



PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1980-1981

Addendum

METHODOLOGY FOR THE PREPARATION OF THE PROPOSED PROGRAMME  
BUDGET FOR THE BIENNIUM 1980-1981

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## I. INTRODUCTION

1. In section I of its resolution 33/116 C of 29 January 1979, the General Assembly requested the Secretary-General to prepare an addendum to the budget, which should set out clearly and simply the methodology used in preparing the budget, giving illustrative examples, as appropriate, and address, in particular, the concepts of maintenance base and real growth, and should also give a definition of basic terms and list the regular documents issued by the Secretariat where basic financial data can be found. The present document is submitted in response to that request.

2. The proposed programme budget for 1980-1981 has been presented in basically the same form as for 1978-1979. Two basic analyses are provided at the level of each section, subsection and programme as well as for the proposed budget as a whole.

3. The first analysis indicates actual increases or decreases in relation to the revised appropriations for the current biennium as approved by the General Assembly at its thirty-third session. In the case of the total proposed appropriations this analysis is as follows:

A. Analysis of estimated 1980-1981 requirements  
(In thousands of United States dollars)

1978-1979 Appropriation	Estimated additional requirements					1980-1981 estimate
	Revaluation of 1978-1979 resource base (at revised 1979 rates)	Resource growth (at revised 1979 rates)	Inflation in 1980 and 1981	Total increase		
	\$ %	\$ %	\$ %	\$ %	\$ %	
1 090 113.5	4 957.1 0.4	42 570.2 3.9	76 562.5 7.0	124 089.8 11.3	1 214 203.3	

4. The second analysis indicates the real growth inherent in the proposed appropriations. This analysis, which is expressed in constant monetary terms (revised 1979 rates), reads as follows:

B. Analysis of real growth (at revised 1979 rates)  
(In thousands of United States dollars)

(1) Total revalued 1978-1979 resource base	Resource growth				Rate of real growth (5) over (1)
	(2) Actual	(3) Less non-recurrent items	(4) Plus delayed growth (new posts)	(5) Adjusted	
1,095,070.6	42,570.2	35,540.6	2,498.8	9,528.4	0.8 %

5. The estimated additional requirements for 1980-1981, as shown in analysis A above, are comprised in each case of the following component parts:

(a) Increases or decreases resulting from the revaluation of the 1978-1979 resource base by the elimination of non-recurrent items, the delayed impact of 1978-1979 growth and the recosting of the balance for the new biennium as a whole and at revised 1979 rates;

(b) Proposed resource growth, if any, or negative growth, as the case may be;

(c) Increases relating to the effect on both (a) and (b) above of anticipated further inflation in 1980 and 1981.

II. REVALUATION OF THE 1978-1979 RESOURCE BASE

6. The revalued base, as referred to under (a) above and as analysed in special tables at the level of each section and each main heading within sections throughout the budget text, is arrived at by adjusting the current appropriations for the biennium 1978-1979 to the following effects:

(a) Exclusion of elements of a significant order of magnitude which relate only to the current biennium;

(b) Addition of the full two-year impact in 1980-1981 of growth approved for the current biennium by the General Assembly at its thirty-second and thirty-third sessions which, although intended to be of a continuing nature, was initially provided for only on a partial basis;

(c) Application to the resultant base of the average price levels which are expected to prevail during 1979 as well as the most recent rates of exchange;

(d) Reflection of such special upward or downward adjustments as may be additionally required.

(a) Non-recurrent 1978-1979 items

7. In establishing the total revalued 1978-1979 resource base the first step was to remove from the total of \$1,090,113,500 appropriated for that biennium an amount of \$57,847,200 which related to specific activities which would not recur in 1980-1981. In this regard a much more restrictive interpretation of the concept was applied than in the case of the proposed programme budget for 1978-1979. In the present case only significant items, such as major conferences or meetings convened on an ad hoc basis or major capital expenditures have been taken into account. The precise nature of these items are spelled out, at the section level, in annex III to the foreword to the proposed programme budget.

Example: the sum of \$100,300 in table 1.19, item 9, Former Office of the Co-ordinator of Assistance for the Reconstruction and Development of Viet Nam.

The General Assembly, by resolution 32/3 of 14 October 1977, urged the Secretary-General to continue to encourage further mobilization of resources and efforts from the international community with a view to achieving the social and economic rehabilitation of Viet Nam. By its resolution 32/213 A of 21 December 1977, the Assembly also approved the related resources requested by the Secretary-General including, under section 1 of the programme budget, temporary assistance of 12 work-months at the D-1 level and 18 work-months of secretarial assistance, as well as travel and subsistence for the Co-ordinator (A/C.5/32/20; A/32/274). The Secretary-General has arranged that responsibility for the activity in future will be with the United Nations Development Programme (UNDP) and therefore the provisions for 1978-1979 are of a non-recurrent nature.

