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PROGRAMME BUDGET FOR THE BIENNIUM 1976-1977

United Nations Industrial Development Organization

Eighth report of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the Secretary-General's revised programme budget proposals for section 12: United Nations Industrial Development Organization (UNIDO) (A/C.5/31/11), which have been submitted pursuant to General Assembly resolution 3533 (XXX) of 17 December 1975. In that resolution the General Assembly noted that the submission made by the Secretary-General last year in his revised estimates for UNIDO (A/C.5/1715/Rev.1) 1/ provided insufficient information on the relationship between the resources requested and the programmes stemming from the Lima Declaration and Plan of Action (A/10112, chap. IV), and requested the Secretary-General "to submit to the General Assembly, at its thirty-first session, revised estimates for the United Nations Industrial Development Organization, taking fully into account all elements of the Lima Declaration and Plan of Action on Industrial Development and Co-operation and indicating clearly the resulting programme requirements and the related resources". The Committee discussed the revised programme and budget proposals with the Executive Director of UNIDO and the representatives of the Secretary-General.
2. In the introduction to document A/C.5/31/11, the Secretary-General states that the revised programme budget proposals for UNIDO are drawn up following a zero-base procedure in which "a justification was prepared for each programme component in total in relation to the total resources requested rather than a justification of additional activities only in relation to the additional resources required for undertaking those activities" (para. 17) and that "net additional requirements, including staffing, were determined not in relation to proposed new activities alone, but in the light of a detailed de novo assessment of total needs in relation to the total programme of activities during the

1/ For the Advisory Committee's report thereon, see Official Records of the General Assembly, Thirtieth Session, Supplement No. 8A (A/10008/Add.1-28), document A/10008/Add.26.

biennium as a whole" (para. 21). However, the Secretary-General does not provide in document A/C.5/31/11 full justification for all the resources he is requesting; and in paragraph 18 of the introduction he states that "the existing appropriations for the current biennium are taken as the point of departure". In the Committee's opinion, this cannot be regarded as a zero-base approach. Such an approach would have required that the total request be justified in full in relation to UNIDO's mandate, including that arising from the Lima Declaration and Plan of Action.

3. The revised estimate for section 12, UNIDO for 1976-1977 amounts to \$48,102,100, an increase of \$2,945,100 or 6.52 per cent over the appropriation for the biennium as approved by the General Assembly in resolution 3539 (XXX) of 17 December 1975. Other resources available to UNIDO in 1976-1977 include \$82,850,000 from extrabudgetary sources (\$72,000,000 for operational projects and \$10,850,000 for substantive and administrative support) and \$4,356,000 for the regular programme of technical assistance as provided from under section 15 of the regular budget. Thus, the total cost of UNIDO's programmes for the biennium is estimated by the Secretary-General at \$135,308,100.

4. If one excludes, for purposes of comparability, the provision of \$614,000 for meetings of the Intergovernmental Committee of the General Assembly ^{2/} (annex, paras. 8 and 9) and \$245,700 for additional inflationary cost and also the credit of \$451,200 for exchange rate adjustment (introduction, para. 37), the increase over the approved budget for the biennium is \$2,536,600 or 5.62 per cent. This increase corresponds to the net cost of programme growth in the Secretary-General's revised budget proposals. This programme growth is attributable primarily to increased estimates for outside expertise (nearly \$3.3 million) and to a net increase in staff.

5. Table 12-10 of the annex indicates net savings under established posts and common staff costs, despite the proposed addition of 27 posts to the regular establishment in 1977. The Committee understands that the savings are attributable mainly to the vacancy situation (50 vacant posts as at 30 September 1976) and to the fact that the increase in posts is a net figure resulting from the addition of 73 posts (which have been costed with a delayed recruitment factor of 50 per cent for professional posts and 35 per cent for general service posts) and the abolition of 46 posts (for which full provision had been included in the budget).

