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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

THE CONCEPT OF EXTRABUDGETARY RESOURCES

Report of the Administrator

Summary

This report responds to decision 83/31 of the Governing Council at its thirty-first session. The report reviews the definition, origin and use of administrative expenditures presently labelled as extrabudgetary resources. The rationale of the concept of extrabudgetary resources is described and the four basic categories of support service to which extrabudgetary resources relate are identified. A detailed account is given of the historical development of each of these categories of support service. The annex, tables 1-4, accounts in detail for the uses for which extrabudgetary resources are required.

The Administrator proposes to present essentially the same format regarding extrabudgetary resources in 1986-1987 as in 1984-1985.

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I. INTRODUCTION

1. The Governing Council, in decision 1983/31 adopted at its thirtieth session, decided "to review at its thirty-first session the definition, origin and use of administrative expenditures presently labelled as extrabudgetary resources with a view to determining how such resources should be presented in the budget for the biennium 1986-1987" (operative paragraph 5). The Administrator has interpreted the Council's decision as going beyond a request merely for factual information. This report, therefore, has been prepared on the understanding that the Council desired a complete presentation of the rationale behind the concept of UNDP extrabudgetary resources.

2. The extrabudgetary resources of UNDP include funds from all sources (other than those derived from voluntary contributions which constitute UNDP's general resources) which reimburse the organization for support services and the use of its facilities.^{1/} Similarly, the extrabudgetary resources of each fund and programme administered by UNDP would include funds from all sources other than those derived from the voluntary contributions to the general resources of each fund.

II. RATIONALE OF THE CONCEPT OF EXTRABUDGETARY RESOURCES

3. The origin of the concept of extrabudgetary resources for UNDP lies in the development of a multiplicity of funds and programmes sharing three common elements: they are under the authority of the Administrator; UNDP provides them with central administrative services; and the Administrator is accountable to the Governing Council for their operations. The relationship between these three elements holds the key to an understanding of the concept of extrabudgetary resources.

4. In 1970, with the adoption by the General Assembly of resolution 2688(XXV) (the "Consensus"), UNDP was given a distinctive identity. The Consensus stated that "the total resources available for programming will be divided between country programmes on the one hand and, on the other, intercountry programmes consisting of sub-regional, regional, interregional and global projects".^{2/} The Consensus defined the elements of what has subsequently become considered as UNDP's core programme. This core programme is the expression of UNDP's original and fundamental mandate. Nevertheless, since that time the international community, responding to changing perceptions of needs and opportunities, has periodically given UNDP additional tasks and mandates. The donor community has placed different priorities on these

various programmes as they have developed; but the programmes are united by the fact that they are the beneficiaries of separate voluntary contributions and by the fact that they have found identifiable institutional expression.

5. At the same time that the international community was responding to changing challenges by creating new funds and programmes, great emphasis was placed on the need to avoid waste and to ensure administrative efficiency. With this in mind, these programmes were to varying degrees integrated into the structure of UNDP. In particular, UNDP was to provide central administrative support services, thus ensuring that economies of scale were achieved. Therefore, while UNDP's core programme remained distinctive, UNDP was administering an increasing number of funds and programmes.

6. Common administration did not detract from the fact that the various funds and programmes had separate identities, that they were the expression of specific mandates, and that the Administrator was accountable for them individually. The Administrator had no choice but to ensure that the real costs of each programme were separated out and that he could present to the Governing Council detailed and complete costings for each programme. Thus, the Administrator presented to the Governing Council, in his revised 1982-1983 budget proposals (DP/1982/53), definitions of the concepts of core and non-core activities on the one hand, and of budgetary and extrabudgetary resources on the other. These definitions are inescapably complex because at this stage the structure of UNDP, itself, is inherently complex.

7. The core activities of UNDP relate to "activities directly associated with the planning, programming and implementation of UNDP assistance through country, regional, interregional and global projects".^{3/} Thus, core activities interpreted in terms of the Financial Regulations have a lineage that can be traced directly back to the Consensus legislation. By contrast, non-core activities relate to activities undertaken in support of funds or programmes administered by UNDP identified as any "independent accounting entity, established by resolution of an appropriate legislative organ, which resolution specifies in whom responsibility for both executive direction and legislative guidance is vested".^{4/} The definition of UNDP non-core activities has been further restricted to those funds or programmes for which the Governing Council appropriates funds under a separate appropriation line to cover their respective programme support and administrative service costs.

8. Having established the relationship between core and non-core activities, it then becomes necessary to distinguish between the budgetary and extrabudgetary resources available to both core and non-core activities. The budgetary resources available are those appropriated by the Governing Council in respect of UNDP core and non-core activities as defined above. So defined, budgetary resources are best characterized as those resources which provide

the financing for the basic programme support and administrative services required by an activity. From the point of view of accountability, the cost of these activities is clearly on display since these resources must in the first place be appropriated by the Governing Council.

