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PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1988-1989\*

Introduction

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\* The programme budget as approved by the General Assembly will be issued in its entirety as Official Records of the General Assembly, Forty-second Session, Supplement No. 6 (A/42/6/Rev.1).

## INTRODUCTION

### A. A transitional proposed programme budget

1. This eighth proposed biennial programme budget of the United Nations was prepared during a period marked both by threats to the financial viability of the Organization and by a reassessment of its role and activities. At the time of its presentation to reviewing bodies, in mid-1987, the financial situation was still precarious and implementation of reforms intended to enhance the efficiency and the strength of the Organization was just getting under way. In order to respect the regulations and rules, including the deadline for presentation of the proposed programme budget to the Committee for Programme and Co-ordination and the Advisory Committee on Administrative and Budgetary Questions, instructions had to be given to offices and departments before the General Assembly had completed its consideration of the report of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations. These instructions, therefore, had to bear those considerations in mind. Programme managers were essentially requested to use the 1986-1987 programme budget as a base-line and a yardstick for future activities and required resources. The medium-term plan for the period 1984-1989 <sup>1/</sup> was used to determine the content of the programme budget, and offices and departments were asked to elaborate programme elements within the structure of subprogrammes of this medium-term plan while giving thought at the same time to the programmes that will be needed in the 1990s. In carrying out the measures foreseen in General Assembly resolution 41/213 on the review of the efficiency of the administrative and financial functioning of the United Nations, a period of time will be required before they are translated into definitive programmatic and budgetary changes. In particular, the results of the study on the structure and functioning of the intergovernmental machinery in the economic and social fields, entrusted to the Economic and Social Council, will not be available before the forty-third session of the General Assembly, in 1988.

2. Under such circumstances, the Secretary-General is proposing essentially a transitional programme budget. Six main features of this proposed programme budget need to be emphasized:

(a) The proposed programme budget is based on and reflects the organizational structures of the Secretariat as they were at the end of 1986. In response to the financial crisis and in line with the spirit and provisions of resolution 41/213, the Secretary-General has initiated or planned a number of organizational changes during the first part of 1987. These do not appear in the proposed programme budget because, in most cases, their precise implications in terms of programmes and resources could not be elaborated in time for incorporation in the fascicles. To reflect in these only some aspects of some of the organizational decisions taken by the Secretary-General would have, at this stage, destroyed the coherence of the proposed programme budget. Incorporation of the results of structural changes in the Secretariat in the programme budget for 1988-1989 will be accomplished progressively as mentioned below in paragraph 3;

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<sup>1/</sup> Official Records of the General Assembly, Thirty-seventh Session, Supplement No. 6 (A/37/6 and Corr.1) and Supplements No. 6A (A/37/6/Add.1) and ibid., Supplement No. 6B (A/37/6/Add.2).

(b) This proposed programme budget reflects a virtually unchanged number, level and distribution of posts within the Secretariat. In each section outlining proposed activities and related resources, all existing posts - even if vacant - appear. No proposals are made for the suppression, creation or upgrading of posts. The costing of these posts, however, is based on the assumption that their total number will be considerably reduced at the end of 1989. Accordingly, turnover rates - or vacancy rates - of 12.5 per cent for the Professional category and above and 7.5 per cent for the General Service and related categories were applied for this costing of posts. The General Assembly stated the following:

"The percentages referred to in recommendation 15 [the overall number of regular budget posts should be reduced by 15 per cent within a period of three years; the number of regular budget posts at the level of Under-Secretary-General and Assistant Secretary-General should be reduced by 25 per cent within a period of three years or less, with a comparable reduction in posts at those levels funded from extrabudgetary resources], which were arrived at in a pragmatic manner, should be regarded as targets in the formulation of the Secretary-General's plans to be submitted to the General Assembly for implementation of the recommendation; further the Secretary-General is requested to implement this recommendation with flexibility ..."