(b) Delayed impact of 1978-1979 growth

8. The next step was to add the delayed impact of resource growth approved for 1978-1979 in a total amount of \$12,182,300 of which \$8,613,500 related to established posts and \$3,568,800 to other objects of expenditure.

1. Established posts (costed at standard salary rates 1/)

9. The additions under this heading concerned posts approved by the General Assembly at its thirty-second and thirty-third sessions for the biennium 1978-1979 but in respect of which only partial provision was made after allowing time for the recruitment process. Existing posts in the Professional category and above are costed at 95 per cent of the full cost of each post so as to take into account the prevailing turnover rate. No turnover factor is applied to existing General Service posts. For new posts, the standing procedure is to apply the following reductions to the full cost of each post for each year of the biennium:

(a) New posts in the Professional category and above - 50 per cent

(b) New posts in the General Service, Local Level,  
Field Service and Manual Worker categories - 35 per cent

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1/ See para. 14 below.

10. The General Assembly at its thirty-second session approved 65 <sup>2/</sup> new posts in the Professional category and above and 55 in the General Service and other categories for the biennium 1978-1979 as a whole. In accordance with the methodology described above, the appropriations for this purpose contained only 50 per cent of the fully related cost for each year of the biennium instead of the normal 95 per cent in the case of the posts in the Professional category and above and, in the case of posts in the General Service and other categories, only 65 per cent instead of the normal 100 per cent. It follows that for the biennium 1980-1981, by which time the posts in question would have been filled, provision needed to be made for 95 per cent of the cost of the posts in the Professional category and above and 100 per cent of the cost of the posts in the General Service and other categories. This involved increases to the extent of 45 per cent per annum of the cost for the biennium of posts in the Professional category and above and 35 per cent per annum in the case of the posts in the General Service and other categories, as illustrated below:

Category	1978	1979	Total 1978-1979	1980	1981	Total 1980-1981	Increase 1980-1981 over 1978-1979
<u>Professional and above</u>							
Existing posts	95	+ 95	= 190	95	+ 95	= 190	-
New posts	50	+ 50	= 100	95	+ 95	= 190	90
<u>General Service and others</u>							
Existing posts	100	+ 100	= 200	100	+ 100	= 200	-
New posts	65	+ 65	= 130	100	+ 100	= 200	70

Example: the sum of \$14,900 in table 1.19, item 3 (a), Office of the Under-Secretary-General for Political and General Assembly Affairs, including the Division of General Assembly Affairs.

The General Assembly approved the addition of a new G-5 post for the Office in 1978-1979. For revised 1978-1979 appropriations, standard salary cost version 16 was in effect where, for the G-5 level in New York, full net salary rates were set at \$15,700 for 1978 and \$16,700 for 1979. The related common staff costs for New York are calculated at 32 per cent of the cost of net salary. Since only 65 per cent of the cost of new General Service posts are requested in the first biennium, 1978-1979 appropriations included only \$21,100 under established posts

<sup>2/</sup> Excludes the posts converted from temporary assistance or transferred from extrabudgetary sources which, because they were already encumbered, were costed at 95 per cent.

(\$10,200 for 1978 and \$10,900 for 1979) and \$6,700 under common staff costs (\$3,300 for 1978 and \$3,400 for 1979) for a total cost of \$27,800. In the following biennium, where the G-5 post is to be included at 100 per cent of cost, the difference between 100 per cent and 65 per cent is shown under delayed impact, i.e.; 35 per cent of the original standard cost amounting to \$11,300 under established posts (\$5,500 for 1978 and \$5,800 for 1979) and \$3,600 under common staff costs (\$1,700 for 1978 and \$1,900 for 1979) for a total of \$14,000.