9. The problem would arise were appropriations not to display the real apportionment of costs between activities because services rendered to certain activities appeared as costs to other activities. It is in response to the requests to create transparency in the appropriation process that the Administrator must display extrabudgetary resources. Extrabudgetary resources relate to those resources available for the financing of programme support and administrative service costs that are not basic to that particular activity. For example, a core activity, the internal audit function, may perform tasks for a non-core activity, the United Nations Capital Development Fund (UNCDF). Those tasks are integral to the proper functioning of CDF and proper accountability therefore dictates that the related internal audit costs be charged to CDF. Otherwise, the appropriations would be understating the real cost of the CDF programme and overstating the real cost of delivering UNDP's core programme. Proper cost accounting and transparency dictate, therefore, that the cost should be reflected as budgetary expenditure for CDF and as an extrabudgetary resource for UNDP's core programme. The Administrator is conscious that transparency does not always lend itself to simplicity.

10. With respect to UNDP core activities, extrabudgetary resources relate to four basic categories of support service:^{5/}

(a) Support services provided by UNDP core activities to UNDP non-core activities, other organizations and trust funds administered by UNDP;

(b) Administrative support of activities financed by the Reserve for Construction Loans to Governments;

(c) Programme support in the field of energy;

(d) Programme and administrative support related to field office activities.

11. At UNDP headquarters, the major burden of providing services has fallen to date on the Bureau for Finance and Administration (BFA). Legislative bodies have repeatedly requested economies of scale to be achieved in the administration of the programmes under the Administrator's control by centralizing administrative services to the extent possible. The concept of economies of scale carries with it the implication of centralized service for a variety of activities; this, in turn, gives rise to extrabudgetary resources to finance those services. The concept of extrabudgetary financing enables

the Administrator to attribute costs to the central service units from the individual activities in a fair and equitable manner. The Administrator does not consider that he would be properly exercising his accountability to the Governing Council if he allowed the principle of economies of scale to mean, in practice, economies to specific activities and costs to UNDP central resources.

12. One further distinction might be useful. Extrabudgetary resources must be clearly distinguished from the administrative and programme resources provided for specific purposes in the form of programme support projects. It is necessary to define the rationale of programme support projects. Such projects are not approved if their purpose is to buttress the capacity of the field office to perform its basic activities. There are two primary reasons for establishing programme support projects. Both relate to a type of support to project activity that is not, under normal circumstances, expected to be provided by the field office. The first reason relates to the case, for example, where economies of scale dictate that when there are many small, dispersed projects, it is economical to provide certain administrative support services to the projects by providing resources centrally in the field office. The service activities, however, are proper to the normal activities of a project. The second major reason relates to those cases where major infrastructural problems necessitate certain centralized forms of support to enable the efficient management of projects, for example in communications or other kinds of project logistics. Since such forms of support would normally be accommodated within project budgets, it is considered proper to charge the Indicative Planning Figure (IPF) and not the administrative budget for such costs.

13. It is important to remember in this context that for any particular project, the recipient Government incurs obligations to provide various forms of support. It is not surprising that in a number of countries the required project support must be considered as an activity basic to the development and success of the project itself. In these cases, particularly in the least developed countries, programme support is such an integral part of a project's operations that it would create a severe distortion for such support to be charged to the administrative budget.

14. In sum, the nature or purpose of the services provided financed from the administrative budget, from extrabudgetary resources and from project funds are distinct. To draw a parallel with a concept from current United Nations terminology, it is a corollary of the principle of budgeting by programme objective to ensure that activities are costed as accurately as possible and that the cost of the functions performed that are extraneous to the basic function of a particular activity are not charged to it.

III. THE HISTORICAL DEVELOPMENT OF UNDP EXTRABUDGETARY RESOURCES

15. Before considering the four categories of support services referred to in paragraph 10 above, it might be useful to describe briefly the development and nature of UNDP's agreement with the United Nations on reimbursement for services rendered. It should be noted in this context that the distinction between budgetary and extrabudgetary activities in UNDP is paralleled in the United Nations by the distinction between activities financed from the regular budget, i.e., from assessed contributions, and extrabudgetary activities financed from voluntary contributions. For the United Nations, therefore, services performed for UNDP represent services provided to "non-core" or extrabudgetary activities for which the United Nations is reimbursed. This reimbursement by UNDP, representing budgetary expenditure for UNDP, represents extrabudgetary resources for the United Nations.

16. From its inception, UNDP has established the practice of providing an annual subvention to the United Nations Secretariat to cover the cost of support services being provided to the administrative structure of UNDP. At the time of UNDP's financial crisis in 1975-1976, the UNDP administration announced its intention of curtailing the subvention and drew attention in addition to the reciprocal services provided by UNDP to the United Nations.

17. The issue of the rate of reimbursement for the provision of services to United Nations extrabudgetary activities received its most recent exhaustive review during the Fifth Committee's consideration of the 1976-1977 United Nations budget estimates, following a number of observations made by the Advisory Committee on Administrative and Budgetary Questions (ACABQ).^{6/} In its consideration of the proposed 1976-1977 budget, the ACABQ clearly stated its view that extrabudgetary funds should not be used to relieve the regular budget of its proper share of staff costs and, conversely, that the regular budget should not be burdened with costs which might more appropriately be borne by extrabudgetary funds.^{7/} The General Assembly, on the recommendation of the Fifth Committee, endorsed this view.^{8/} The Secretary-General was requested to make proposals to the thirty-first session of the General Assembly regarding a more equitable distribution of the costs of services provided by the United Nations to activities financed from extrabudgetary funds.