The incorporation in the programme budget for 1988-1989 of the decisions to be made by the Secretary-General on the location within the Secretariat structure of the posts to be suppressed will take place progressively. The full reduction will not be achieved before the end of the biennium;

(c) A third main feature of the proposed programme budget is the continuity of its programmatic content. A number of methodological changes are incorporated, as mentioned below in section B of this introduction. Globally, however, the transitional proposed programme budget is a complete inventory of the activities that the Secretary-General has been mandated to pursue within the framework of the medium-term plan for the period 1984-1989. These activities are, to a very large extent, a continuation of those that are being implemented in the context of the approved programme budget for 1986-1987. Given the circumstances of the preparation of this proposed programme budget, as mentioned above, such an approach was unavoidable. It is also an approach that is in line with the request made by the General Assembly in resolution 41/213 that the reduction of the size of the Secretariat should be implemented while avoiding, inter alia, a negative impact on programmes. It is clear, however, that the results of the various measures, studies and reviews decided upon by the General Assembly in the same resolution will, and should, at some point in time, affect the nature, content, number and modes of delivery of the programmes of the United Nations. Some of these changes, which should have a positive impact on the relevance and effectiveness of the activities that are embodied in programmes, subprogrammes and programme elements, will occur well before the future 1990-1991 programme budget reflects the orientations given in its outline and in the medium-term plan for the first part of the next decade;

(d) Fourthly, this proposed programme budget is significantly different from previous proposals in that it incorporates estimates for activities of a perennial character that, in the past, generated additional requests for appropriations annually. This important innovation was requested by the General Assembly in resolution 41/213. The level of resource estimates in this proposed programme

budget is below what was appropriated for the biennium 1986-1987, in spite of this inclusion of expenditures that traditionally were added subsequent to the initial estimates;

(e) Also in conformity with the decisions of the General Assembly in its resolution 41/213, this proposed programme budget includes reduced estimates for travel of staff and consultant services. Reduced resources for travel also affect the travel of representatives of Member States to the annual session of the General Assembly;

(f) The Secretary-General has presented to the General Assembly, through the Committee for Programme and Co-ordination and the Advisory Committee on Administrative and Budgetary Questions, a separate report on a contingency fund. The inclusion of such a contingency fund in the programme budget for 1988-1989 will be determined by the General Assembly when it reviews the reports of CPC and the Advisory Committee on this subject.

3. Given the nature, characteristics and limitations of this transitional proposed programme budget for the biennium 1988-1989, the process for its consideration by the legislative and expert bodies concerned will also differ, by necessity, from past practice. The understanding of the Secretary-General in this regard is as follows:

(a) The Committee for Programme and Co-ordination and the Advisory Committee on Administrative and Budgetary Questions, at their forthcoming sessions in April-May, will, inter alia, have before them: (i) the fascicles, and the foreword and the introduction outlining the main characteristics of the proposed programme budget, and summary tables; (ii) introductory statements or conference room papers attached to those sections of the budget affected by decisions already taken by the Secretary-General and making a formal link between organizational changes and the structure of the sections; and (iii) the progress report of the Secretary-General on the implementation of General Assembly resolution 41/213;

(b) While the fascicles have a programmatic structure and content that does not reflect the implementation of resolution 41/213, the Committee for Programme and Co-ordination and the Advisory Committee on Administrative and Budgetary Questions will be informed of programmatic aspects and consequences of the decisions already taken or envisaged by the Secretary-General. Such information will be conveyed through the progress report and through the introductory statements mentioned above. The Committee for Programme and Co-ordination will discuss the programmatic aspects of the progress report and of the proposed programme budget and make recommendations on them. The report of the Committee would include, inter alia, two sets of recommendations, formally separated in two sections or chapters and corresponding to two agenda items, i.e. the proposed programme budget and the progress report, with appropriate cross-references;

(c) In accordance with normal procedures, the Secretary-General will submit to the Committee for Programme and Co-ordination, by the end of its regular session, a statement on the programme budget implications (regulation 4.8 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and Methods of Evaluation, as well as regulation 3.6 of the Financial Regulations and Rules). This statement will set out the implications of the recommendations made by the Committee for Programme and Co-ordination on the proposed programme budget as presented in the fascicles. It

will, together with the report of the Committee, be reviewed by the Advisory Committee on Administrative and Budgetary Questions (which will make recommendations on it), to the Economic and Social Council and to the Fifth Committee of the General Assembly;

