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P O L I C Y

PROGRAMME PLANNING: THE THIRD PROGRAMMING CYCLE, 1982-1986

Increased host Government contributions for UNDP Field Offices

Progress report of the Administrator

Summary

This progress report is submitted in response to Governing Council decision 81/16, paragraph 5, and outlines the elements which, in the Administrator's view, are relevant to the formulation by the Council of practical guidelines, on the basis of which the Administrator could undertake consultations with host Governments concerning increases in their contributions towards the local costs of UNDP field offices. The steps outlined in the report are the clearer identification of the nature and genesis of field office costs, a review of the current level of Government contribution to these costs, the establishment of tentative priorities, based on per capita GNP, for special efforts to be made to obtain increased contributions and a review of the situation in such priority cases, taking account of the Governments' voluntary contributions to UNDP central resources. The views and guidance of the Council are sought on this suggested approach.

INTRODUCTION

1. At its twenty-eighth session, the Governing Council requested host Governments in a position to do so to increase significantly their contributions towards meeting the local costs of UNDP field offices, bearing in mind the level of voluntary contributions of those Governments to the central resources of UNDP. The Council also requested the Administrator to report on consultations on this matter with Governments so that the Council could evolve guidelines to assist the Administrator in his further endeavours in this regard (decision 81/16, paragraph 5).

2. The level of host Government contributions to the local costs of offices must necessarily be influenced by the size of the staffing and the costs of those offices, a matter which was the subject of a detailed survey during 1981 and, together with staffing and related issues at headquarters, is covered in a separate report of the Administrator (DP/1982/52). Pending the discussion of that report and the decisions thereon of the Council, the present document on host Government contributions is necessarily in the nature of a progress report, outlining the Administrator's preliminary views as to a possible approach towards securing increases in those contributions.

3. The need for significant increases during the third programming cycle (1982-1986) in host Government contributions to the local costs of offices is underlined by the fact that at the beginning of the second programming cycle (1977-1981) such contributions financed some 20 per cent of the total UNDP field office costs, while towards the end of the cycle the corresponding share had declined to some 10 per cent. The total of host Government contributions in support of field offices is shown below for each year of the second programming cycle in relation to total costs of offices.

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Total</u>
	(Thousands of US dollars)					
(a) Total field office costs (net of staff assessment)	43 263	46 840	53 752	63 884	70 290	281 029
(b) Total host Government contributions	8 749	9 833	10 392	9 572	7 412	45 958
(c) Per cent (b) to (a)	20.2	21.0	19.3	15.0	10.5	16.4

4. The approach outlined in this paper may be summarized in terms of the following four steps:

(a) Identify more clearly the nature and genesis of field office costs, particularly local costs, separating "core" costs, towards which host Governments should contribute, from other costs which may need to be recovered fully or in part from other sources;

(b) Review for each office the current level of the host Government contribution in relation to the relevant portion of field office costs as separated above, bearing in mind the obligations falling on the host Governments under the standard basic agreement; based on such a review, identify offices for which host Government contributions are especially low;

(c) From among the offices identified as under (b) above, separate those in countries with a per capita gross national product (GNP) of \$1,500 and above (highest priority) those with one between \$500 and \$1,500 (second priority), and those with one below \$500 (third priority);

(d) Review the situation in respect of the offices identified under (c) above, taking account of the Government's voluntary contribution to UNDP central resources and "programme costs"; this would provide an initial guide for establishing priorities as to Governments with whom special consultations beyond the general effort to obtain increased contributions should be undertaken.

APPROACH TO CONSULTATIONS FOR SECURING GREATER GOVERNMENT
CONTRIBUTIONS TOWARDS LOCAL OFFICE COSTS

Core costs of field offices

5. The recently completed staffing surveys included a detailed study of the nature and genesis of the workload and costs of field offices, globally and individually. The Administrator's staffing proposals in the revised budget for 1982-1983 (DP/1982/53) distinguish between "core" staff needed to handle indicative planning figure (IPF) funds and, where appropriate, up to 25 per cent of IPFs in the form of cost-sharing, on the one hand, and, on the other, staff resources needed to administer non-UNDP funded activities such as, principally, additional cost-sharing and funds-in-trust programmes and projects. The former costs are to be covered through the UNDP biennial budget, while the latter costs are to be met from the sources from which the related activities themselves are financed. To the extent that these non-core activities are funded by the host Government itself, the payment of the related field office costs would also fall to the Government, possibly through an appropriate increase in its local office contributions.