18. In his report on this matter, the Secretary-General proposed that reimbursement be based on a "sharing ratio".^{9/} This would relate not only to support services provided by the United Nations to UNDP but also to services provided reciprocally by UNDP field offices to the United Nations. In effect, this report established the principles and the methodology on which reimbursement arrangements between the United Nations and UNDP have been based

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subsequently. The cardinal principle governing these arrangements remains the reasonable apportionment of costs for the servicing of "non-core" or extrabudgetary activities as stated by the ACABQ and endorsed by the General Assembly. It is now necessary to consider the application of this principle to the relationship of core to non-core activities within UNDP.

A. Category 1: Support services provided by UNDP core activities to UNDP non-core activities, other organizations and trust funds administered by UNDP

19. The principle behind the concept of extrabudgetary resources, as described above, namely the Administrator's accountability for the costs of each programme and fund for which he is responsible, is reflected in financial regulation 5.1. The regulation states that "trust funds may be established by the Governing Council or by the Administrator for specified purposes consistent with the policies, aims and activities of UNDP. Trust funds which directly or indirectly involve additional financial liability for UNDP shall be established only by the Governing Council. Trust funds established by the Administrator shall be reported in detail to the Governing Council through the Advisory Committee [ACABQ]". The regulation has been interpreted by the Administrator as meaning that any fund established by the Governing Council or by the Administrator must not entail any additional financial liability for UNDP, unless the Council has expressly authorized this. This regulation provides the underlying rationale for the discussion that follows.

1. United Nations Fund for Activities (UNFPA) and the United Nations Financing System for Science and Technology for Development (UNFSSTD)

20. UNFPA operates its own financial regulations and submits its own budget estimates. However, its mandate specifically provides for its use of UNDP's administrative services. Reimbursement for these services is negotiated on the basis of the agreed methodology and accords with the principles established by the United Nations in its 1976-1977 study in respect of the services rendered by it to its "non-core" or extrabudgetary activities.^{10/} UNFSSTD was established by General Assembly resolution 34/218. The resolution states that the Interim Fund (the predecessor to UNFSSTD) "shall have an identifiable and separate basis and shall be administered by the UNDP". Paragraph 22 of the annex to resolution 34/218 states that the administrative expenses of the Interim Fund, once it becomes operational, will be met from its own resources.

2. United Nations Capital Development Fund (CDF) and United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE)

21. CDF and UNRFNRE were two of the earliest and largest funds established by the General Assembly which the Administrator of UNDP was requested to administer. In 1967, the General Assembly invited the Secretary-General "... to ask the Administrator of the [UNDP] to administer the [CDF] by performing the functions of the Managing Director ...".^{11/} It was in 1973 that the General Assembly decided "...to establish [UNRFNRE] as a trust fund, placed in the charge of the Secretary-General and administered on his behalf by the Administrator of [UNDP]".^{12/} The trust fund was to be based on the principles and objectives contained in paragraph 1 of the Economic and Social Council resolution 1762(LIV). The matter of the Administrative and programme cost of CDF has been the subject of prolonged discussions. In 1980, the Governing Council in decision 80/10 resolved that "as a matter of principle, the Fund should assure the financing of its own administrative expenses".^{13/} The Governing Council in decision 81/2 (operative paragraph 4) reiterated its request to the Economic and Social Council to recommend to the General Assembly that the Fund should be authorized to meet the administrative and programme support costs pertaining to its activities from its own resources. Subsequently, the General Assembly, at its thirty-sixth session specified that "the Fund's administrative and programme support costs shall be met from the Fund's general resources, while [UNDP] will continue to provide field support services as well as all headquarters administrative support services to the Fund".^{14/}

3. United Nations Sudano-Sahelian Office (UNSO)

22. In 1976, UNSO was transferred from the office of the Under-Secretary-General for Political and General Assembly Affairs to UNDP. The Secretary-General delegated to the Administrator "full responsibility for the administration, control and operation of the United Nations Trust Fund for Sudano-Sahelian activities, including the administration and direction of the Sahelian offices at Headquarters and in the field".^{15/} The custodianship of the Fund was to remain with the Secretary-General. Furthermore, it was stated that "the administrative and programme expenses for Sudano-Sahelian activities shall be met from the resources of the fund" and that "the operations of the offices financed from the fund shall be subject to the relevant operational procedures and financial regulations and rules of UNDP".