(d) The Fifth Committee of the General Assembly would have before it: (i) the fascicles, as presented to the Committee for Programme and Co-ordination and the Advisory Committee on Administrative and Budgetary Questions; (ii) the reports of the Committee for Programme and Co-ordination and the Advisory Committee on Administrative and Budgetary Questions, together with the statement on the programme budget implications (attached to the report of the Committee) and the recommendations of the Advisory Committee on this statement (attached to or as part of its report); and (iii) some revised estimates for a few sections of the budget, including those listed in paragraph 25;

(e) After adoption by the General Assembly, the programme budget for 1988-1989 will be printed and issued in April 1988;

(f) Subsequently revised estimates will need to be presented to the General Assembly in 1988, in order to reflect the continuing implementation of resolution 41/213, including possible changes in the structure of the intergovernmental machinery and consequent effects on support structures in the Secretariat.

#### B. Significant programmatic aspects

4. The proposed programme budget for the biennium 1988-1989 is the last in the implementation of the medium-term plan for 1984-1989. 1/ It is formulated within the framework of the objectives and strategies of the medium-term plan, as revised. 2/ It follows strictly the programme and subprogramme structure of the plan, its addenda and revisions, and takes into account the relevant resolutions and decisions adopted by intergovernmental bodies of special conferences which were held after the adoption of the plan or its revisions. Recent changes include provisions relating to the Nairobi Forward-looking Strategies for the Advancement of Women, on the Seventh United Nations Congress on the Prevention of Crime and the Treatment of Offenders, and the United Nations Programme of Action for African Economic Recovery and Development 1986-1990. The latest revisions to the plan included the addition of the major programme on Programme planning and co-ordination as chapter 31. Other additions to the plan are two programmes under chapter 2 on Special political questions, and Special mandates.

5. The Secretariat has, for the first time, presented the activities under the Regular programme of technical co-operation (section 24) in programmatic terms, rather than the retrospective format that had previously been used.

6. The proposed programme budget maintains mandated activities despite the reduced level of resources resulting, first, from the financial crisis that started in 1986 and, subsequently, from the General Assembly's decision in its resolution 41/213 to reduce posts by 15 per cent by the end of 1989 while avoiding negative

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2/ Ibid., Thirty-ninth Session, Supplement No. 6 (A/39/6 and Corr.1) and ibid., Forty-first Session, Supplement No. 6 (A/41/6).

impact on programmes. Thus, the volume of outputs have not been scaled down in proportion to the resource reductions in each programme. Pending the completion of the restructuring of the Secretariat and the consequent reassignment of programme responsibilities at the end of 1989, and identification of priorities by Member States in the context of the medium-term plan for the period 1990-1995, it is the intention of the Secretariat to maintain the current level of outputs as its programmatic framework. The quality of some of these outputs may, however, suffer from continued resource shortages.

7. Two subjects are receiving priority in the proposed programme budget: African economic recovery and development, and the advancement of women. The Organization's response to General Assembly resolution S-13/2 on the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 is being co-ordinated by the Director-General for Development and International Economic Co-operation. Related activities are being undertaken by the Office of Development and International Economic Co-operation, the Economic Commission for Africa (ECA), the Department of International Economic and Social Affairs, the Department of Technical Co-operation for Development, the United Nations Conference on Trade and Development (UNCTAD), the Centre for Science and Technology for Development, the United Nations Environment Programme (UNEP) and the Department of Public Information.

8. The legislative mandate to provide for specific activities related to women in certain programmes is being implemented in 1988-1989 through the inclusion of these activities for the first time in the programmes of human settlements, industrial development, energy, transportation, communications and tourism, international trade and development, and science and technology, in addition to the programmes where they have previously featured, namely, social development and humanitarian affairs, population, statistics, development issues and policies, food and agriculture, environment, natural resources and public information.

