

# UNITED NATIONS DEVELOPMENT PROGRAMME



# UNDP

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POLICY

## FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

### ANNUAL REVIEW OF THE FINANCIAL SITUATION, 1981

#### Housing and office accommodation for field personnel

#### Report of the Administrator

##### Summary

The Governing Council at its twenty-eighth session requested the Administrator to submit a detailed analytical report on the loans to Governments for accommodation of field personnel, both in terms of housing and office accommodation (decision 81/25, operative paragraph 5).

In this report, the Administrator presents his analysis of the present situation as regards housing and office accommodation for field personnel and his recommendations thereon.

The report contains, as annexes, a schedule of the outstanding loans and investments made in respect of the Reserve for Construction Loans to Governments as at 31 December 1981; a table listing the amounts to be advanced in 1982 in respect of loan agreements signed by 31 December 1981; a list of loans under consideration as at 31 December 1981; and a summary showing the total amount of all loan agreements signed and loans under consideration as at 31 December 1981.

## INTRODUCTION

1. The question of UNDP arrangements for the provision of accommodation for field staff has been a recurring issue at a number of sessions of the Governing Council. The matter has been reviewed extensively by the Governing Council in 1971, 1972, 1973, and 1979.

2. At the Council's twelfth session in June 1971, the Administrator submitted a special report on the problem of housing for field personnel (DP/L.181/Add.1), and the Council expressed the view that the Administrator must make full use of all facilities open to him under his authority to meet situations of acute housing shortage.

3. At the Council's fourteenth session in June 1972, the Administrator submitted a report on personnel for development assistance (DP/L.246) which included information on housing for field personnel. Members of the Council noted with appreciation the efforts which the Administrator had made to bring about improvements in this connection.

4. At the Council's fifteenth session in January-February 1973, the Administrator reported on the progress which had been made in alleviating the housing difficulties for field personnel and sought the Council's agreement to additional approaches which, he believed, should be considered in certain exceptional cases (DP/L.265). The Council expressed general support for the possible future actions which the Administrator had suggested.

5. At the Council's twenty-sixth session in 1979, the Administrator again reported on the problems related to accommodation for field personnel (DP/383), and the Council, in decision 79/43, decided, inter alia, "to establish a reserve to be funded from the general resources of UNDP for granting loans to Governments...at a maximum level of \$25 million, to be used to construct appropriate housing for field personnel, and in exceptional circumstances, where all other means for obtaining proper facilities have been fully explored, for office accommodations," and "that where such housing accommodation is required in remote areas, provision should continue to be made, whenever possible, in the respective project budget."

6. At its twenty-eighth session in June 1981, The Governing Council requested the Administrator to submit a detailed analytical report on the loans to Governments for accommodation of field personnel, both in terms of housing and office accommodation (decision 81/25, operative paragraph 5).

7. This report, as well as providing detailed information on housing and office accommodation financed by loans made to Governments for construction purposes, also describes the various other mechanisms by which UNDP has been able to assist in the provision of adequate accommodation for field personnel.

8. As the Council has recognized, lack of adequate accommodation for field personnel can be a major constraint against the timely and efficient implementation of the programme. It is for this reason that UNDP has become involved in the direct or indirect provision of accommodation. In a great number of countries, particularly the least developed countries, the programme has been hampered, and is still hampered, by the acute shortage and sometimes non-availability of housing, hotel accommodation, adequate office premises, etc. In many cases, for example, project staff arriving in a country would not have been able to perform efficiently within a reasonable time after arrival had not UNDP intervened in the housing area. In fact, at least 80 per cent of UNDP-administered housing is utilized for project staff fielded by the various executing agencies. The remaining housing arrangements are for UNDP staff or, in a few cases, other agency representatives.

9. Annex I to this report provides details of the outstanding loans and investments made in respect of the Reserve for Construction Loans to Governments as at 31 December 1981. As this schedule shows, altogether 13 loans were outstanding at that date for a total amount of \$4.6 million, of which two loans for an amount outstanding of approximately \$ 0.5 million were in respect of office accommodation.

10. Of the loans outstanding at 31 December 1981, three were made following decision 79/43 which established the Reserve for Construction Loans to Governments. As shown in annex II, agreements have been entered into which provide for three additional amounts, one of which relates to a new loan, to be advanced in 1982 for a total amount of \$3.0 million, of which approximately \$2.2 million relates to housing and \$0.8 million to office accommodation. As shown in annex III, 19 additional loans are under consideration for a total amount of \$18.6 million, of which approximately \$15 million relates to housing and \$ 3.6 million to office accommodation.