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4. Office for Project Execution (OPE) and Inter-Agency Procurement Services Unit (IAPSU)

23. The services rendered by UNDP core activities to OPE and to IAPSU have in common the feature that they are financed from the agency support cost provision within UNDP general resources.^{16/} OPE was established in 1974; IAPSU in 1977. IAPSU was to serve as a co-ordinating unit within UNDP for the purpose of exchanging information and sharing techniques on procurement matters throughout the United Nations system. It was also given the responsibility of collecting and analyzing data resulting from special equipment-buying studies undertaken by certain agencies.^{17/} Since the activities envisaged for IAPSU were directly related to project execution work, the Administrator considered that it would be reasonable to finance the costs from the agency support cost provision within UNDP general resources.^{18/} By its decision 25/29 of 1978, the Governing Council approved appropriations for IAPSU which were to be financed from UNDP general resources under the heading of overhead costs. The cases of OPE and IAPSU provide good examples of the way that the concept of extrabudgetary resources provides transparency to otherwise opaque relationships. It would, for example, cause an obvious budgetary distortion if the administrative and programme costs incurred in servicing OPE appeared as a hidden charge to the administrative costs of financing UNDP's core activities. By the same token, given the direct relationship of IAPSU's mandate to the execution of technical co-operation, it would understate the real agency overhead costs and overstate the costs of servicing UNDP's core activities if the costs of maintaining IAPSU appeared against the administrative budget.

5. United Nations Volunteers (UNV)

24. Precisely the same internal logic applies to the use of the concept of extrabudgetary resources to make transparent the real costs of providing administrative and programme support to the UNV programme. The UNV programme was established by General Assembly resolution 2654(XXV) of December 1970. It has its own clearly identifiable mandate. The extrabudgetary mechanism permits the real costs of supporting that programme to be identified and distinguished from the costs of servicing UNDP's core activities.

6. Junior Professional Officer (JPO) programme

25. The JPO programme was established in 1962 as a training programme. Its purpose remains to give young professionals financed from donor Governments the opportunity to gain experience, understanding and training in the developing countries, and in so doing to make their own contribution to the development of technical co-operation in these countries. Its overriding rationale remains that of a training programme. The great majority of JPOs remain with UNDP for two or three years and then return to their own countries. The JPO programme requires administrative and programme support services. These are financed from extrabudgetary resources that accrue to UNDP from a service charge paid by the donor Government on the cost of the JPO programme.

7. United Nations Fund for Drug Abuse Control (UNFDAC) and other funds and programmes administered or for which services are provided by the Administrator

26. UNFDAC and a number of other funds and programmes, to the extent that they use UNDP's administrative and programme support services, may incur identifiable costs and therefore be required to provide extrabudgetary resources to UNDP to finance those services. To date, a small reimbursement has been charged to UNFDAC (equivalent to one general service post) and a 1.5 per cent rate on actual delivery has been charged to the United Nations Voluntary Fund for the Decade of Women. Otherwise, the extent of workload generated has not justified requests for reimbursement of services provided.

27. The funds and programmes that have been described above within the framework of Category 1 include a wide range of constitutional relationships with the Administrator. However, they each rely on UNDP at headquarters for the same type of services, namely basic administrative support. The programmes and funds described below relate to activities that require either a very specific type of support, or, alternatively, services that are related to field office activities.

B. Category 2: Administrative support of activities financed by the Reserve for Construction Loans to Governments

28. In 1979, The Governing Council decided to establish a reserve to be funded from the general resources of UNDP in order to be able to grant loans to Governments of participating developing countries. The background to this

decision was that the assignment of significant numbers of expatriate project personnel was being hampered in many countries by the acute shortage or sometimes non-availability of housing. The problem was considered as constituting a serious constraint to UNDP programme activities. The Governing Council, in decision 79/43, set the loan reserve at a maximum level of \$25 million. The Council took note in the same decision of the note by the Administrator on the subject (DP/383) which, *inter alia*, had stated that "a service charge of 1 per cent of the total loan will be charged to cover various costs incurred by UNDP in the handling of the loan".

C. Category 3: Programme support in the field of energy

29. The Governing Council in decision 80/27 authorized "the Administrator on an interim basis to seek and accept voluntary contributions in cash or in kind to undertake specific projects designed to help meet urgent needs for assistance to developing countries, especially the poorest among them, in the energy sector..." The Energy Account (an extrabudgetary trust fund) finances projects in the energy sector and is also charged with the related technical and administrative support costs. In 1982, one extrabudgetary post was approved for the Bureau for Programme Policy and Evaluation (BPPE). This post was in relation to a programme specialist in the field of energy and was attached to the Energy Unit, then administratively attached to BPPE.^{19/} The same post was included in the budget proposals for the biennium 1984-1985; this time, however, as the document noted, the Energy Unit was now administratively attached to the Administrator's Office.^{20/}

30. The Administrator considers it necessary to distinguish sharply between the use of extrabudgetary funds for such programme support mandated from extrabudgetary resources and the use of extrabudgetary funds to finance the reimbursement of core activities for services rendered to non-core activities. The financing of an extrabudgetary post from the Energy Account to be able to provide substantive programme support in the field is the corollary of a core activity engaging in substantive programme work mandated by the Governing Council.

D. Category 4: Programme and administrative support related to field office activities

31. Extrabudgetary resources in field offices are of three kinds:

(a) Support to cost-sharing activities that are in excess of 25 per cent of the established IPF or to UNDP-administered trust funds;

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(b) Reimbursement for services provided by UNDP field offices to other United Nations bodies;

(c) Reimbursement for management and other support services on behalf of Governments.