6. Furthermore, as indicated in the Administrator's report on the staffing surveys (DP/1982/52, paragraph 53), negotiations with the executing agencies will be undertaken to determine more precisely those activities which UNDP carries out on behalf of the agencies and for which it should be reimbursed. To the extent that there is in the future reimbursement from agencies, such reimbursement would go to reduce the net administrative budget and the cost basis for consultations with the host Government concerned would be correspondingly decreased.

7. Thus the total over-all costs of UNDP field offices may be regarded as comprising (a) a core part to be financed from the UNDP budget, which would be reduced by the amount of host Government contributions, and (b) a non-core part related to the handling of additional programmes or to the provision of services to others, to be met from the sources funding those programmes or the beneficiaries of the services provided. The basis of discussions with host Governments in regard to their contributions to local costs of offices should normally be the core part under (a) except that, where the source of funding or the beneficiary of services provided under (b) is the host Government itself, those elements should also be taken into account.

Standard basic agreement

8. The UNDP standard basic agreement with Governments provides, in article VI, paragraphs 4 and 5:

"4. The Government shall also contribute towards the expenses of maintaining the UNDP mission in the country by paying annually to the UNDP a lump sum mutually agreed between the Parties to cover the following expenditures:

(a) An appropriate office with equipment and supplies, adequate to serve as local headquarters for the UNDP in the country;

(b) Appropriate local secretarial and clerical help, interpreters, translators and related assistance;

(c) Transportation of the resident representative and his staff for official purposes within the country;

(d) Postage and telecommunications for official purposes; and

(e) Subsistence for the resident representative and his staff while in official travel status within the country.

5. The Government shall have the option of providing in kind the facilities referred to in paragraph 4 above, with the exception of items (b) and (e)."

9. These provisions are broadly similar to those contained in the "office agreements" used in the 1950s and early 1960s with the Technical Assistance Board (TAB), except that in the TAB version, Governments were expected "to pay for, or directly furnish" the several facilities. This approach reflected the concept that host Governments should contribute to the cost of technical assistance, at least that part which can be paid in their own currencies. While in the earlier years it was somewhat easier to relate the local costs of the TAB office to the activities under the Expanded Programme of Technical Assistance (EPTA), the establishment of the Special Fund and more recently of several other United Nations system programmes and funds for which the field office provides services has altered both the nature and magnitude of field office work in such a way that the isolation of the true core cost, now in terms of UNDP programmes, has become increasingly difficult. The process of decentralization and the attendant transfer of major programme functions to the field have also somewhat altered the rationale of the traditional arrangements. In the early years the goal was to cover the costs of the elements cited above, which covered practically all locally incurred costs; more recently, local currency costs in many offices cover additional elements due to the greater use of local resources, including national professional staff. Even in the extreme case, however, the costs of the resident representative, his secretary and one driver should be a valid charge to the UNDP budget.

10. In these circumstances, strict adherence to the provisions of the agreement cited above over the years has given way to the negotiation of the best possible arrangements on a practical basis. While the Government contribution to the local costs of field offices could still be reviewed against the estimated total of the cost elements cited above in the core budget, the adequacy of the contribution could also be assessed by looking at the percentage which the net costs of the office to the UNDP budget represents of the related core programme. An initial step might be to identify those offices where this percentage is in excess of the global average.