#### I. HOUSING

11. A basic premise in the United Nations system is that it is the responsibility of the staff member to secure appropriate accommodation. By means of the post adjustment system, the remuneration paid to the staff member takes into account variations in the cost of housing in different duty stations. Since July 1980, rental subsidies are paid when the actual cost of housing for a staff member serving in a field duty station deviates significantly from the average cost of housing included as one factor in the calculation of the post adjustment. Similarly, rental deductions are made whenever the actual cost of housing provided by a Government or by UNDP falls below the amount included for housing in the post adjustment calculation.

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12. Since the cost of housing affects the post adjustment and rental subsidies, it is an important element of expert costs and, as a consequence, has a direct impact on the level of programme expenditure. A reduction in the cost of housing, therefore, can have a significant affect on the real volume of programme delivery.

13. Housing also involves an indirect cost to the Programme. In situations where there is an acute shortage of housing, a disproportionate part of the expert's initial time at the duty station may be spent in securing adequate housing. Shortage or non-availability of housing may delay the arrival of an expert and thereby the execution of the project itself.

14. The study made in 1971 (DP/L.181/Add.1) showed that in 27 countries the lack of adequate housing was seen as the single most important factor adversely affecting the timely delivery of the programme. This is still the case in a great number of duty stations in spite of all the efforts which have been made to resolve the difficulties encountered.

15. The various modalities which are being used by UNDP to provide housing and which have been reported to the Council in past years, and have met with its concurrence, are the following:

- Commercial leases signed by UNDP;
- Loans to Governments for construction;
- Financing from project budgets; and
- Purchase with UNDP funds.

16. Relevant financial arrangements have also been made in the following related areas:

- Advances for repair and maintenance;
- Guest-house operations; and
- Administrative support.

17. Each of these different types of arrangement is discussed in the following paragraphs.

#### Commercial leases signed by UNDP

18. In certain duty stations UNDP has signed long-term leases with commercial landlords for housing, and then sub-let the various units to field staff. This modality has been used particularly when commercial landlords have requested rental advances in excess of those which staff could reasonably be expected to provide from their own funds. Such housing has been managed as a

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"housing pool" by the field office. The advantage of this modality is that it can ensure some long-term availability of housing, independent of staff movements. A disadvantage is that vacancies can occur between sub-leases. The cost of such vacancies is, however, averaged out as a surcharge to each sub-lessee and therefore implies in principle no extra cost to the UNDP budget.

19. In a few cases, however, the housing pool arrangements have shown a deficit. This has occurred when the housing market has changed drastically during the term of UNDP's lease and staff have been able to secure cheaper accommodation than that which is available from the pool. Thus, two major pools, comprising at their peak close to 200 housing units, are being closed with an estimated deficit of \$55,000 to be written off. Compared, however, with the benefits the Programme has gained from these housing pools over the many years of their operation, this deficit can be considered insignificant. Nevertheless, the Administrator will, as in the past, exercise great care and prudence when creating such commercial housing pool arrangements.

#### Loans to Governments

20. Prior to 1979, under Financial Regulation 5.2, 11 loans amounting to \$5 million were provided to Governments and the East African Community for the construction of staff housing.

21. As stated in paragraph 5 above, the Governing Council at its twenty-sixth session established a \$25 million reserve "for the construction of appropriate housing for internationally-recruited personnel and in exceptional cases of office accommodation", to which the balance of the outstanding loans mentioned in paragraph 20 were debited.

22. Under the authority granted in 1979, three major loans (Democratic Yemen, Angola, and Equatorial Guinea) and one minor one (Malawi) have been approved. The loans have financed altogether 53 housing units and one guest house, as well as improved office facilities in Malawi and common office premises in Angola.

23. Altogether, over 250 housing units have been obtained for field personnel through loans to Governments.

24. Loans presently under consideration or negotiation concern over 300 housing units in 19 countries, and office facilities in eight countries. If all the requests under consideration were approved, they would involve loans somewhat in excess of \$25 million, the total amount presently approved for the Loan Reserve.

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25. The primary purpose of the loans to Governments is to facilitate the construction of housing to field personnel. It is the intention of the Administrator to use the funds with this priority in mind, as the availability of adequate housing for staff is of crucial importance for effective programme delivery.