It should further be noted that to the extent that the provision of such services entails additional workload at headquarters, extrabudgetary resources would also be made available to finance the requisite services at headquarters.

1. Support to cost-sharing activity in excess of 25 per cent of the established IPF or to UNDP-administered trust funds

32. The Council has expressed both support for cost-sharing activities and also concern at the burden that these might place on the administrative budget. In a decision adopted at its twenty-fourth session in June 1977,^{21/} the Council stated that "countries participating in cost sharing should, as appropriate, and distinguishing among different sources of financing, reimburse UNDP for any additional administrative costs resulting from their participation in the scheme or make provision for the necessary assistance through an administrative support project charged to country programme costs" (operative paragraph 6(f)). In its decision 25/17 of June 1978, the Council further requested the Administrator "to prepare guidelines to ensure that when clearly identifiable additional administrative costs are incurred as a result of cost-sharing arrangements, such additional costs are recovered from the cost-sharing contributions" (operative paragraph 6). Governing Council decision 79/35 (operative paragraphs 5 and 6) of July 1979 recalled its decision adopted in 1977 and called upon Governments participating in cost-sharing activities in excess of 25 per cent of the established IPF to increase substantially their contribution in support of UNDP local office costs and to consider, as an additional means of reducing the burden on the UNDP programme support costs and administrative services costs budget, the financing of support services projects from their own resources. The Council, in operative paragraph 7 of decision 79/35, further authorized the Administrator "to request Governments receiving technical assistance through UNDP exclusively under cost-sharing arrangements, to bear the totality of the local office costs, except that the salary and related costs of the resident representative may be excluded". Governing Council decision 79/35 established the principle that core activities include activities financed by cost sharing up to a level of 25 per cent of the IPF for the recipient country concerned.^{22/} Finally, the Council, in its decision 82/18 of June 1982, took note of the intention of the Administrator "... to make available to the cost-sharing programmes the interest earned on cost-sharing balances for the purpose of financing support costs relating to the respective programmes"

(operative paragraph 3). Further proposals regarding the calculation of interest earnings are made in document DP/1984/12 and Add.1. The costs of support to UNDP-administered trust funds fall under the provisions of financial regulation 5.1 as discussed above.

2. Reimbursement for services provided by UNDP field offices to other United Nations bodies

33. The staffing survey undertaken by UNDP from 1979 to 1982 provided evidence that an average of 33.8 per cent of the workload in the field office was spent on activities on behalf of other organizations of the United Nations system. This was reported to the Governing Council in 1982.^{23/} By decision 82/33, the Governing Council authorized 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" (operative paragraph 1). It also authorized the Administrator "in the 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 the agencies to meet such needs" (operative paragraph 2). After extensive consultations with the agencies, a text establishing the appropriate arrangements was agreed upon and communicated to all agencies and UNDP field offices.^{24/} To the extent that the UNDP field office was able to provide services to agencies for programmes financed from their regular budgets from within UNDP's existing resources, no additional resources were to be requested. To the extent that the UNDP field office did not have the resources to provide the support requested, and to the extent that support is requested for new agency regular programme activities, the services to be rendered would be charged for where the organization concerned and UNDP had jointly agreed that significant additional workload was involved. This was defined as a workload amounting to at least two staff months to be undertaken by a field office for an agency. In the case of reimbursement for services rendered to agency funds-in-trust programmes, the matter is dealt with in document DP/1984/73.

3. Reimbursement for management and other support services on behalf of Governments

34. Governing Council decision 83/5, section IV, operative paragraph 1, "authorizes the Administrator to provide, with the agreement of the recipient country concerned and using agency expertise wherever appropriate, management and other support services on behalf of Governments, as set out in paragraph 17 ...[of document DP/1983/ICW/13]". In granting this authority, the Council requested the Administrator to follow the general guidelines set forth in document DP/1983/69 in making charges to donor Governments for such management and support services so as to ensure that these services do not entail any financial implications for UNDP (operative paragraph 3). DP/1983/69 states that additional costs that are incurred under the proposed services would be fully recovered (paragraph 4). The document further states that the Administrator will ensure that these recovery provisions will avoid any subsidization from UNDP resources or any unwarranted diversion of UNDP staffing in assisting these activities (paragraph 4).

35. In the case of administrative and programme support services related to field office activities, extrabudgetary resources are likely to become an increasingly critical element in enabling field offices to play a vital and dynamic role in co-ordinating technical co-operation activities in recipient countries. Field office staffing financed from the administrative budget remains primarily geared to the support of UNDP core activities. To the extent that UNDP is requested to play a more wide-ranging role, it is only likely to be able to do so to the extent that the additional workload involved is financed from the extrabudgetary sources generating this workload.

36. Furthermore, the Administrator considers that the concept of extrabudgetary financing will be particularly and increasingly useful in engendering in field offices a heightened sense of cost consciousness. It is a useful mechanism that enables resident representatives to monitor and supervise closely the relative administrative costs of the activities for which they are responsible. In this sense the procedures for allotting extrabudgetary resources are a critical element in supporting resident representatives' efforts to perform in this context as efficient administrative managers.