6. As for the rate of exchange adjustment, the Secretary-General indicates that the revised budget proposals for the whole biennium are based on a rate of exchange of 18.45 Austrian schillings to \$ US 1 as against the average rate of exchange of 18.15 Austrian schillings to \$ US 1 used for the approved budget for the biennium (introduction, para. 37). However, the Advisory Committee was informed by the Executive Director that the rate of exchange declined in

^{2/} The Intergovernmental Committee of the whole was established in conformity with General Assembly resolution 3362 (S-VII) sect. IV, para. 9 to draw up a constitution for UNIDO as a specialized agency.

October 1976 to 17.50 Austrian schillings to \$ US 1 and that, should this relationship continue during the remainder of the biennium, an additional amount of about \$1.1 million would be required to implement the revised programme proposals.

7. The Secretary-General's revised budget estimate includes \$245,700 for inflation which he relates to increased rental charges for conference facilities in the Hofburg (\$32,900) and higher communications charges (\$212,800) (introduction, para. 37). The Advisory Committee questions such a procedure in which certain objects of expenditure are singled out for additional inflation cost during the biennium while the inflation assumptions as revised by the General Assembly for the approved budget for 1976-1977 (at the average annual rate of 7 per cent in 1976 and 8 per cent in 1977) continue to be applied to other objects of expenditures. The Advisory Committee is of the opinion that the proper time to review inflation costs is in the context of the performance report to be submitted to the General Assembly at its thirty-second session. Accordingly, the Committee recommends that the provision of \$245,700 for additional inflation costs be deleted.

8. The Committee inquired into the additional expenditure of \$165,200 under communications (annex, table 12-1C) and was informed that experience in the first months of the current biennium indicated a higher volume of cable traffic and correspondence, particularly in connexion with UNIDO's expanding network of contacts with developing countries, non-governmental organizations, business and industrial institutions in line with the terms of the Lima Declaration and Plan of Action.

9. The structure of UNIDO as shown in document A/C.5/31/11 includes the same seven subprogrammes as were indicated in the Secretary-General's report of last year (A/C.5/1715/Rev.1), with the addition of the Intergovernmental Committee of the General Assembly. Compared with last year's report the present document describes UNIDO's substantive programmes in more detail, and states their objectives, legislative authority, output and resources requirements. The Committee notes that the amount of detail is not uniform and that more information is given on industrial studies than on other activities.

10. The following table provides a summary of the Secretary-General's revised budget estimates by "programme" and the corresponding appropriations for the current biennium. The Committee notes in this connexion that the use of the term "programme" in document A/C.5/31/11 is not consistent with the definition of the term given in the medium-term plan for the period 1978-1981; 3/ according to the latter UNIDO as a whole constitutes one programme broken down to subprogrammes. The Committee urges the Secretary-General to ensure consistency in the use of budgetary terminology in United Nations documents. In the present report the Committee has used the term "programme" instead of "subprogramme" to facilitate cross references to the report of the Secretary-General.

3/ Official Records of the General Assembly, Thirty-first Session, Supplement No. 6A (A/31/6/Add.1), vol.I, para. 113 (b) and 823 ff.

<u>UNIDO programmes</u>	<u>1976-1977</u> <u>appropriations</u>	<u>1976-1977</u> <u>revised estimates</u>	<u>Increase (decrease)</u>	
	\$ '000	\$ '000	\$ '000	%
Intergovernmental Committee of the General Assembly		614	614	
Policy-making organs . . .	1,228.8	1,030	(198.8)	(16.17)
Executive direction and management	655.5	723.1	67.6	10.31
Policy co-ordination . . .	4,947.5	5,559.3	611.8	12.36
Conference services, public information and external relations	9,171.2	9,407.4	236.2	2.57
Industrial studies	7,403.9	10,511.6	3,107.7	41.97
Industrial operations . .	10,878.2	9,697.9	(1,180.3)	(10.85)
Administrative services .	10,871.9	10,558.8	(313.1)	(2.88)
Total	45,157	48,102.1	2,945.1	6.52

Industrial studies

11. As can be seen from the above table, the Secretary-General requests a considerable increase for industrial studies from \$7,403,900 or 16.40 per cent of total appropriations to \$10,511,600 or 21.85 per cent; this represents an increase of \$3,107,700 or 41.97 per cent.