11. In respect of the 29 new posts in the Professional category and above and the 26 new posts in the General Service and other categories which were approved by the General Assembly at its thirty-third session, the delayed impact was more extensive as indicated in the following table:

Category	1978	1979	Total		Total		Increase 1980-1981 over 1978-1979
			1978-1979	1980	1981	1980-1981	
<u>Professional and above</u>							
Existing posts	95	+ 95	= 190	95	+ 95	= 190	-
New posts	-	+ 50	= 50	95	+ 95	= 190	140
<u>General Service and others</u>							
Existing posts	100	+ 100	= 200	100	+ 100	= 200	-
New posts	-	+ 65	= 65	100	+ 100	= 200	135

## 2. Other objects of expenditure

12. The increase of \$3,568,800 under this heading represented the additional cost in 1980-1981 of increased resources other than new established posts which were approved by the General Assembly at its thirty-second and thirty-third sessions for activities of a continuing nature but for which only partial provision was initially made. Included under this heading are new posts provided for on a temporary rather than an established basis, but which may involve a similar delayed impact factor as described in paragraphs 9 and 10 above. The other items involved here are additional resources of various types which were approved by the General Assembly at its thirty-third session for 1979, but which need to be carried forward at equivalent levels through 1980 and 1981.

Example: the sum of \$92,000 in table 1.6, item 5, United Nations Joint Staff Pension Board (including United Nations participation in the costs of the secretariat of the United Nations Joint Staff Pension Fund).

The General Assembly, by resolution 33/120 of 19 December 1978, approved the report of the Joint Staff Pension Board, including the administrative expenses

chargeable to the United Nations Joint Staff Pension Fund for 1979. The proposals of the Board included the establishment of new posts in the secretariat of the Fund for which the United Nations bears one third of the cost. In its resolution 33/205 A of 29 January 1979, the Assembly also approved the United Nations share of the cost of the new posts estimated at \$92,000 for 1979 (A/C.5/33/48). Since the revised 1978-1979 appropriations provided for only one year of the additional costs, the same amount is shown under delayed impact to provide for these costs for the biennium 1980-1981.

(c) Recosting at revised 1979 rates

13. Having determined by means of the two steps described under (a) and (b) above the total net level of 1978-1979 resources which continued to be needed in 1980-1981 but calculated at the rates on which the 1978-1979 appropriations were based, the next step was to revalue these resources using the standard costs in effect when the estimates were prepared and which superseded those on which the revised appropriations for 1978-1979 were based.

14. This standard costing in effect at any particular time reflects the latest assumptions as to rates of exchange and average annual rates of inflation, as well as, in the case of staff costs, the latest actual experience within each grade at each duty station such as actual expenditures during the latter part of 1978 as well as the latest available projections of salary increases and post adjustment movements during 1979. As indicated in annex IV to the foreword to the proposed programme budget for 1980-1981 the revised standard costs for 1979 do not involve any change in the average annual rates of inflation at each duty station on which the costing of the revised appropriations for 1978-1979 were based. They do take into account a devaluation of the United States dollar in relation to the local currencies used in Beirut, Nairobi and Rome, a trend which had already developed in the course of 1978, but which was not considered of sufficient significance to call for adjustment in the first performance report for the current biennium. There follows an illustration of the resulting increase:



Category and grade	Duty station	1978-1979		Revised 1979 rates (3)	Difference		Total
		revised appropriations			(3)-(1)	(3)-(2)	
		1978 (1)	1979 (2)				
(In thousands of United States dollars)							
P-4 (net salary, including post adjustment)	New York	30.6	31.9	32.1	1.5	0.2	1.7
	Geneva	49.6	51.3	51.3	1.7	-	1.7
	Vienna	41.1	44.3	44.0	2.9	0.7	3.6
	Santiago	30.6	33.2	34.3	3.7	0.9	4.6
	Rome	24.9	27.1	29.4	4.5	2.3	6.8
	Bangkok	28.8	28.8	28.0	0.8	(0.8)	-
	Nairobi	27.1	29.4	31.0	3.9	1.6	5.5
	Addis Ababa	28.9	31.0	30.1	1.2	(0.9)	0.3
General Service* (net salary)	New York	11.4	12.2	11.8	0.4	(0.4)	-
	Geneva	25.4	26.3	26.3	0.9	-	0.9
	Vienna	13.3	15.0	14.7	1.4	(0.3)	1.1
	Santiago	72.0	8.0	8.0	0.8	-	0.8
	Rome	9.7	10.7	11.5	1.8	0.8	2.8
	Bangkok	4.4	4.8	4.6	0.2	(0.2)	-
	Nairobi	6.4	7.0	7.0	0.6	-	0.6
	Addis Ababa	4.6	5.0	5.5	0.9	(0.5)	0.4

\* Average of the various levels below the principal level in New York, Geneva and Vienna and, in respect of all other duty stations, the average of the Local Level category.

