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OTHER FUNDS AND PROGRAMMES

UNITED NATIONS FUND FOR POPULATION ACTIVITIES

UNFPA subvention to UNDP for services rendered

Summary

The Executive Director reported to the Governing Council at its twenty-ninth session in June 1982 that agreement had been reached with UNDP, after detailed negotiations, on the amount of the subvention to be paid by UNFPA to UNDP for services rendered by the latter organization during the 1982-1983 biennium. The Governing Council approved this arrangement and authorized the necessary provision to be made in UNFPA's budget for 1982.

Further discussions have taken place between UNFPA and UNDP with regard to the amount of subvention to be paid by UNFPA to UNDP covering the forthcoming biennium 1984-1985. The results of these discussions, on which full agreement has been reached, have been incorporated into the respective budget documents of UNFPA and UNDP, and are reported here for the information of the Governing Council.

1. This report on payments made by the United Nations Fund for Population Activities (UNFPA) to the United Nations Development Programme (UNDP) in respect of services rendered by the latter organization is submitted as an information document in response to the decision taken by the Governing Council in the course of its twenty-ninth session (decision 82/20, II, paragraph 4). No action by the Governing Council is required.

2. In a study undertaken by UNDP in the latter half of 1981 of the costs incurred by it in providing certain common services to UNFPA and other "non-core" organizations or units, the conclusion was reached that the estimated cost of services rendered by UNDP to UNFPA for 1982-1983 would be \$2,981,650. The details of these costs, as determined by UNDP's study, were as follows:-

<u>UNDP organizational unit</u>	<u>1982-1983</u>
Division of Finance	\$ 750,220
Internal Audit Service	198,560
Division of Personnel	856,190
Division for Administrative and Management Services	238,370
Division of Management Information Services	643,970
Services provided by the United Nations	294,340
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	\$2,981,650

3. Subsequently, the amount to be paid for 1982-1983 was reduced by mutual agreement from \$2,981,650 to \$2,660,000, payable in the amounts of \$1,300,000 and \$1,360,000 for 1982 and 1983, respectively. This arrangement was approved by the Governing Council (decision 82/20, II, paragraphs 1 and 2).

4. In its decision (82/20, II, paragraph 4), the Governing Council took note "of the Executive Director's statement that if, after consultations with UNDP, any changes in the existing arrangements between UNFPA and UNDP for administrative support services prove to be necessary, these will be submitted to the Governing Council through the Advisory Committee on Administrative and Budgetary Questions" and requested "that any such proposals shall be worked out jointly with UNDP with a view to achieving optimum efficiency and cost-effectiveness, consistent with established policy in regard to co-operation between UNDP and UNFPA".

5. Representatives of UNDP and UNFPA have concluded a thorough and detailed review of the costs incurred by UNDP in providing agreed services to UNFPA for the past and present fiscal years (1982 and 1983) and have also established a revised base on which to estimate the costs of these services

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for the 1984-85 budget cycle. Following the establishment of such a base for each of the organizational units providing services to UNFPA, an inflation factor of 5.5 per cent was then applied for each of the years 1984 and 1985 in order to arrive at agreed charges and the total amount payable by UNFPA for the biennium 1984-1985. (This inflation factor represents the estimate provided by the United Nations Budget Division.)

6. The agreement between UNDP and UNFPA resulted in the following:

Payments by UNFPA for UNDP/UN services
(US\$)

<u>UNDP organizational unit</u>	(1) <u>1982-1983</u>	(2) <u>1982-1983</u> (Revised)	(3) <u>1984-1985</u>	(4) <u>Increase</u> (Decrease)
Division of Finance	750,000	N/A	621,200	(129,000)
Internal Audit Service	198,560	N/A	273,600	75,000
Division of Personnel	856,190	N/A	856,200	-
Div. for Admin. and Mgmt. Serv.	238,370	N/A	163,000	(75,400)
Div. of Mgmt. Info. Services	643,970	N/A	570,600	(73,400)
Services provided by the United Nations	294,340	N/A	341,700	47,400
<u>Total - No additional services</u>	2,981,650	2,660,000	2,826,300	(155,400)
<u>Additional Internal Audit Services</u>	-	-	207,000	207,000
<u>Adjusted grand total</u>	\$2,981,650	\$2,660,000	\$3,033,300	\$ 51,600

7. Column 1 shows the costs for 1982-1983 as originally determined by the 1981 UNDP study. Column 2 shows the amount of the reduced payment (from \$2,981,650 to \$2,660,000) for 1982-1983 as agreed following discussions between UNDP and UNFPA and approved by the Governing Council at its twenty-ninth session in June 1982. No attempt was made following the agreement reached between UNDP and UNFPA on the over-all reduction to apportion this amount among the different units.

8. The results of the latest discussions for 1984-1985 are shown by organizational unit in column 3. Column 4 shows jointly agreed reductions for finance, administration and management, and management information, as well as increases for audit and the item for services by the United Nations.

9. A word of explanation must be added with respect to the two separate amounts shown in column 3 for Internal Audit Services. The amount shown in the main part

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of the Table (\$273,600) represents the estimated cost in 1984-1985 of Internal Audit Services provided at the same level as in previous years, without any increase in the volume of service. The additional amount, shown at the foot of the Table (\$207,000) would represent the additional cost to UNFPA of the services of an additional full-time auditor, together with secretarial and other necessary supporting services. The full extent of the increase in services to be provided is currently under discussion between UNDP and UNFPA. Without this increased internal audit coverage, the UNFPA payment to UNDP for 1984-1985 would amount to \$2,826,300; with the augmented Internal Audit Service included, the payment, as reflected in the budget documents of UNFPA for the biennium 1984-1985, would amount to \$3,033,300.

10. The arrangements for reimbursement presented in this paper are the result of a long process of consultation. Both organizations are in agreement with the substance of this paper and have reflected this agreement in their respective documentation submitted to the thirtieth session of the Governing Council.