12. In terms of output the industrial studies programme includes 76 studies and reports, 54 issues of recurrent publications, 2 ad hoc publications, 5 manuals and 26 meetings (annex, paras. 92, 96, 100, 104 and 108).

13. The Advisory Committee notes that in the Industrial Development Board the relatively large number of studies being proposed by the Secretariat was viewed with some concern and stress was laid on the quality rather than the quantity of those studies. ^{4/} The Committee agrees with that approach. In this connexion, the Committee notes that UNIDO's drive to build up a voluminous programme of studies at its headquarters comes at a time when agencies like the Food and

^{4/} Ibid., Supplement No. 16 (A/31/16), part II, para. 42.

Agriculture Organization of the United Nations and the World Health Organization are reducing their studies, meetings and documentation in favour of operational activities. 5/

14. The Advisory Committee is of the opinion that the Industrial Development Board should review this matter in order to satisfy itself that the proposed studies are necessary for the implementation of the Lima Declaration and Plan of Action. A list of completed studies, with an indication of their cost and the purpose to which they will be put should also be provided to the Board which would thus be able to monitor progress and take the necessary corrective action.

15. The proposed programme of industrial studies is to be carried out with heavy reliance on outside expertise. The following table compares appropriations for consultants and ad hoc expert groups with the revised estimates submitted by the Secretary-General for 1976-1977.

5/ See the Advisory Committee's report on administrative and budgetary co-ordination of the United Nations with the specialized agencies and the International Atomic Energy Agency, (A/31/233, sect. III.B and F.

UNIDO - Authorized and proposed expenditure for
outside expertise, 1976-1977

Programme	<u>Consultants</u>			<u>Ad hoc expert groups</u>			<u>Total outside expertise</u>		
	Appropriation	Revised estimates	Increase (decrease)	Appropriation	Revised estimates	Increase (decrease)	Appropriation	Revised estimates	Increase (decrease)
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Policy-making organs	12.1	12.0	(0.1)	-	-	-	12.1	12.0	(0.1)
Policy co-ordination	316.2	332.0	15.8	161.0	238.0	77.0	477.2	570.0	92.8
Conference services, public information and external relations	8.9	9.0	0.1	5.0	5.0	-	13.9	14.0	0.1
Industrial studies	918.6	3 551.0	2 632.4	326.2	422.0	95.8	1 244.8	3 973.0	2 728.2
Industrial operations	174.2	507.0	332.8	26.9	142.0	115.1	201.1	649.0	447.9
Administrative services	12.1	12.0	(0.1)	-	-	-	12.1	12.0	(0.1)
Total	1 560.1 ^{a/}	4 541.0	2 980.9	519.1 ^{b/}	807.0	287.9	2 079.2	5 348.0	3 268.8

a/ The Advisory Committee was informed that as at 30 September 1976: expenditure \$456,609 and obligations \$760,922 = \$1,217,531, i.e. 78 per cent.

b/ The Advisory Committee was informed that as at 30 September 1976: expenditure \$78,539 and obligations \$56,798 = \$135,337, i.e. 26 per cent.

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16. Thus, in his revised proposals for the biennium the Secretary-General requests a total of \$4,541,000 for consultants as compared to the \$1,560,100 already appropriated, i.e. an increase of \$2,980,900 or 191 per cent. The corresponding figures for ad hoc expert groups are \$807,000 and \$519,100 respectively, i.e. an increase of \$287,900 or 55 per cent. The total allocation proposed for outside expertise, \$5,348,000, shows an increase of \$3,268,800 or 157 per cent over the appropriations. According to the Secretary-General's estimate, 83 per cent of this increase will be accounted for by the programme of industrial studies.