Taking the example of a P-4 post in New York, the revised 1978-1979 appropriations included \$62,500 (\$30,600 for 1978 and \$31,900 for 1979) under established posts, representing 95 per cent of the net salary rate. Ninety-five per cent of the revised 1979 rate for a P-4 as shown above is \$32,100. Thus, the recosting at revised 1979 rates is the difference between the new 1979 rate of \$32,100 and the amounts included in the revised appropriations for 1978-1979 of \$30,600 for 1978 (i.e. \$1,500) and \$31,900 for 1979 (i.e. \$200) for a total revaluation under established posts of \$1,700 for a P-4 post located in New York. The related common staff costs, calculated at 32 per cent of the cost of established posts are correspondingly revalued. In the case of a P-4 located in New York the amount would be \$500.

15. Of the total addition of \$28,581,600 to the revalued base as a result of the recosting exercise, \$18,561,000 relates to established posts and \$10,020,600 to other objects of expenditure. The relative magnitude of this increase is explained by the fact that approximately one half of the 1978-1979 appropriations was based on 1978 rates. The adjustment required for the effects of inflation alone are illustrated by the following example:

Duty station:

New York

Assumed average annual  
rates of inflation:

1978 - 5 per cent

1979 - 5 per cent

Adjustment to bring 1978  
part of appropriations  
up to level applicable  
in 1979 at revised  
1979 rates:

1977 : 100

1978 : 105 x 100 = 105

1979 : 105 x 105 = 110.25

1978-1979 : 105 + 110.25 = 215.25

Base for 1980-1981 : 110.25 + 110.25 = 220.50

Adjustment required : 220.50 - 215.25 = 5.25

Example: the sum of \$1,600 in table 1.19, item 3 (a), Office of the Under-Secretary-General for Political and General Assembly Affairs, including the Division of General Assembly Affairs.

The 1978-1979 appropriations provided \$6,700 for general temporary assistance (\$3,300 for 1978 and \$3,400 for 1979), \$41,600 for overtime (\$20,300 for 1978 and \$21,300 for 1979) and \$14,200 for travel of staff (\$6,900 for 1978 and \$7,300 for 1979). The adjustment required as indicated above for 1979 over 1978 is 5.25 per cent for New York. Thus, calculating 5.25 per cent of the amounts provided for 1978 results in additional requirements of \$200 for temporary assistance, \$1,000 for overtime and \$400 for travel of staff in order to bring the 1978 provision up to equivalent value in 1979.

#### (d) Special adjustments

16. The final step in the process of arriving at a total revalued 1978-1979 resource base was to identify and take into account a series of special adjustments which, for the greater part, could have been included in the delayed impact of recosting calculations described under (b) and (c) above but which, because of their unique nature and/or order of magnitude, were shown separately in each case and specially explained.

17. Of the net increase of \$22,040,400 under this heading, \$15,099,400 represents the estimated additional cost in 1980-1981 of the occupancy of the Vienna International Centre, an operation which during the current biennium needed to be provided for only in respect of the second half of 1979.

18. Also included under this heading are a number of very minor upward or downward adjustments which were required to bring the results of the computerization of the estimates in line with the current appropriations.

19. The net effect of the four steps described under (a) to (d) above is a revalued 1978-1979 resource base of \$1,095,070,600, representing a net increase of \$4,957,100 over the amount of \$1,090,113,500 appropriated for the current biennium. As indicated in the following summary table, this result derives from total additional requirements in the amount of \$62,804,300, offset by the subtraction of non-recurrent 1978-1979 items in a total amount of \$57,847,200:

Analysis of revalued 1978-1979 resource base  
(at revised 1979 rates)

(In thousands of United States dollars)

	Additional requirements							Total revalued 1978-1979 resource base (10) (1) + (9)	
	Delayed impact of 1978-1979 growth		Recosting at revised 1979 rates			Other objects of expenditure (6)	Special adjustments (7)		Total (8)
	Established posts (3)	Other objects of expenditure (4)	Established posts (5)	Other objects of expenditure (6)					
1978-1979 appropriations (1)	8 613.5	3 568.8	18 561.0	10 020.6	22 040.4	62 804.3	4 957.1	1 095 070.6	
Non-recurrent 1978-1979 items (2)	(57 847.2)								
Net additional requirements (9) (8) - (2)									

### III. PROPOSED RESOURCE GROWTH

20. The proposed growth element, which in the case of the present budget proposal amounts to \$42,570,200, indicates the net additional resources which are requested to provide for a net increase in programme activity as measured against the revalued base described under section II above. In the interest of valid assessment the proposed net growth is expressed at the same rates as the revalued base, i.e., revised 1979 rates.