26. It is, moreover, equally obvious that a satisfactory programme delivery cannot be achieved if the Field Office is impeded in its functions by inadequate office accommodation. The question of the extent to which the Loan Reserve should be used for office accommodation is addressed in paragraphs 34-45 below.

#### Financing from project budgets

27. Since the days of the Technical Assistance Board and the Special Fund, it has been the practice to use project funds to provide housing for project staff, usually in remote areas where adequate housing was non-existent. This practice is being continued and at present approximately 100 housing units in use in some ten countries have been financed in this manner. As noted in paragraph 4 above, this practice was specifically endorsed by the Council in its decision 79/43.

#### Purchase with UNDP funds

28. In 1972, the Administrator reported to the Council (DP/L.265) that direct UNDP investment was one solution to the question of providing housing. He stressed, however, that it should be used only in very special circumstances. In fact, this method has been used only in two very special cases since the inception of the Programme. Although purchase may in certain cases be a very attractive financial alternative to rental, it will continue to be used only in very exceptional circumstances and with the agreement of the Government concerned.

#### Advances for repair and maintenance

29. Many Government-provided houses, some of which were built 20-25 years ago, are increasingly in need of structural repairs. Occasionally even houses built more recently may be in need of repairs or extensive maintenance work. The same may apply to housing financed from the Loan Reserve. In principle, the responsibility for repairs and overhaul in these cases lies with the Government. However, the Government may have neither the practical means nor the funds necessary to carry out this work. The Governments have then requested UNDP to undertake the repairs. This practice was reported to the Council in 1972 and is still used extensively.

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30. The financial mechanism employed is that, after approval by headquarters, the necessary funds are advanced by the Field Office and recorded as an Advance Recoverable Locally (ARL). When the repair work has been completed, rents are increased to permit recovery over a reasonable period of time. Once the advance has been fully recovered, further credits can then be used for additional repairs or maintenance, as necessary.

31. A procedure similar to the one described in the preceding paragraph has been used in some duty stations to provide such basic household equipment as air conditioners, refrigerators, cookers, etc. In duty stations where UNDP or the Government provides housing, these items have often been purchased by UNDP and their cost recovered from rents. In a few duty stations, where such items are not easily available locally, UNDP holds a small stock of basic equipment which is then made available to newly arrived staff on a temporary loan basis until such time as their personal belongings arrive. In duty stations where long shipping delays are frequently experienced, this has been found to be a practical solution; but in view of the administrative complexities involved, great caution has been and will continue to be used in entering into such arrangements.

#### Guest-house operations

32. In certain duty stations the extreme scarcity or unavailability of hotel accommodation has led to the creation of guest-house operations. The guest-house, itself, may be provided by the host Government, financed by a housing loan, or rented by UNDP. Guest-houses are used for long-term experts on arrival before regular accommodation can be provided; for short-term experts; and for United Nations system staff on official visits to the duty station. Besides accommodation, guest-houses often provide meals to the residents. Guest-houses are financed through an ARL account and fees are charged to residents to cover all expenses. At present, ten guest houses are in operation.

#### Administrative support

33. In all, UNDP now administers more than 600 housing units and 10 guest-houses in some 35 countries. Most housing projects and the guest-houses require logistical support in the form of maintenance personnel, watchmen, administrative services, etc. The cost of the staff needed for the housing project or guest-house is financed from the rentals and fees collected. To the extent that these arrangements entail administrative services which are carried out by UNDP staff, such as management and accounting, this results in increased costs to the Field Office budgets. The Administrator intends to review all such cases, and, to the extent practicable, to ensure that the additional, identifiable costs involved are charged to the housing projects and guest-houses, to be financed from the rents and fees accordingly.

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## II. OFFICE ACCOMMODATION

34. Under the Basic Agreements between host Governments and UNDP, the Governments have agreed to provide adequate office premises for the UNDP Field Offices. They may do so either directly or by leasing premises from commercial landlords.

35. In many cases, however, and particularly in the least developed countries, Governments have been unable to fulfil this obligation adequately. In 61 countries, for example, UNDP is itself paying the rent for office premises. In some of these countries, the rent paid is fully or partially recovered by the Government's contribution to local office costs, but this is not always the case.

36. A further disadvantage which arises when UNDP itself has to rent office premises is that the organization is thereby subject to rent increases required by commercial landlords which may be difficult to predict and very considerable in amount. Unless such increases are fully and immediately covered by an equivalent increase in the host Government's contribution to local office costs, they have a direct impact on UNDP's field office budgets which may be difficult to absorb.