17. The Advisory Committee notes that the funds requested by the Secretary-General for outside expertise represents 11 per cent of the total revised estimate for UNIDO for 1976-1977 as against 4.6 per cent in the approved budget. The Committee inquired into UNIDO's programme for outside expertise and was provided with a list of studies to be carried out by consultants and of ad hoc expert group meetings envisaged for the biennium. In the Committee's view the proposed studies, in terms of topics and scope, are more in the nature of continuing activities than a programme to be implemented in less than a biennium. In several instances (such as preparing and organizing intergovernmental meetings and providing basic information for expert group meetings) the work should be within the competence of UNIDO's own staff. The list of studies also includes funds allocated to topics yet to be selected. Furthermore several of the proposed studies cover subjects which are also within the competence of other United Nations programmes and of specialized agencies (e.g. human resources, income distribution, labour policies, rural development and international investment).

18. The programme includes open-ended studies which are likely to continue beyond the biennium. A case in point is the industrial technological information bank project in connexion with which the Secretary-General proposes an expenditure of \$397,000 (introduction, para. 33 and annex para. 103(d)). The project was first mentioned in the Secretary-General's revised estimates for UNIDO submitted last year (A/C.5/1715/Rev.1, para. 12.37 (c)) in the form of a proposal to undertake a feasibility study in 1976 and 1977 on the establishment of an information bank. 6/ Upon inquiry, the Committee was informed that a preliminary feasibility study was undertaken this year at a cost of \$52,700 for consultants who carried out field surveys; that a number of difficulties and constraints have been identified; that it was proposed to launch a pilot operation in early 1977 at an estimated cost of almost \$350,000, and that it was expected that the work would be completed by 1979. In this connexion, the Advisory Committee notes that the Industrial Development Board has expressed the wish for more detailed information and concrete proposals relating to the pilot scheme before it could take any decision on that question and requested the Executive Director to prepare a report on that subject for submission to the Board at its eleventh session 7/

6/ In document A/31/147 (para. 16) the Executive Director states that financial provisions have been suggested in respect of the information bank in the proposed programme budget for 1976-1977; and that the draft programme budget for the biennium 1978-1979 will also include appropriate provisions for the continuation of the bank's activities.

7/ Official Records of the General Assembly, Thirty-first Session, Supplement No. 16 (A/31/16), part II, para. 47.

to be held in March and April 1977. The Committee recommends that the Secretary-General not commence the pilot operation before the Industrial Development Board has had the opportunity to examine the results of the feasibility study and to decide on the action to be followed. Since the pilot activities will involve examination of the possible utilization of electronic data processing, the Committee further recommends that the UNIDO project should be subject to the review procedures recommended by the Committee in its report on electronic data processing and information systems in the United Nations (A/31/255, paras. 15-18).

19. The Advisory Committee shares the concern expressed in the Industrial Development Board and the doubts cast on the ability of UNIDO "to digest and effectively utilize the material and information that the meetings and consultants could be expected to generate". ^{8/} The Committee believes that the amount requested for outside expertise can be reduced considerably by streamlining the programme, making better use of existing staff resources, improving co-ordination of studies within UNIDO and with the specialized agencies and other relevant institutions.

20. In the light of the foregoing observations, and bearing in mind that the amount committed by the Secretary-General as at 30 September 1976 for consultants represented 78 per cent of the appropriations for 1976-1977 (see table following para. 15 above), the Advisory Committee recommends approval of a total allocation for consultants of \$3,120,200, which is double the appropriation approved by the General Assembly at its thirtieth session but \$1,420,800 less than the total amount now requested by the Secretary-General for the biennium. With regard to ad hoc expert groups, for which commitments as at 30 September 1976 amounted to 26 per cent of the appropriation for the biennium, the Committee recommends that the approved appropriation figure of \$519,100 be maintained; this corresponds to a reduction of \$287,900 in the amount requested by the Secretary-General. Thus, the Committee's recommendation for outside expertise involves a reduction of \$1,708,700, i.e. from \$5,348,000 to \$3,639,300.

Industrial operations

21. As can be seen from the table following paragraph 10 above the revised estimate for industrial operations shows a decrease from \$10,878,200 (or 24.09 per cent of the appropriations for UNIDO) to \$9,697,900 (or 20.16 per cent of the revised estimates). This represents a reduction of \$1,180,300 or 10.85 per cent. The Advisory Committee was informed that this reduction (which involves the elimination of 41 posts - see annex para. 120) is attributable to a levelling-off of UNDP-financed projects which constitute the bulk of UNIDO's operational activities.