21. Where called for a distinction is made between positive and negative growth. This emphasizes the fact that it is unrealistic to imply that previous inputs will all be required for the same purposes and to the same extent in the new biennium as in the previous one. For this reason the concept of growth is to be viewed as net rather than incremental change. In certain cases it can also be a mixture of recurrent and non-recurrent growth. Where involved, the latter is subtracted in the context of calculating the rate of real growth of the particular programme. The 1980-1981 items considered to be of a non-recurrent nature are specified in annex II and a comparison provided with those considered to fall in the same category in 1978-1979.

22. Throughout the budget presentation the approach has been taken that the revalued base and proposed net growth, if any, were complementary. Accordingly, neither of the two elements could be viewed in isolation. The purpose of the base is a technique for explaining the difference between a new budget and its predecessor. Specifically, it is meant to provide a basis for measuring net change in the level of programme activity and related cost. It is not designed to express a judgement as to the desirability of continuing or discontinuing any element of programme activity. Neither does it represent a level of resources which are not subject to budgetary examination. It follows that the activities and the related resources included in the base needed as much explanation and justification as those dealt with under the heading of net growth. For this reason the justifications provided in the budget text have been extended to cover both components with special emphasis on such categories of expenditure as temporary assistance, consultants and travel as had been recommended by the Advisory Committee in its report on the proposed programme budget for the biennium 1978-1979. 3/

### IV. INFLATION IN 1980 AND 1981

23. Having established the revalued 1978-1979 resource base (\$1,095,070,600) and the proposed resource growth (\$42,570,200), both expressed in terms of revised 1979 rates, it was necessary, in the interest of full-budgeting as endorsed by the General Assembly at its thirty-third session, to add the effect on the total of these requirements (\$1,137,640,800) of further inflation in 1980 and 1981 (\$76,562,500), resulting in a total proposed appropriation of \$1,214,203,300. Since there is no way of forecasting variations in the rates of exchange, the established procedure has been to use the rates in effect when the initial estimates are prepared and to propose adjustments at a later stage taking into account such fluctuations as may subsequently have occurred. The average annual rates of further inflation at each duty station in 1980 and 1981, as well as the rates of exchange on which the initial budget estimates were based, are provided in annex IV to the foreword to the proposed programme budget.

3/ Official Records of the General Assembly, Thirty-second Session, Supplement No. 8 (A/32/8 and Corr.1).

24. The percentage rate of real growth inherent in the proposed appropriations, as shown in analysis B in paragraph 4 above, is calculated in the following manner all the amounts involved being expressed in constant dollars (i.e. at revised 1979 rates):

- (a) Total revalued base (\$1,090,113,500 + \$4,957,100 = \$1,095,070,600);
- (b) Plus proposed resource growth (\$42,570,200);
- (c) Less non-recurrent 1980-1981 requirements (\$35,540,600);
- (d) Plus delayed growth in the case of proposed new posts, being the difference between costs calculated at the normal turnover rate of 5 per cent per annum in respect of posts in the Professional category and above and those calculated at the higher rates which are applied initially to allow for delayed recruitment (50 per cent per annum in respect of posts in the Professional category and above and 35 per cent per annum in the case of other categories) (\$2,498,800);
- (e) Proposed resource growth adjusted, being the total of (b) + (d) less (c) (\$9,528,400);
- (f) Percentage of real growth (e) over (a) (0.8 per cent).

#### V. EXTRABUDGETARY RESOURCES AND APPORTIONED COSTS

25. At the level of each section and subsection and, within these, at the level of each programme, an analysis of over-all costs has been provided. These costs comprise direct as well as indirect (apportioned) expenses. The direct costs cover regular budget requirements as well as related extrabudgetary resources.

26. The extrabudgetary resources, which are summarized in annex VIII to the foreword to the proposed programme budget, are divided into (a) funds expected to be available for substantive and administrative support, representing an addition to the capacity of the Secretariat to implement programmes, including support of operational projects for the benefit of individual Member States or groups of Member States, and (b) those to be devoted to the operational projects themselves.

27. The indirect (apportioned) costs are those which are related to the programmes carried out under particular sections or subsections but which are included in the estimates under other sections or subsections. The costs involved include executive direction and management, and financial, personnel, general and conference services; they exclude legal and public information services, which, although in many cases supportive of the other activities of the Organization, are considered to be substantive activities in their own right, and the costs of construction, alteration, improvement and major maintenance of premises, which are primarily of a capital nature and whose benefits to substantive programmes in general will outlast the forthcoming biennium. A summary of the apportioned costs, as well as a more detailed explanation of the methodology involved, are provided in annex IX to the foreword to the proposed programme budget.

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