9. The provisions under temporary assistance for meetings at the three major conference centres of the United Nations - New York, Geneva and Vienna - are based on average annual appropriations/expenditures for the past five years. No budgetary add-ons are envisaged under this object of expenditure, in contrast to the practice in the previous bienniums. The budgeted level of resources should enable the Organization to provide adequate conference services on the assumption that there would be no change in the pattern of meetings and conferences from that of the past five years as a result of decisions of policy-making organs.

10. Another programme change is the inclusion in the initial estimates of activities of a perennial nature whose mandates are renewed annually by the General Assembly. The related estimates for the full biennial period have been based on the relevant work programmes approved by the General Assembly for 1987. The provisions made in the proposed programme budget, however, take into account the actual rate of implementation of those work programmes over the past three bienniums.

11. As regards outputs in common services, the information is provided in a clearer fashion. More representative performance indicators have been developed, based on programme performance reporting in the biennium 1984-1985 and experience gained in 1986.

12. The number of sections containing programme elements with designations of high and low priority, each category representing about 10 per cent of the resources requested, has been increased by the addition of the Department of Political Affairs, Trusteeship and Decolonization.

13. A number of programme elements or outputs have been terminated as being obsolete, of marginal usefulness or ineffective. These programme elements are listed in annex IX to the present introduction, and some posts are proposed for redeployment in the forthcoming biennium. A summary of the priority designations, terminations and redeployments of posts is presented in the table below.

|       | <u>Budget section</u>   | <u>Designation of priorities</u> | <u>Termination of at least one programme element</u> | <u>Redeployment between programmes</u> |
|-------|---|----------------------------------|--|--|
| 1     | Overall policy making   | No <u>a/</u>                     | No   | No                                     |
| 2A(A) | Department of Political and Security Council Affairs            | Yes                              | No   | No                                     |
| 2A(C) | Law of the sea  | Yes                              | No   | No                                     |
| 2B    | Disarmament affairs   | Yes                              | No   | No                                     |
| 3     | Department of Political Affairs, Trusteeship and Decolonization | Yes                              | No   | No                                     |
| 4     | Policy-making organs (economic and social)                      | No                               | No   | No                                     |
| 5A    | Office of Development and International Economic Co-operation   | No                               | No   | No                                     |
| 5B    | Regional Commissions Liaison Office                             | Yes                              | Yes  | No                                     |
| 6     | DIESA   | Yes                              | Yes  | No                                     |
| 7     | DTCD  | Yes                              | Yes  | Yes                                    |
| 8     | OSSECM  | No                               | No   | No                                     |
| 9     | CTC   | Yes                              | No   | No                                     |
| 10    | ECE   | Yes                              | Yes  | Yes                                    |
| 11    | ESCAP   | Yes                              | Yes  | No                                     |
| 12    | ECLAC   | Yes                              | Yes  | Yes                                    |
| 13    | ECA   | Yes                              | Yes  | No                                     |
| 14    | ESCWA   | Yes                              | Yes  | Yes                                    |
| 15    | UNCTAD  | Yes                              | No   | Yes                                    |
| 16    | ITC   | Yes                              | No   | No                                     |
| 17    | CSTD  | Yes                              | No   | No                                     |
| 18    | UNEP  | Yes                              | Yes  | No                                     |
| 19    | UNCHS   | Yes                              | No   | No                                     |
| 20    | International drug control                                      | Yes                              | No   | No                                     |
| 21    | UNHCR   | No                               | No   | Yes                                    |
| 22    | UNDRO   | Yes                              | No   | No                                     |
| 23    | Centre for Human Rights   | Yes                              | No   | Yes                                    |
| 24    | Regular programme of technical co-operation                     | No                               | <u>b/</u>  | Yes                                    |
| 25    | ICJ   | No                               | No   | No                                     |
| 26    | Legal activities  | Yes                              | Yes <u>c/</u>  | No                                     |
| 27    | Public information  | Yes                              | Yes  | Yes                                    |
| 28A   | Administration and Management, OUSG                             | No                               | No   | No                                     |