IV. THE USE OF EXTRABUDGETARY RESOURCES

37. Annex tables 1-4 account in detail for the uses for which extrabudgetary resources are required. The four tables reflect, respectively, estimates of the activities to be financed by source of funds and organizational unit; estimates by major categories of expenditure; estimates of staffing requirements by source of financing; and estimates of the staffing required for programme and administrative support related to field office activities by field office. The tables incorporate revised information representing the present situation using a format derived from that presented to the Governing Council at its thirtieth session in DP/1983/44.

38. Regarding future presentation of these tables, the Administrator proposes to delete the inclusion of direct common service costs of non-core units from the amounts shown as UNDP core extrabudgetary costs. Such charges relate to centralized services, in particular procurement activities, that the Division for Administrative and Management Services and the Division for Management Information Services perform on behalf of units at headquarters. The charges relate not to the cost of rendering that service but to the cost of, for example, supplies themselves.^{25/} The issue of centralized control over procurement procedures risks being confused with the true budgetary situation.

39. The Administrator is guided by two principles in determining the appropriate methodology to use to determine extrabudgetary requirements: the methodology must be sufficiently sophisticated to project accurately the costs involved; on the other hand, the sophistication of the methodology must be proportionate to the results to be obtained. In giving guidance for the formulation of a cost-sharing ratio between the United Nations and UNDP, the ACABQ set the problem as follows: "Quantifiable data are needed so that the amount of equitable reimbursement can be determined, but the Advisory Committee trusts that care will be taken to avoid too elaborate an exercise, the cost of which would not be commensurate with the results".^{26/}

40. Bearing in mind the comments of the ACABQ, the Administrator has adopted a straightforward workload approach. This approach requires a detailed justification and an account of the work that needs to be performed prior to approval of any additional resources. At the same time the approach is flexible enough to take into account the broad range of conditions that characterize UNDP's field offices.

V. THE CONTROL OF EXTRABUDGETARY RESOURCES

41. The Administrator is conscious of the need to keep proper administrative control over the growth of extrabudgetary resources. The establishment of extrabudgetary resources follows the same administrative procedures and stringent criteria as those relating to the establishment of budgetary resources. Full justification based on estimated workload is required before any extrabudgetary resources are established. Furthermore, the authorization to use the resources is conditional on the extrabudgetary resources having been made available.

VI. FUTURE PRESENTATION

42. The Council expressed interest in the specific matter of the presentation of extrabudgetary resources in the budget for the biennium 1986-1987. In this respect, the Administrator has reviewed the presentation in the budget for the 1984-1985 biennium.^{27/} Against the background of this report, the Administrator proposes to present the same format regarding extrabudgetary resources, in 1986-1987 as in 1984-1985, excepting the presentation of direct common service costs of non-core units.

NOTES

1/ The United Nations defines extrabudgetary resources as follows:

"Extrabudgetary resources of the Organization include funds from all sources other than those derived from assessed contributions and revenue-producing activities and can be classified into four broad categories:

"(a) Those which support or supplement the substantive work programmes of the Organization or activities of humanitarian and relief assistance;

"(b) Those which provide for technical co-operation assistance to developing countries either through multilateral arrangements or through the United Nations system;

"(c) Those which finance peace-keeping operations;

"(d) Those which reimburse the Organization for support services and the use of its facilities." (ST/SGB/188 - Establishment and Management of Trust Funds, page 2, para. 4).

Assessed contributions in the United Nations are equivalent conceptually to the general resources of UNDP and general resources of a UNDP-administered fund. Furthermore, the extrabudgetary resources included in UNDP's biennial budget are limited to the services under item (d) of the United Nations definition.

2/ Resolution 2688(XXV), annex, para. 24.

3/ UNDP financial regulation 2.2 P(iv). It should be noted, furthermore, that Governing Council decision 79/35 established the principle that core activities include activities financed by cost sharing up to a level of 25 per cent of the IPF for the recipient country concerned.

4/ UNDP financial regulation 2.2 F(ii) and 2.2 P(ii).

5/ Revised 1982-1983 budget estimates (DP/1982/53, para. 4):

6/ A/10008, paras. 22.34, 22.54, 22.82, 22.91.

7/ Ibid., para. 54.

8/ A/10500, para. 224(k).

9/ A/C.5/31/33, page 12, paras. 35-36.

10/ A full account of the figures applied to the biennia 1982-1983 and 1984-1985 is to be found in DP/1983/INF/3, 5 May 1983, UNFPA Subvention to UNDP for services rendered.

11/ Resolution 2321(XXII), para. 1(a).

12/ Resolution 3167(XXVIII), para. 1.

13/ For further discussion see the Report of the Administrator on UNCDF (DP/485 and Corr.1).

14/ Resolution 36/196, para. 6.

15/ Transfer of the United Nations Sahelian Office to the United Nations Development Programme (ST/SGB/153).

16/ See DP/1982/53, p. 21, para. 48(b).

17/ See DP/327.

18/ See DP/272, para. 9.

19/ DP/1982/53, p. 51.

20/ See DP/1983/44, table 2/2, p. 59.

21/ Official Records of the Economic and Social Council, Sixty-third Session, Supplement No. 3A (E/6013/Rev.1), para. 311.