^{8/} Ibid., para. 44.

Staff

22. Based on his reassessment of UNIDO's programmes, the Secretary-General requests 782 posts under the regular budget (348 Professional and above, 365 General Service and 69 manual workers) and estimates the number of extrabudgetary posts at 271 (56 Professional and 215 General Service). This represents an increase of 27 posts (22 Professional and 5 General Service) in the regular establishment and 33 extrabudgetary posts (12 Professional and 21 General Service) over the current manning table.

23. The net increase of 27 posts under the regular budget reflects an increase of 73 posts (38 Professional and 35 General Service) offset by a decrease of 46 posts (16 Professional and 30 General Service). A breakdown of the proposed changes by programmes is as follows:

<u>UNIDO programmes</u>	<u>Posts increased</u>	<u>Posts decreased</u>	<u>Net</u>
Executive direction and management	8 (6 P, 2 GS)	2 (2 P)	6 (4 P, 2 GS)
Policy co-ordination	13 (4 P, 9 GS)	-	13 (4 P, 9 GS)
Conference services, public information and external relations	7 (4 P, 3 GS)	-	7 (4 P, 3 GS)
Industrial studies	33 (17 P, 16 GS)	-	33 (17 P, 16 GS)
Industrial operations	2 (2 P)	43 (13 P, 30 GS)	-41 (11 P, 30 GS)
Administrative services	10 (5 P, 5 GS)	1 (1 P)	9 (4 P, 5 GS)
	73 (38 P, 35 GS)	46 (16 P, 30 GS)	27 (22 P, 5 GS)

24. The Secretary-General requests two new posts of Deputy Executive Directors at the Assistant Secretary-General level for the Executive Office. It will be recalled that at the thirtieth session the Secretary-General requested three posts at the Assistant Secretary-General level for Deputy Executive Directors. On the recommendation of the Advisory Committee, the General Assembly approved one such post only (annex paras. 13 and 14). The Committee was informed that that post had not been filled. According to the Secretary-General the respective responsibilities of the three Deputy Executive Directors would include policy co-ordination, industrial studies and technical co-operation affairs. The Committee note that their proposed functions correspond to those of the existing directors of UNIDO's substantive programmes. The Secretary-General's proposal contains no additional information in support of his request to make the Committee alter its position taken last year on the question of posts at the Assistant Secretary-General level for UNIDO. 9/ Accordingly the Committee is unable to recommend acceptance of the request for the two additional posts at the Assistant Secretary-General level and the related two General Service posts requested for secretarial support.

9/ Ibid., Thirtieth Session, Supplement No. 8A (A/10008/Add.1-28), document A/10008/Add.26, para. 15.

25. Twenty of the new posts requested come under programme formulation and direction or industrial studies, i.e. 10 Professional posts (five P-5 and five P-4) and 10 General Service posts for secretarial support, to be outposted to the joint industry divisions in the five regional commissions (annex para. 89). The objective would be to strengthen the link between UNIDO's industrial and research programmes and the regions. The Committee recommends acceptance of the 10 Professional posts requested. The Committee does not agree, however, that there is need for the creation of a General Service post for each Professional post, and it recommends that the number of General Service posts be reduced to five.

26. Under policy co-ordination the Secretary-General requests four posts (one P-5, one P-3, two General Service) to staff a proposed liaison office in Geneva (annex paras. 54 and 55). The Committee understands in this connexion that within the approved manning table UNIDO currently outposts a Professional officer to Geneva for liaison purposes. The Committee is not however convinced that the need for such an office on an established basis has been fully justified and recommends that the related request for additional posts not be granted.