37. For these reasons, the Administrator believes that solutions other than commercial rental by UNDP should be preferred as they are more advantageous to the Programme, particularly in the longer-term.

38. The problem of securing adequate office accommodation is being rendered even more difficult by the fact that the expansion of the Programme in the third cycle, and therefore also of staff, is taking place in those countries which have the lowest GNPs. Premises which have been barely adequate until now will become inadequate as delivery increases and staffing needs expand.

39. A further dimension to the problem is the desire in certain host countries to provide common premises for all or a majority of United Nations agencies operating in the particular country. The Government may, for example, provide land but expect the United Nations agencies to provide the funding for construction on a joint basis. This has, however, proved to be difficult and it may often even be considered inappropriate to find a solution based on a loan provided by UNDP.

40. In many cases also, the premises provided by Governments have not been adequately maintained and need extensive repairs. Governments often do not have funds available for the necessary work.

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41. Under the present arrangements loans have been granted to the Governments of Malawi and Angola to improve and acquire office premises for the respective Field Offices. The total of the loans in this respect amounts to approximately \$1.3 million or about 17 per cent of all loans negotiated to date.

42. As shown in annex III, there are proposals under consideration for the construction of field office premises in eight other countries, mostly in least developed countries. The total amount involved in the projects now being considered is in the order of \$3.6 million. The Administrator believes it essential for the satisfactory functioning of the Programme that UNDP be able to proceed with financing the construction of appropriate premises when it becomes apparent that the host Government is unable to provide adequate accommodation for the field office and when the commercial market does not offer a viable alternative solution.

43. As a rule, the financing of such construction would be made through the utilization of the Loan Reserve. Keeping in mind the priority to be given to housing, the Administrator believes that a maximum of 25 per cent of the Loan Reserve, or \$6.25 million, should be made available for loans related to office accommodation.

44. In certain cases the host Government, desiring to provide adequate office facilities for UNDP and sometimes for other United Nations organizations as well, but unable to finance these from its own resources, has suggested the utilization of UNDP funds to finance a direct UNDP investment in office premises. While being extremely restrictive in accepting such solutions (in only one instance has this been done to date), the Administrator has not excluded them. In exceptional cases, this kind of financing may also have to be used in future.

45. As regards repairs and maintenance, the primary responsibility is the landlord's. However, when host Governments have not been able to adequately repair or maintain Government-provided UNDP office premises, UNDP has assumed the responsibility in the interest of proper management. The cost of such work is charged to the UNDP biennial budget.

### III. RECOMMENDATION

46. In the light of the analysis of arrangements for housing and office accommodation for field personnel set forth above, the Administrator recommends that the Council consider the following draft decision for adoption:

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"The Governing Council,

Having taken note of the Administrator's Report on Housing and Office Accommodation for Field Personnel contained in DP/1982/50,

1. Approves the present arrangements for the provision of housing and office accommodation for field personnel; and
2. Authorizes the Administrator to utilize up to 25 per cent of the Reserve for Construction Loans to Governments for the provision of field office accommodation".

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Annex I

Investments of the Reserve for Construction Loans to Governments  
as at 31 December 1981  
(United States dollars)

A. Housing loans

<u>Borrower</u>	<u>Repayment period of loan a/</u>	<u>Balance 31 December 1980</u>	<u>Additional loans made in 1981</u>	<u>Repayment due in 1981</u>	<u>Received in 1981</u>	<u>Balance 31 December 1981</u>
United Republic of Tanzania, Government of	1975-84	110 504	-	26 205	26 205	84 299
Botswana, Government of	1975-89	423 225	-	40 767	40 767	382 458
Malawi, Government of						
- Phase I	1975-90	173 016	-	15 645	15 645	157 371
- Phase II	1976-91	135 452	-	10 880	10 880	124 572
- Phase III	1980-95	56 000	-	-	-	56 000 c/
East African Community b/	1976-90	390 279	-	27 676	-	390 279
Lesotho, Government of	1976-90	435 162	-	37 042	37 042	398 120
Rwanda, Government of	1976-90	122 833	-	10 456	10 456	112 377
Swaziland, Government of	1976-90	328 398	-	27 954	27 954	300 444
Burundi, Government of	1976-91	236 543	-	16 554	16 554	219 989
Benin, Government of	1978-93	378 959	-	24 640	24 640	354 319
Democratic Yemen, Government of	1982-97	277 966	840 244	-	-	1 118 210
Angola, People's Republic of	1982-97	-	949 892	-	-	949 892 d/
<b>Total</b>		<b>3 068 337</b>	<b>1 790 136</b>	<b>237 819</b>	<b>210 143</b>	<b>4 648 330</b>