|     | <u>Budget section</u>           | <u>Designation of priorities</u> | <u>Termination of at least one programme element</u> | <u>Redeployment between programmes</u> |
|-----|---------------------------------|----------------------------------|--|--|
| 28B | OFS                             | Yes                              | No   | No                                     |
| 28C | OHRM                            | No                               | No   | Yes                                    |
| 28D | OGS                             | Yes                              | No   | Yes                                    |
| 28E | Management Services Division    | No                               | No   | Yes                                    |
| 28F | Internal Audit Division         | No                               | No   | No                                     |
| 28G | Administration, Geneva          | No                               | No   | No                                     |
| 28H | Miscellaneous expenses          | No                               | No   | No                                     |
| 28I | Jointly financed activities     | No                               | No   | No                                     |
| 28J | Administrative Services, Vienna | No                               | No   | No                                     |
| 28K | Common services, Nairobi        | No                               | No   | No                                     |
| 29  | Conference and library services | No                               | No   | Yes                                    |

a/ Except for the World Food Council.

b/ Shown for the first time in programme format.

c/ The practice of listing programme elements under policy-making organs in the major programme International justice and law was discontinued since those organs report on their work directly to the General Assembly.

14. The post reductions that are to be effected by the end of the proposed programme budget will require, inter alia, technological innovations to fill the gap in resources, if negative impact on programmes is to be minimized. The search for such improvements by the Technical Innovations Board will continue.

15. An analysis of growth of costs by sector and major programme shows an increase for executive direction and management and for programme support, as opposed to a decrease for overall policy-making organs and programmes of activity. The decrease under overall policy-making organs is due mainly to the limitation of payments for the travel cost of representatives of Member States attending the regular sessions of the General Assembly to those from the least developed countries. The decrease under the programmes of activities at almost the same negative real growth rate as reflected in the programme budget as a whole results from reductions in provisions for consultants and staff travel, and changes in presentation; some continuing activities in both UNCTAD and UNHCR are now shown as common support services rather than under "programmes of activity". Consequently, the common support sector exhibits above average real growth. In addition, the common support sector includes some growth attributable to increased requirements in respect of after-service health insurance and related items which reflect common needs arising from activities in all parts of the budget.

16. As in the previous budget the activities of the International Court of Justice has been exempted from the application of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and Methods of Evaluation, in accordance with rule 101.1, subparagraph (a) of these Regulations and Rules.



### C. Significant financial aspects

#### 1. Components of the estimates

17. The programme budget estimates for the biennium 1988-1989 are approximately \$30.5 million, or 1.8 per cent lower than the revised appropriation for the biennium 1986-1987. This reduced level of requirements, which represents a reduction of 1.5 per cent in real growth, is due mainly to preliminary steps taken to implement General Assembly resolution 41/213, and may best be examined in terms of the three components of the estimates as detailed in annex I and summarized below:

|  | <u>Millions of United<br/>States dollars</u> |
|--|--|
| Revised appropriations 1986-1987 .....             | 1 711.8                                      |
| 1. Revaluation of the resource base .....          | (118.4)                                      |
| 2. Resource growth .....                           | (6.1)  |
| 3. Provision for 1988-1989 inflation rates .....   | 94.0   |
| Subtotal .....                                     | <u>(30.5)</u>                                |
| Initial estimates for the biennium 1988-1989 ..... | <u>1 681.3</u>                               |

