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GOVERNING COUNCIL

BUDGETARY AND FINANCE COMMITTEE

Twenty-ninth session
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DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Finn Norman Christensen (Denmark)

CHAPTER IV

PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES BUDGET, 1982-1983

C. Reimbursement for services provided by UNDP field offices to executing agencies

Summary of the discussion of the Committee

1. A majority of members expressed strong reservations on the Administrator's intention, described in paragraph 51 of document UNDP/1982/52, to embark on a series of high level negotiations with the agencies to obtain their agreement for payments for services rendered by UNDP to them in respect of non-UNDP-funded activities. Many cited the central co-ordinating role of UNDP in the United Nations development system, and stated that the proposal had to be examined in the larger context of the Consensus as well as the restructuring resolutions and appointment of most Resident Representatives as Resident Co-ordinators. Several members expressed strong support for such a co-ordinating role, and stated that the provision of services by the UNDP field network is a necessary price which must be paid. Further, they were prepared to consider the cost of such arrangements within the context of the UNDP biennial budget.
2. One member, supported by others, stated that from a strictly cost accounting standpoint, the proposal might have some merit. However, it would result in additional costs to the agencies, which would ultimately have to be funded by Governments.
3. Another member pointed out that an undesirable consequence of charging agencies for the services provided by UNDP might be to encourage agencies to open their own field offices, something which, in the final analysis, would simply not be cost-effective.

4. One member stated that he agreed with the logic of the proposal inasmuch as agencies were paid support costs and could in turn be expected to pay for the services they received from UNDP. However, while not ruling out negotiations, he expressed concern that considerable conflict could develop between UNDP and the agencies. He therefore suggested that the Joint Inspection Unit (JIU) be requested to study the subject. He further suggested that should any consultations occur, these should be held under the auspices of the Administrative Co-ordination Committee (ACC).

5. Another member, who also expressed reservations on the subject, stated that from the data provided in annex II of document DP/458, it would not appear that the services provided by UNDP were currently considerable enough to justify the imposition of charges. He stated that further data was needed and therefore also supported the suggestion for a JIU study of the subject. Again on the question of data, another member expressed the view that only quantitative information was available and that it would be desirable to assess the quality of the services provided.

Statement by the Administrator

6. The Assistant Administrator stated that the views expressed by the members of the Committee very clearly indicated that the proposal put forward in paragraph 51 of document DP/1982/52, to charge agencies for services rendered to them runs counter to the central co-ordinating role of UNDP. The field offices of UNDP should continue to provide services as before to agencies of the United Nations development system. The Governing Council understood that this led to a higher level of administrative costs for UNDP and accepted this higher level as contained in document DP/1982/53. The Administrator would therefore act in accordance with the views expressed in this regard. The Assistant Administrator then stated that there were, however, a few points which needed to be clarified so that the Administrator could interpret the Governing Council's decisions accurately:

(a) Firstly, it was the Administrator's understanding that in principle UNDP field offices should continue to provide agencies with the services rendered at present, to the extent that the staffing allowed for this and as long as it did not encroach on the proper performance of the main function of UNDP, that is, servicing the UNDP-administered programmes and funds;

(b) Secondly, should the volume of services demanded by agencies warrant it, the Administrator might request the necessary additional resources from the Council. It would then be up to the Council to judge whether these expanded services should be provided free of charge or not;

(c) Thirdly, if an agency of the United Nations development system requests that a specific service be performed by a UNDP office which is not equipped to perform that service, the Administrator might make specific arrangements with the agency in question to meet the particular needs of the situation.

7. The Assistant Administrator gave three possible examples of the situation envisaged in paragraph 6 (c) above:

(a) A major United Nations conference is arranged in a capital of a country where UNDP is the main United Nations representative. The agency requires UNDP to provide support services to the conference beyond the means of the office. The Administrator would then offer to provide the assistance to the office, including the hiring of extra staff, on a reimbursable basis;

(b) An agency requests a UNDP office to provide, new, additional services, for example, to assist the agency with the recruitment of staff or of fellows for its regular programme, on a scale beyond what the office is equipped for. It would then be proper for the Administrator to offer the services of the office, once again on a reimbursable basis, subject to its possible later inclusion in the UNDP biennial budget;

(c) An agency has embarked on a major trust fund project in a particular country. The agency is being paid for administrative services by the donor concerned, but requests UNDP to provide a number of local services, for example, accounting, servicing of experts, etc. It would then be normal for the agency to reimburse UNDP for the extra costs incurred. This has been a current practice in the past and has normally been seen as reasonable by the agencies.

8. The Assistant Administrator said that paragraph 7 (c) above related to trust funds which constituted a particular aspect of this whole issue. A basic underlying principle of past discussions in the Committee had been that UNDP funds should only be used to finance and support UNDP's own activities. This principle had been modified in the present discussion so that UNDP could now also support other activities of the United Nations development system. However, when it came to operational activities other than UNDP funds and programmes, i.e. trust funds and cost sharing, the principle as previously defined remained valid and was embodied in the financial regulations and other decisions of the Council.

9. The Assistant Administrator expressed the view that it seemed reasonable to UNDP that there should be no difference made as regards the financing of administrative support provided by the field office, whether it be a UNDP trust fund, an agency trust fund or cost sharing in excess of 25 per cent of the IPF.

Either all three types of projects should be charged for the administrative support provided on the same and equitable basis, or none of them should be so charged. Any other position would influence the way in which funds were channelled through the United Nations system. The Administrator would interpret the logic to be that identifiable additional costs should be charged directly or indirectly to the respective activity. This was particularly important as trust fund operations tended to fluctuate much more than the regular programme. The Administrator would assume that this logic would be part of any understanding reached in a decision on the subject of UNDP support to other agencies of the United Nations development system.

Further discussion of the Committee

10. A majority of the members expressed their appreciation for the statement made by the Assistant Administrator and confirmed that, in the main, he had interpreted correctly the views expressed by members. Since the level of support being provided differed from field office to field office and agency to agency, significant anomalies might exist in the level of support currently provided by individual field offices. Members agreed that the decision on this issue should not prohibit the Administrator from correcting any such anomalies. One member expressed the view that any reimbursement from agencies for the performance of additional tasks or increased workload should be financed from their extrabudgetary sources. He stated that this provision should be included in the decision and if this were not agreed, to do so, then his reservation on operative paragraph 2 should be recorded.

Recommendation of the Committee

11. The Committee recommends that:

The Governing Council,

Having considered the Administrator's proposals contained in paragraph 51 of document DP/1982/52, and the comments of the Advisory Committee on Administrative and Budgetary Questions thereon,

Taking into account also the statements of the administration and the comments of the members thereon,

Affirming the role of the UNDP field office structure as the primary instrument for providing services and co-ordination to the United Nations technical co-operation activities in the field,

Recognizing that the provision of these services and of this co-ordination puts a significant workload on the field offices and that this, in many cases, has implications for the UNDP administrative costs,

Noting that the 1982-1983 biennial budget includes resources to perform these services at present levels,

(a) Authorize the Administrator to continue to provide at the present levels those services which are in accordance with the aims and responsibilities of UNDP and are currently provided without charge to the agencies of the United Nations system;

(b) Authorize the Administrator, in those circumstances where agencies require field offices to perform additional tasks or to assume significantly increased workloads which require identifiable additional resources, to make adequate arrangements with agencies to meet such needs.