B. Investments

<u>Type</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Amount</u>
Time deposits	United States dollars	16.3750	3 900 000
	United States dollars	16.1250	5,000,000
	United States dollars	16.2500	11 451 670
			20 351 670
<b>Total</b>			<b>25 000 000</b>

a/ Interest accrues at 3-1/2 per cent per year on the unpaid balance for all loans except Malawi (Phase III), Angola and Democratic Yemen, where the rate of interest is 5 per cent.

b/ In addition, repayments of \$12,362, \$25,821 and \$26,733 are due for 1978, 1979 and 1980 respectively. The East African Community was dissolved in 1978 and an arbitrator's decision on the balance is awaited.

c/ For office accommodation.

d/ Approximately 50 per cent for common office premises.



Annex II

Amounts to be advanced in 1982 in respect of  
loan agreements signed by 31 December 1981

<u>Country</u>	<u>Purpose</u>	<u>Amount</u>
		\$
Democratic Yemen	24 housing units	598 790
Angola, People's Republic of	21 housing units and common office premises	1 620 000 <u>a/</u> <u>b/</u>
Equatorial Guinea	8 housing units and one guest-house	877 031
		<hr/>
		\$3 095 821
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a/ Of which approximately \$810,000 relates to common office premises.

b/ Includes \$550,000 of additional commitments not yet formally incorporated in loan agreement.



Annex III

Loans under consideration as at 31 December 1981

<u>Country</u>	<u>Purpose</u>	<u>Estimated amount of loan</u>			<u>Remarks</u>
		<u>For housing</u>	<u>For office accommodation</u>	<u>Total</u>	
		\$	\$	\$	
Bangladesh	Office - UNDP share	-	800 000	800 000	Tentative
Burundi	27 houses and office	1 000 000	318 000	1 318 000	Under negotiation
Cape Verde	12 apartments	448 791	-	448 791	Near conclusion
Comoros	20 houses	1 000 000	-	1 000 000	Under negotiation
Djibouti	12 apartments	929 000	-	929 000	Near conclusion
Ethiopia	36 apartments	1 500 000	-	1 500 000	Tentative
Guinea Bissau	50 apartments and office	1 500 000	250 000	1 750 000	Tentative
Lesotho	35 apartments	1 000 000	-	1 000 000	Under negotiation
Madagascar	Office	-	1 000 000	1 000 000	Tentative
Malawi	20 houses	1 250 000	-	1 250 000	Near conclusion
Sierra Leone	12 houses and office	750 000	250 000	1 000 000	Tentative
Sudan (Khartoum)	Office improvement	-	250 000	250 000	Tentative
Swaziland	10 houses	1 000 000	-	1 000 000	Tentative
Tuvalu	4 houses	203 448	-	203 448	Near conclusion
Uganda	Housing	1 000 000	-	1 000 000	Tentative
United Republic of Tanzania (Dodoma)	One guest-house, a temporary office and some housing	750 000	250 000	1 000 000	Tentative
Vietnam		1 000 000	-	1 000 000	Tentative
Zambia	Office and housing	1 000 000	500 000	1 500 000	Tentative
Zimbabwe	10 houses (purchase)	659 527	-	659 527	Under negotiation
<b>TOTAL</b>		<b>14 990 766</b>	<b>3 618 000</b>	<b>18 608 766</b>	- -





Annex IV

Summary of loans for housing and office accommodation  
as at 31 December 1981

	<u>For housing</u> \$	<u>For office accommodation</u> \$	<u>Total</u> \$
Balance of outstanding loans as at 31 December 1981 (Annex I)	4 117 330	531 000	4 648 330
Amounts to be advanced in 1982 in respect of loan agreements signed by 31 December 1981 (Annex II)	2 285 821	810 000	3 095 821
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	6 403 151	1 341 000	7 744 151
Loans under consideration as at 31 December 1981 (Annex III)	14 990 766	3 618 000	18 608 766
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TOTAL	21 393 917	4 959 000	26,352 917
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