supposing that the allocation for country programme documents is inadequate (see DP/L.229, paras. 35 and 36), it seems unlikely that the full amount requested for 1973, which is mainly earmarked for public information material, will be needed.

28. The Administrator estimates that, in 1972, about \$30 000 will be saved on hospitality expenses in the field by sharply reducing expenditure of this type in connexion with United Nations Day (DP/L.229, para. 29). Similar savings arose in 1971; in order to reflect the situation, some reduction is called for in the estimate for the coming year (DP/L.228 and Corr.1, para. 139 (a)).

29. In section 6 of the UNDP administrative and programme support budget, provision is made for subventions in the amount of \$709 700, including \$322 400 for the UNDP share (20 per cent) of the estimated operating costs for 1973 of the International Computing Centre in Geneva. The Administrator informed the Advisory Committee that he was pleased with the progress being made by the Centre in taking over UNDP's computer work, which had made it possible to reduce significantly the volume of work being done in New York. However, he regretted

that the three partners in the Centre - the United Nations, the World Health Organization and UNDP - were obliged to continue to finance more than 90 per cent of its operating budget because the use of the Centre by other United Nations agencies for large computer jobs had been disappointing. Another matter which seems to be causing concern is the time taken to transmit data between New York and Geneva by pouch. The Advisory Committee understands that UNDP and the United Nations are considering leasing a cable between New York and Geneva for their telecommunication needs; assuming that such a direct link can be acquired at reasonable cost, its value would be very much enhanced were it to be of a type capable of handling the transmission of computer data.

30. Section 7 of the administrative and programme support budget (Estimated income) makes no provision for the income deriving from refunds of contributions made to the United Nations Joint Staff Pension Fund for staff who leave the service of UNDP after fewer than five years' service. In fact, such refunds amounted to about \$78 000 in 1971. The Advisory Committee recommends that such income be treated henceforth as a reduction to the expenditure estimates, rather than credited directly to over-all UNDP resources.

31. According to the estimates for 1973, the requirements of the United Nations Volunteers programme, which appear under a number of sections of the budget, will be of the same order in 1973 as in the current year; no change is proposed in the manning table. When it was considering the UNDP administrative and programme support budget for 1972, the Advisory Committee was informed that the contractual arrangements entered into with the International Secretariat for Volunteer Service and the Co-ordinating Committee for International Voluntary Service to recruit and screen volunteers would be kept under review. The Committee trusts that, before renewing the contracts the Administrator will consider whether this work might now with advantage be handled directly by United Nations Volunteers.

32. In paragraph 189 of the estimates, the Administrator discusses the role of certain resident representatives of UNDP as directors of United Nations information centres; the Advisory Committee questions whether this paragraph is consistent with the wishes of the General Assembly, as expressed in paragraph 8 of its resolution 2897 (XXVI) of 22 December 1971.

G. Conclusions of the Advisory Committee

33. In the preceding sections - and more specifically in paragraphs 19, 20, 22-24, 26-28 and 30 - the Advisory Committee has pointed to areas where some economies may reasonably be expected in 1973, on the basis of the budget estimates as presented at this time. The Committee believes that such economies could on a conservative basis amount to \$500 000, of which at least half might be directly attributable to savings on salaries and wages. The Committee suggests, therefore, that the Governing Council may wish to consider reducing the net budget estimate by that amount, subject to such smaller or larger reductions as might be called for in the light of the additional proposals which the Administrator intends to formulate in the course of this year for submission to the Council at its fifteenth

session. In making the above suggestion, the Committee has borne in mind that reductions in the administrative costs of UNDP leave more resources available for direct programme assistance to developing countries.

34. During the Advisory Committee's discussion of the estimates with the Administrator and his colleagues, it was struck by the growing complexity of the task of administering UNDP, especially since the decentralization to the field of certain key functions in the wake of the recommendations set forth in the report entitled A Study of the Capacity of the United Nations Development System. ^{12/} The Committee believes that the time has come to consider the development within UNDP of a coherent system of control, inspection and evaluation in the administrative and financial area, with particular emphasis on activities in the field offices, which now number over 100 in widely dispersed parts of the world

^{12/} United Nations publication, Sales No.: 70.I.10.