F. Increased host Government contributions for UNDP field offices

1. Under item (5) of the Council’s agenda, the Committee had before it for consideration documents DP/1982/21/Add.1 and DP/1982/21/Add.3 containing the Administrator’s report on increased host Government contributions for UNDP Field Offices, which had been referred to the Committee by the Plenary. In his opening remarks, the Assistant Administrator, Bureau for Finance and Administration, called attention to the Standard Basic Agreement between recipient countries and UNDP which provides that the recipient countries shall contribute towards the expense of maintaining the respective UNDP field offices. In practical terms, the expenses required to be financed by the Government as per the Agreement, included all costs of the office, except the costs of international staff and international travel. The Assistant Administrator stated that experience has shown that Governments fulfilled their obligations under the basic agreement in varying degrees; some Governments paid all the costs, while others none at all. However, Government contributions should be seen in their totality, including voluntary contributions to the general resources, as well as cash and in-kind contributions to local office costs. In this connection, he called attention to Table 1 of document DP/1982/21/Add. which illustrated the situation for some typical country cases.
2. The Assistant Administrator stated that one of the reasons for the non-observance of the basic agreement might be that the agreement did not take into account the ability of an individual country to make the contribution as required. In view of this, the Assistant Administrator proposed for consideration of the Committee a scale of partial waivers of the contributions based on the per capita GNP of the country concerned, as shown in Schedule 1 of DP/1982/21/Add.3. With the approval of the Committee, the Administrator intended to take the necessary measures to ensure that all Governments met the proposed scale of contributions by 1 January 1984. The Administrator would report to the Council at its thirty-first session on the results of his efforts. If it appeared that some Governments still did not contribute adequately, in cash or in kind, the Administrator would then propose that any voluntary contribution paid by the Government in question be transferred to the extent necessary to local office contributions. The Assistant Administrator called attention to Table 2 of DP/1982/21/Add.2 which illustrated the effect of applying deficits in local office contributions to voluntary contributions under the proposed formula.

3. With reference to another aspect of the question relating to local office costs, namely the costs of administering cost-sharing funds, the Assistant Administrator explained the current practice which is that any interest earned on balances of cost-sharing funds held by UNDP was added to UNDP general resources and not to the fund itself. However, such was not the case with most trust funds. Many Governments had inquired why interest earnings were not credited to them, especially as UNDP expected them to finance the extra staff necessary to administer large cost-sharing programmes. In view of this, and taking into account expectations of significant increases in cost-sharing funds, the Administrator had decided that interest amounts earned would be made available to cost-sharing programmes for the purpose of financing non-core costs involved in the administration of cost-sharing funds exceeding 25 per cent of the IPF. The interest would be calculated for the first time on balances held during 1982 and credited when the final accounts for 1982 were closed, i.e. in the second quarter of 1983.

Summary of the discussion in the Committee

4. Many members welcomed the proposals of the Administrator. One member pointed out that the Standard Basic Agreement between UNDP and a Government was a legal commitment of both parties and as such should be strictly enforced.
Some members stated that, even though they could agree to a schedule of waivers, the objective should be the eventual enforcement of the full provisions of the agreement. Some members considered the schedule of waivers too generous and favoured instead a more gradually rising waiver rate. Two members stated that they did not consider appropriate the waiving of any part of the basic agreement and that therefore they would reserve their position on any paragraph in a proposed decision which included such a provision. Some members expressed concern that under the new proposal there might be an adverse impact if the present contributions of a Government already exceeded the targets being set.

5. Many other members expressed serious reservations on the proposals. They considered the setting up of a waiver rate schedule contrary to the spirit of voluntary contributions. Some members stated that the schedule was too rigid. In response to these statements one member pointed out that signed agreements required full implementation; he believed that waiver rates should be subject to the Administrator's discretion. One member questioned the use of GNP per capita to set the waiver rate as he considered it an inappropriate measure to determine a country's ability to pay. One member stated that the basic agreement used the phrase "mutually agreed between the Parties" and interpreted this to mean that the agreement was essentially voluntary. Another member stated that a "good faith" reading of the agreement would not lead to such an interpretation.

6. Several members indicated their agreement to the proposal of the Administrator on crediting interest earning on cost-sharing balances to the cost-sharing programmes. One member, however, stated that he believed that interest on third party cost-sharing balances should be credited to UNDP's general resources. Another member inquired as to relationship between the two proposals on cost sharing and contributions to local office costs and suggested that the two proposals should be considered separately.

Response of the Administration

7. The Assistant Administrator, Bureau for Finance and Administration, responded to the questions of the members. He pointed out that, the alternative to the application of a waiver rate schedule would be the enforcement of the full provisions of the basic agreement. He stated that the basic agreement required mandatory compliance, and in this connection, underlined the term "shall contribute" in the agreement. He clarified that the Administrator intended to
make the proposal of charging deficits in contributions towards local office costs to voluntary contributions as from 1984 onwards only if his efforts at obtaining contributions towards these costs at the envisaged rates were not successful. He explained that the waiver rate schedule in UNDP/1982/21/Add.3 was intended only as a proposal based on the criteria of GNP per capita used in IPF calculations (decision 80/30) and was subject to such amendments as the Council may adopt. However, should the Council not provide revised guidelines, the Administrator would be guided by the proposals contained in Schedule 1 in DP/1982/21/Add.3.

8. The Assistant Administrator explained the relationship between the proposals on cost-sharing interest and contributions towards local office costs by pointing out that new definitions relating to UNDP core and non-core activities have been established which required that the costs of administering cost-sharing programmes in excess of 25 per cent of a country's IPF should be borne by the donor of the cost-sharing funds. He further stated that he believed that third-party cost sharing should not be exempt from the application of these proposals, since for these purposes there was no distinction between country and third-party cost-sharing arrangements.

Recommendation of the Committee

9. The Budgetary and Finance Committee recommends that the following decision be adopted by the Council:

The Governing Council

Having taken note of the Administrator's progress report on increased Government contributions for UNDP field offices contained in DP/1982/21/Add.1 and 3;

Having taken note of the contents of the UNDP Standard Basic Assistance Agreement as well as the Expanded Programme of Technical Assistance, Special Fund and Office Agreements with Governments;

Having taken note that host Government contributions to UNDP field office costs may be made partly in kind;

Further noting that, notwithstanding appeals by the Administrator, the majority of Governments have failed to make contributions in cash or in kind in accordance with the Agreements;
(a) **Authorizes** the Administrator to undertake negotiations with Governments with a view to reaching agreement on the amounts and modalities of their contributions, so that, commencing on 1 January 1984, such contributions, except as provided in paragraph (b) below, will be in accordance with the agreements signed by them. The need to ensure that the standards of accommodations, facilities, and other contributions in kind to be made by Governments are appropriate to the country concerned should be taken into account in such negotiations;

(b) **Authorizes** the Administrator to waive in part the contribution towards local office costs, when the economic conditions of the countries concerned so warrant;

(c) **Takes note** of the Administrator's intention to make available to the cost-sharing programmes interest earned on cost-sharing balances for the purposes of financing non-core support costs relating to the respective programmes; and

(d) **Requests** the Administrator to report on these issues, including the waivers authorized in paragraph 2, to the thirty-first and subsequent sessions of the Governing Council.