Governments "in a position to do so" (i.e. to increase contributions)

11. While the situation of all offices where the host Government contribution appears less than adequate on the basis mentioned above should be reviewed, priority attention might be given within this group to the offices in countries with an annual per capita GNP of above \$1,500 and, secondarily, to those with a per capita GNP of between \$500 and \$1,500. Where substantial cost-sharing or funds-in-trust

programmes are involved, as often happens in countries with relatively higher per capita GNP, the issue of increased contributions to local office costs (core budget) and to the support of the additional programmes could be dealt with together, as appropriate.

Impact of voluntary contributions

12. The situation of offices identified in priority groups through the above-mentioned steps will need to be examined taking into account the magnitude of voluntary contributions to the central resources of UNDP and to "programme costs". An examination of the figures shows that some countries contribute largely to central resources and very little to local office costs and vice versa. In setting any guidelines for local office cost contributions, this factor would have to be taken into account. It should be noted that contributions to central resources and local office costs are both in local currency. How the total of these contributions has changed during, for example, the second programming cycle could be a factor to be taken into account. As contributions to UNDP are voluntary and no generally agreed criteria have been set, no yardstick as such can be established for assessing these total contributions. However, in the case of countries with a per capita GNP above \$1,500, the provisions of Governing Council decision 81/31, paragraph 6(e), concerning their voluntary contributions and reimbursement targets must be a principal consideration.

CONCLUSION

13. The Administrator believes that, in regard to the consultations with host Governments in terms of Council decision 81/16, the Council had in mind a reasoned but pragmatic approach. The elements outlined in this report are presented so as to assist the Council in its efforts to evolve suitable practical guidelines, based on which the Administrator may initiate consultations with host Governments. To the same end, the statement for 1980-1981 contained in the annex shows, in respect of countries with per capita GNP above \$1,500 the following: (a) IPF expenditures; (b) expenditures under cost-sharing and other funds administered; (c) local office costs; (d) contributions to central resources; (e) contributions to "programme costs"; and (f) contributions to local office costs.

Annex

UNDP EXPENDITURES AND GOVERNMENT CONTRIBUTIONS 1980-1981 FOR COUNTRIES
WITH PER CAPITA GNP ABOVE \$1,500 IN 1978 ^{a/}
(Thousands of US dollars)

Country	Per capita GNP 1978 ^{a/}	UNDP Expenditures 1980 and 1981			Government Contribution 1980 - 1981	
		IPF	Other (est.) ^{b/c/}	Field office cost	VC + VPCd/	GCLOCe/
Argentina	2 030	9 644	131	2 672	3 647	1 071
Bahrain	1 500	1 101	0	747	111	74
Barbados	1 520	1 119	0	560	40	-
Brazil	1 510	11 850	27	2 203	4 310	104
Costa Rica	1 610	1 629	85	518	180	12
Cyprus	1 670	2 410	83	650	202	161
Gabon	3 370	4 804	0	1 334	183	218
Greece	3 450	3 722	0	646	1 380	493
Iraq	1 850	6 517	13	1 322	1 504	254
Kuwait	15 970	1	0	839	1 140	315
Libyan Arab Jamahiriya	7 210	3 588	0	1 716	2 300	630
Oman	2 340	2 284	38	660	150	217
Romania	1 650	2 562	252	426	1 108	70
Saudi Arabia	6 590	6 112	0	3 081	5 000	1 748
Trinidad and Tobago	3 010	2 223	0	1 135	332	58
United Arab Emirates	12 180	349	0	963	675	345
Uruguay	1 790	4 342	82	974	1 220	92
Venezuela	2 850	4 432	0	2 185	4 520	336
Yugoslavia	2 100	2 660	855	791	5 481	345

^{a/} According to the 1980 World Bank Atlas as used for IPF calculations in DP/496, as endorsed by the Governing Council.

^{b/} Programme Reserve and Special Industrial Services.

^{c/} Actual cost-sharing expenditure and 80 per cent of Programme Reserve and Special Industrial Services 1981 budgets as applicable.

^{d/} VC = voluntary contribution; VPC = voluntary programme cost.

^{e/} GCLOC = Government contribution to local office costs.

DP/1982/21/Add.1
English
Annex