27. For UNIDO's New York Liaison Office (also under policy co-ordination) the Secretary-General requests four new posts (one P-4, one principal General Service and two General Service) (annex paras. 52 and 53). The Committee notes that the Secretary-General's request amounts to a 50 per cent increase over the authorized manning table which consists of one D-1, two P-5, one P-3, one principal General Service and three General Service. The Committee was informed, however, that the New York Liaison Office now also has three additional General Service posts which have been made available from within the total resources of UNIDO. Considering the number of established posts in the New York Liaison Office and in view of the fact that one P-5 has been vacant for nearly two years, the Committee is not convinced of the need to enlarge UNIDO's New York Liaison Office as requested by the Secretary-General. Accordingly, it does not concur in the request.

28. In paragraphs 196 and 197 of the annex the Secretary-General proposes the creation of a new unit for administrative management studies under the programme direction component of administrative services. The Committee was informed that it is proposed to assign four posts to the unit (one P-5, one P-3, two General Service). The Committee recalls that in its report on the Administrative Management Service it stated that it is not in favour of the establishment of departmental management units for such units would lack the necessary independence, would result in the creation of more new posts than if management expertise remained consolidated in a central unit, and would militate against uniformity of methods and procedures (A/31/8/Add.5, para. 16). Consequently, the Committee recommends against the proposed establishment of the new unit at UNIDO.

29. The Advisory Committee is of the opinion that other post reductions should also be within reach in UNIDO. Having reviewed UNIDO's over-all manning table, the Committee recommends that three professional (one D-1, one P-5 and one P-4) and one principal General Service post be disallowed as follows:

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(a) One D-1 and one principal General Service post under programme component: programme formulation and direction of policy co-ordination. The Secretary-General's description of activities of this programme component (annex paras. 22-24) does not sufficiently justify the addition of the two posts to an authorized manning table composed of four Professional posts, including one D-2, and four General Service posts.

(b) One P-5 and one P-4 under the programme of industrial studies. This recommendation is a corollary of the Advisory Committee's observations and recommendations in paragraphs 13 to 20 above for a more prudent approach to the use of outside expertise combined with closer scrutiny of the programmes of industrial studies by the Industrial Development Board.

30. The following table provides a summary of UNIDO's authorized manning table for 1976-1977 under the regular budget, the net changes proposed by the Secretary-General and the Advisory Committee's recommendations.

UNIDO establishment (regular budget 1976-1977)		Professional and above									General service and other categories			
		USG	ASG	D-2	D-1	P-5	P-4	P-3	P-2/1	Sub- total	GS	MW	Sub- total	Total
Approved budget	Authorized	1	1	6	22	67	95	96	38	326	360	69	429	755
Secretary-General's recommendations	+ Requested (-)		2	(1)	2	7	8	(5)	9	22	5		5	27
	Total	1	3	5	24	74	103	91	47	348	365	69	434	782
Advisory Committee's recommendations	Posts not recommended		2		1	3	2	2		10	15		15	25
	Total	1	1	5	23	71	101	89	47	338	350	69	419	757

Interim administrative arrangements

31. The Advisory Committee inquired into the status of the interim administrative arrangements for greater autonomy for UNIDO in respect of personnel and financial questions. The Committee was informed that draft proposals prepared by the Office of Personnel Services at Headquarters are still under review by UNIDO and that once the approval of the Executive Director has been obtained the document on interim arrangements for personnel questions will be submitted to the Fifth Committee for final approval. With regard to budgetary questions, the Committee was informed that in view of the present status of the negotiations concerning UNIDO as a specialized agency, the separate preparation and submission of the programme budget of UNIDO could not yet be considered, at least not for the programme budget for the biennium 1978-1979.

Recapitulation

32. The reductions recommended by the Advisory Committee in this report are summarized below:

Outside expertise (para. 19)

Consultants	\$1,420,800	
<u>Ad hoc expert groups</u>	<u>287,900</u>	\$1,708,700
Inflation (para. 7)		245,700
Posts (2 ASG, 1 D-1, 3 P-5, 2 P-4 2 P-3, 15 GS) (paras. 24-29)		389,469
Representation allowance (consequential to the Committee's recommendations on the proposed new ASG posts) (table 12.5 of the annex)		3,600
		<u>\$2,347,469</u>

Accordingly, the Committee recommends a revised estimate for section 12, UNIDO, in the amount of \$45,754,600.