22/ DP/1982/53, para 4(a).

23/ DP/1982/52, para. 53.

24/ UNDP/ADM/636 of 20 January 1983.

25/ See DP/1983/44, para. 51.

26/ A/32/8/Add.9, para. 8.2.

27/ Estimates of staffing requirements by source of extrabudgetary financing, DP/1983/44, table 11, pages 55-56.

Estimates for activities financed from extrabudgetary sources, by source of funds and organizational unit, ibid., table 6, pages 46-47.

Estimates for activities financed from extrabudgetary sources, by major category of expenditure, ibid., table 7, p. 48.

Staffing required for programme and administrative support related to field office activities by field office, ibid., annex II.

Level of reimbursement from non-core to core activities for services rendered appears as a budgetary cost for each non-core activity, ibid., tables 2/29 - 2/35, pages 110-125.

Estimated level of expenditure against extrabudgetary resources for each core activity appears as item (ii) Extrabudgetary resources - services in support of non-core activities for each unit concerned.

Annex

Annex table 1. Revised 1984-1985 estimates for activities financed from extrabudgetary sources,
by source of funds and organizational unit a/
 (Thousands of US dollars)

| Source of funds/organizational unit | 1984-1985 revised estimates |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| I. <u>Support services provided by UNDP core activities to UNDP non-core activities, other organizations and trust funds</u> | |
| A. Office of the Administrator | 322 |
| B. Bureau for Finance and Administration | |
| 1. Division of Finance | 2 567.7 |
| 2. Division of Personnel | 2 422.2 |
| 3. Division of Management Information Services | 2 263.6 |
| 4. Division for Administrative and Management Services | 869.4 |
| 5. Division of Audit and Management Review | 1 223.8 |
| Subtotal, I. B. | 9 346.7 |
| C. Bureau for Special Activities | |
| Office of the Assistant Administrator | 794.6 |
| Total, I. | 10 463.3 |
| II. <u>Administrative support of activities financed by the Reserve for Construction Loans to Governments</u> | |
| Division of Administrative and Management Services | |
| Total, II. | 46.6 |
| III. <u>Programme support in the field of energy</u> | |
| Office of the Administrator | |
| Total, III. | 288.5 |

Annex table 1. (Continued)

| Source of funds/organizational unit | 1984-1985 revised estimates |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| IV. <u>Programme and administrative support related to field office activities</u> | |
| A. Field offices <ul style="list-style-type: none"> 1. Africa 2. Arab States 3. Europe 4. Latin America | <ul style="list-style-type: none"> 129.0 7 260.2 81.5 463.5 |
| Subtotal, IV. A. | 7 934.2 |
| B. Headquarters <ul style="list-style-type: none"> 1. Regional Bureau for Arab States 2. Division of Finance | <ul style="list-style-type: none"> 617.1 105.4 |
| Subtotal, IV. B. | 722.5 |
| Total, IV | 8 656.7 |
| Grand Total | 19 455.1 |

a/ Net of staff assessment.

Annex table 2. Revised 1984-1985 estimates for activities financed
from extrabudgetary sources, by major category of expenditure
(Thousands of US dollars)

| Major category of expenditure | 1984-1985 revised estimates |
|----------------------------------------|--------------------------------|
| Salaries and wages <u>a/</u> | 11 309.6 |
| Common staff costs | 4 192.7 |
| Travel on official business | 308.8 |
| Contractual services | 965.6 |
| General operating expenses | 2 410.6 |
| Supplies and materials | 132.1 |
| Acquisition of furniture and equipment | 135.7 |
| Total | 19 455.1 |

a/ Net of staff assessment.

Annex table 3. Revised 1984-1985 estimates of staffing requirements by source of extrabudgetary financing

[illegible]

Annex table 3. (Continued)

| Source of extrabudgetary financing | Professional staff | | | | | | Field Service and General Service staff | | | | | Locally recruited staff | | | Grand Total |
|------------------------------------------------------------------------------------|--------------------|-----|-----|-----|-------------|-------|-----------------------------------------|-----|-------------|---|-------|-------------------------|-----|-------|-------------|
| | D-1 | P-5 | P-4 | P-3 | P-2/ P-1 | Total | FSL | G-5 | G-4/ G-1 | M | Total | NO | LS | Total | |
| | | | | | | | | | | | | | | | |
| IV. <u>Programme and administrative support related to field office activities</u> | | | | | | | | | | | | | | | |
| A. Field offices | | | | | | | | | | | | | | | |
| 1. Africa | - | - | - | - | - | - | - | - | - | - | - | - | 18 | 18 | 18 |
| 2. Arab States | - | 1 | 3 | 5 | 1 | 10 | - | - | - | - | - | - | 92 | 92 | 102 |
| 3. Asia and the Pacific | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Europe | - | - | - | - | - | - | - | - | - | - | - | - | 3 | 3 | 3 |
| 5. Latin America | - | - | - | - | - | - | - | - | - | - | - | 1 | 21 | 22 | 22 |
| Subtotal, IV.A | - | 1 | 3 | 5 | 1 | 10 | - | - | - | - | - | 1 | 134 | 135 | 145 |
| B. Headquarters | | | | | | | | | | | | | | | |
| 1. Regional Bureau for Arab States | - | - | 4 | - | - | 4 | - | - | 4 | - | 4 | - | - | - | 8 |
| 2. Division of Finance | - | - | - | - | - | - | - | 1 | 1 | - | 2 | - | - | - | 2 |
| Subtotal, IV.B | - | - | 4 | - | - | 4 | - | 1 | 5 | - | 6 | - | - | - | 10 |
| Total, IV. | - | 1 | 7 | 5 | 1 | 14 | - | 1 | 5 | - | 6 | 1 | 134 | 135 | 155 |
| Grand Total | 1 | 3 | 14 | 20 | 5 | 43 | - | 18 | 30 | 1 | 49 | 1 | 134 | 135 | 227 |