#### 2. The revalued resource base

18. Unlike prior biennial programme budgets, the most significant aspects of the proposals for the forthcoming biennium are contained in the revaluation of the resource base rather than in the resource growth proposed. The two major new influences on the level of the resource base are the adjustment of the turnover deduction, as indicated above in paragraph 2 (b), and the incorporation of previously non-recurrent provisions in the resource base to provide recurrent resources for activities of a perennial character. Both of these factors are reflected as "special adjustments" in annex II, which details the revaluation of the resource base by sections and adjustment factors. These adjustment factors for the programme budget as a whole may be summarized as follows:

|   | <u>Millions of United<br/>States dollars</u> |
|---|--|
| Revised appropriations 1986-1987 .....      | 1 711.8                                      |
| 1. Non-recurrent 1986-1987 .....            | (62.4)                                       |
| 2. Delayed impact of growth 1986-1987 ..... | 3.2  |
| 3. Recosting to 1987 currency rates* .....  | 20.0   |
| 4. Recosting to 1987 inflation levels ..... | (1.4)  |
| 5. Special adjustments .....                | <u>(77.8)</u>                                |
| Subtotal .....                              | <u>(118.4)</u>                               |
| Revalued resource base .....                | <u>1 593.4</u>                               |

\* See para. 24 below.

19. The adjustment of turnover factors by seven and a half percentage points to give a turnover deduction rate of 12.5 per cent for Professional and higher level posts and 7.5 per cent for those in the General Service and related categories results in a negative adjustment of some \$93.0 million at 1987 rates.

20. Additional requirements of approximately \$19.5 million for special adjustments in respect of perennial activities that have previously been financed on a non-recurrent basis have been incorporated. The composition of the \$19.5 million of additional requirements is shown below:

| <u>Section</u> | <u>Activity</u>                 | <u>Millions of United States dollars at 1987 rates</u> |                    |
|----------------|---------------------------------|--|--------------------|
| 3              | PATD                            |  | 8.7                |
|                | <u>Apartheid</u>                | 0.9  |                    |
|                | Namibia                         | 7.2  |                    |
|                | Kampuchea                       | <u>0.6</u>   |                    |
| 23             | Human rights                    |  | 1.1                |
| 27             | DPI                             |  | 1.4                |
| 29             | Conference and library services |  | 6.9                |
|                |                                 | 5.4  |                    |
|                |                                 | <u>1.5</u>   |                    |
| 31             | Staff assessment                |  | <u>1.4</u>         |
|                | <b>Total</b>                    |  | <u><u>19.5</u></u> |

Detailed justifications for the particular amounts involved are contained in the respective fascicles. The balance of special adjustments after taking into consideration the new turnover deductions and the inclusion of perennials is a negative amount of \$4.3 million due to a variety of factors, as detailed in individual fascicles.

21. Other items in the revaluation of the base follow the pattern of prior bienniums: (a) the reduction of \$62.4 million in respect of non-recurrent items in the biennium 1986-1987 reflects the application of standard budgetary methodology; (b) the increase of \$3.2 million adjustment for delayed impact of growth approved for the biennium 1986-1987 is relatively low due to the low level of growth approved for that biennium; (c) the adjustments in respect of the delayed impact of growth and recostings to 1987 currency exchange rates and price levels also follow prior patterns. The negative amount of \$1.4 million in adjustment for inflation from 1986 to 1987 price levels is the net effect of a \$21.6 million cut in 1987 staff assessment rates offset by other object increases of \$23.0 million. The \$20.0 million required for currency adjustments in the first year of the biennium arises in respect of changes in currency that occurred between the beginning of 1986 and November 1986 when new budgetary operational rates of exchange were set in the context of the first performance report for the biennium 1986-1987.

### 3. Resource growth

22. Resource growth reductions of \$6.1 million are reflected in annex I. These are the net effect of proposed reductions of \$24.7 million in recurrent resources and additional requirements of \$18.6 million in non-recurrent resources. The non-recurrent requirements consist of \$11.0 million for alteration and improvement to premises, \$4.1 million for various common support services and a balance of \$3.6 million distributed across other parts of the budget. With respect to the negative recurrent resource growth of \$24.7 million the largest single factor is a reduction in requirements of \$13.3 million for the repayment of the principal and interest on outstanding United Nations bonds due to the maturation of most such bonds. A further \$7.9 million in negative resource growth reflects reduced requirements in respect of travel of representatives (\$2.9 million), travel of staff (\$3.0 million) and consultants (\$2.0 million). The remaining \$3.5 million of negative resource growth is the net effect of a variety of miscellaneous increases and decreases distributed across other objects of expenditure.

23. The reductions in travel and consultant provisions are largely in pursuance of recommendations 7, 35 and 38 of the Group of High-level Intergovernmental Experts as decided upon in General Assembly resolution 41/213. In reviewing continuing requirements for consultancy and staff travel, care has been taken to examine the effect of resource reductions on programmes. The proposals for consultants and staff travel represent real growth reductions of 24.9 per cent and 12.8 per cent, respectively. The adjustment of consultant and staff travel provisions as reflected in the programme budget proposals are as summarized below:

|                                      | <u>Millions of United States dollars</u> |                        |
|--------------------------------------|--|------------------------|
|                                      | <u>Consultants</u>                       | <u>Travel of staff</u> |
| 1986-1987 appropriations             | 8.5                                      | 25.0                   |
| Maintenance at revised<br>1987 rates | (0.5)                                    | (1.4)                  |
| Resource growth at<br>1987 rates     | (2.0)                                    | (3.0)                  |
| Inflation and<br>currency rates      | 0.3                                      | 1.0                    |
| Total increase                       | <u>(2.2)</u>                             | <u>(3.4)</u>           |
| 1988-1989 estimates                  | <u>6.3</u>                               | <u>21.6</u>            |

### 4. Provision for 1988-1989 inflation rates and currency adjustment

24. In accordance with established methodology, resource requirements at 1987 rates have been adjusted upwards to projected 1988-1989 rates. However, with respect to exchange rates, this means that the estimates reflect rates prevailing as at November 1986 with no adjustment to reflect subsequent realized or projected rates. Such adjustments, as may prove necessary, will be proposed at the

forty-second session of the General Assembly on the basis of rates prevailing in November 1987. As regards inflation adjustments, 1987 rates have been projected forward to 1988 and 1989, but, like exchange rates, will be subject to review in the light of experience. The rates utilized are detailed in annex IV. These rates have been applied directly to non-staff costs but salaries and common staff costs have been projected in the light of the need to bring post adjustments into line with the range of 10 per cent to 20 per cent points above the comparator civil service. As a consequence, the effective inflation rates applied to Professional and higher level salaries are below those utilized for non-staff costs. In reviewing the request of \$94.0 million for inflation in 1988-1989, it should be noted that \$52.2 million of this amount relates to staff assessment, owing to an anticipated consolidation of some classes of post adjustment and, as such, would be fully offset by income under income section 1.

#### 5. Revised estimates

25. The following revised estimates, which will include as appropriate programmatic, administrative and financial proposals, are anticipated for submission to the forty-second session of the General Assembly:

(a) Section 15, UNCTAD: (Reflecting the outcome of the seventh session of UNCTAD);

(b) Section 28I, ICSC: (Reflecting decisions taken by the ICSC at its meetings held in 1987);

(c) Section 32: (Construction at Addis Ababa and Bangkok).

#### D. Methodology

26. The General Assembly, at its thirty-fourth session, was presented with a detailed description of the methodology for the preparation of the proposed programme budget, which was endorsed by the Assembly and thus became the approved methodology. This methodology, with certain minor refinements, has since been followed in the budget preparation process. <sup>3/</sup> The Advisory Committee, in its report on administrative and budgetary co-ordination of the United Nations with the specialized agencies and the International Atomic Energy Agency, expressed the belief that, notwithstanding variations in budgeting practices, a clear and concise explanation of the methodology used in formulating the estimates should be readily available, perhaps in the budget document itself (A/39/592, para. 17). Consequently, for the purpose of facilitating the understanding of certain technical aspects, a brief overview of that methodology is given below.

27. The point of departure is the revised appropriation (or for income sections, the revised approved estimates) as approved by the General Assembly at the mid-point of a biennium; in this particular instance, the revised appropriations and estimates approved by the Assembly in resolutions 41/211 A and B of 11 December 1986.

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<sup>3/</sup> Ibid., Thirty-fourth Session, Supplement No. 6 (A/34/6/Add.1).