Annex table 4. Estimated distribution of revised 1984-1985 staffing requirements for field offices, by region, of planned extrabudgetary financing

| Country/source of funds | Professional staff | | | | | | | Field service staff | | | Total int'l. staff | Locally recruited staff | | | Grand Total |
|--------------------------------------|--------------------|-----|-----|-----|----|----|-------|---------------------|------|-------|--------------------|-------------------------|----|-------|-------------|
| | RR | DRR | ARP | ARA | PO | AO | Total | Admin. | Sec. | Total | | NO | LS | Total | |
| AFRICA | | | | | | | | | | | | | | | |
| Congo | - | - | - | - | - | - | - | - | - | - | - | - | 7 | 7 | 7 |
| Zaire | - | - | - | - | - | - | - | - | - | - | - | - | 11 | 11 | 11 |
| Subtotal AFRICA | - | - | - | - | - | - | - | - | - | - | - | - | 18 | 18 | 18 |
| ARAB STATES | | | | | | | | | | | | | | | |
| Algeria | - | - | - | - | - | - | - | - | - | - | - | - | 5 | 5 | 5 |
| Bahrain | - | - | - | - | - | - | - | - | - | - | - | - | 4 | 4 | 4 |
| Egypt | - | - | - | - | - | - | - | - | - | - | - | - | 4 | 4 | 4 |
| Iraq | - | - | - | - | - | - | - | - | - | - | - | - | 9 | 9 | 9 |
| Kuwait | - | - | 1 | - | - | - | 1 | - | - | - | 1 | - | 14 | 14 | 15 |
| Libyan Arab Jamahiriya ^{a/} | - | - | - | - | - | - | - | - | - | - | - | - | 6 | 6 | 6 |
| Qatar | - | - | 1 | - | - | - | 1 | - | - | - | 1 | - | 10 | 10 | 11 |
| Saudi Arabia | - | - | 4 | 1 | 1 | - | 6 | - | - | - | 6 | - | 24 | 24 | 30 |
| United Arab Emirates | - | - | 1 | 1 | - | - | 2 | - | - | - | 2 | - | 16 | 16 | 18 |
| Subtotal ARAB STATES | - | - | 7 | 2 | 1 | - | 10 | - | - | - | 10 | - | 92 | 92 | 102 |
| LATIN AMERICA | | | | | | | | | | | | | | | |
| Argentina | - | - | - | - | - | - | - | - | - | - | - | - | 6 | 6 | 6 |
| Colombia | - | - | - | - | - | - | - | - | - | - | - | 1 | - | 1 | 1 |
| Honduras | - | - | - | - | - | - | - | - | - | - | - | - | 2 | 2 | 2 |

^{a/} The issue of thirteen extrabudgetary posts with respect to the services provided for Agency funds-in-trust activities is dealt with in document DP/1984/73.

Annex table 4. (continued)

| Country/source of funds | Professional staff | | | | | | | Field service staff | | | Total int'l. staff | Locally recruited staff | | | Grand Total |
|-------------------------|--------------------|-----|-----|-----|----|----|-------|---------------------|------|-------|--------------------|-------------------------|-----|-------|-------------|
| | RR | DRR | ARP | ARA | PO | AO | Total | Admin. | Sec. | Total | | NO | LS | Total | |
| Jamaica | - | - | - | - | - | - | - | - | - | - | - | - | 4 | 4 | 4 |
| Panama | - | - | - | - | - | - | - | - | - | - | - | - | 3 | 3 | 3 |
| Peru | - | - | - | - | - | - | - | - | - | - | - | - | 4 | 4 | 4 |
| Trinidad and Tobago | - | - | - | - | - | - | - | - | - | - | - | - | 2 | 2 | 2 |
| Subtotal LATIN AMERICA | - | - | - | - | - | - | - | - | - | - | - | 1 | 21 | 22 | 22 |
| EUROPE | | | | | | | | | | | | | | | |
| Turkey | - | - | - | - | - | - | - | - | - | - | - | - | 3 | 3 | 3 |
| Subtotal EUROPE | - | - | - | - | - | - | - | - | - | - | - | - | 3 | 3 | 3 |
| Grand Total ALL REGIONS | - | - | 7 | 2 | 1 | - | 10 | - | - | - | 10 | 1 | 134 | 135 | 145 |