28. The next steps consist in establishing the budgetary base. To do so, non-recurrent items of the current biennium, meaning those that concern activities that are not expected to be continued in the forthcoming biennium, are first discounted. The remainder, which represents budgetary provisions for continuing activities, is then costed at prices and rates of the base year - in this instance, at those for 1987. This is done by recosting the 1986 portion of the revised appropriations at 1987 prices and rates. Part of the process of establishing a base also involves the adjustment of turnover factors (or deduction for delayed recruitment) to the standard 5 per cent for existing posts in the Professional and higher categories. As indicated above in paragraph 19, the standard 5 per cent turnover factor for professionals has been replaced in this proposal by 12.5 per cent. In the case of General Service and other categories, the standard 0 per cent turnover factor has been replaced by 7.5 per cent. As can be seen in the discussion of resource requirements throughout the budget document, amounts referred to are at revised 1987 rates, i.e. before adding the inflation provisions for the years 1988 and 1989.

29. At this point, new non-recurrent items (i.e. activities that are deemed to be carried out in the biennium 1988-1989 but not continued thereafter) are added, costed at revised 1987 rates.

30. The next step involves the indication of growth, either negative or positive, over the base. Real growth is expressed in dollars and percentages, both computed at 1987 rates.

31. Both the base and the growth are explained and justified. The explanations - generally provided under major object of expenditure headings - cover both components, with special emphasis on changes in the number or level of posts and in certain expenditure categories such as temporary assistance, consultants and travel, as recommended by the Advisory Committee in its report on the proposed programme budget for the biennium 1978-1979. 4/

32. Exchange rates used in the present estimates are those approved by the General Assembly at its forty-first session on the basis of the first programme budget performance report for the current biennium. However, these rates will be updated towards the end of the forty-second session of the Assembly so as to reflect the most recent exchange rates in the appropriation resolution for the biennium 1988-1989.

33. Following the establishment of the revalued base and the proposed resource growth, both in terms of base year (1987) prices, there is added, in conformity with the principle of full-budgeting endorsed by the General Assembly at its thirty-third session, the effect on the total of anticipated inflation for the years 1988 and 1989. Inflation assumptions in respect of major duty stations are indicated in annex IV to the present introduction. They will be updated, together with the exchange rates, towards the end of the session.

34. The indications of extrabudgetary resources are given for information and represent the best available estimates of the cost of programme implementation

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4/ Ibid., Thirty-second Session, Supplement No. 8 (A/32/8 and Corr.1), para. 30.

financed from such resources within amounts expected to be available during the biennium. It therefore follows that only those programmes and outputs will be delivered for which financing will become available. These extrabudgetary resources are summarized in annex VIII and, for the purpose of differentiation, are divided into (a) funds expected to be available for substantive and administrative support, representing an added capacity of the Secretariat for the implementation of programmes or the performance of services, including support of operational projects for the benefit of individual Member States or groups of Member States, and (b) funds expected to be available for the execution of operational projects themselves.

35. Two further aspects should be mentioned: first, the concept of common services not distributed to programmes, and second, a certain number of individually budgeted but globally administered expenditure items.

36. As regards common services not distributed to programmes, such services generally encompass the expenditure categories of operating expenses (e.g. maintenance of premises and equipment and utilities), supplies and acquisitions. While they are normally budgeted under the relevant support services, it is quite clear that they refer to substantive programmes as well. In some instances, well-defined expenditure categories are budgeted for and administered by programmes. A case in point is long-distance telephone costs, which, at Headquarters, it was found more advantageous - for purpose of expenditure control - to allot to each organizational unit rather than under common services.

37. The reasons for the global or central administration of other expenditure categories are similar, i.e. cost-efficiency and cost-effectiveness. These categories include (a) external printing and binding administered by the Publications Board (see para. 29.7), and (b) the replacement programme of word-processing equipment to be administered by a Technological Innovations Board. Both Boards function at the Secretariat level and act in an advisory capacity to the Secretary-General. These Boards also render assistance to the Programme Planning and Budgeting Board.