Thirty-first session
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Agenda item 9(i)

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

OTHER MATTERS

Reimbursement of services provided by UNDP field offices to other
United Nations bodies

Note by the Administrator

Summary

This document contains a description of certain difficulties which
UNDP has experienced in implementing Governing Council decision 82/33
concerning reimbursement of services provided by UNDP field offices to
executing agencies and on which the Administrator seeks the guidance of
the Council.
Introduction

1. A revised 1982-1983 budget was presented to the Governing Council in 1982 incorporating significant staff reductions as a result of the Field Office Staffing Survey. This revised budget related to UNDP core activities and cost-sharing activities up to 25 per cent of the indicative planning figure (IPF). Cost-sharing activities over 25 per cent and trust fund activities were not taken into account. It was on this same basis that the budget for 1984-1985 (DP/1983/44) was approved.

2. Subsequent to the approval of the revised 1982-1983 budget in 1982, the Governing Council also approved decision 82/33, which authorized the Administrator to continue to provide at 1982 levels those services which were then being provided without charge to the agencies. The discussion on how to treat the provision of services to trust funds and cases considered to be 'anomalous' was reflected in the report of the Budgetary and Finance Committee (DP/1982/95) but did not impact on the wording of the decision. Unfortunately, this has given rise to differing interpretations of decision 82/33 and its relation to the budgetary appropriations.

3. It has become apparent that the basis on which the 1982-1983 and 1984-1985 budgets were established and the wording of decision 82/33 have come into conflict. The Administrator wishes to emphasize the fact that UNDP and the agencies concerned have, in the great majority of cases, been able to implement decision 82/33 in a spirit of constructive dialogue and co-operation. To a large extent, UNDP has been able to provide the required services within the level of resources approved for the 1982-1983 biennial budget.

4. However, after consultation with the agencies and, in part, at their request, the Administrator seeks the guidance of the Council on one outstanding matter. In one country, the Administrator has been seeking the resources necessary to finance services rendered to agencies to support their funds-in-trust activities. At the sixtieth session of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ(FB)) in March 1984, it was agreed by UNDP and the agencies that the various possibilities of dealing with the problem should be placed before the Governing Council at its thirty-first session. The organization agreed to be guided by the Council's decision.

I. REIMBURSEMENT OF SERVICES PROVIDED BY A UNDP FIELD OFFICE TO AGENCY FUNDS-IN-TRUST PROGRAMMES

5. After extensive review, UNDP estimates the extrabudgetary resources required for reimbursement and services provided to agency funds-in-trust programmes in a particular country to be 13 local posts. The cost is estimated to be approximately $600,000 for the 1984-1985 biennium. The services to be provided include administrative services relating to visas,
clearances, residence permits, housing, travel, banking and repatriation of expatriate experts and consultants; all clearances of equipment and materials; all official communications with the central Government, pouch, telex and post office box facilities; replenishment of project managers' imprests; and payment of salaries and allowances to expatriates and local staff, including social security obligations for the latter. The Government concerned has under consideration the matter of financing an additional six posts to provide support services for its cost-sharing programme with UNDP. It is expected that the interest earned on its cost-sharing balances would to a large extent be sufficient to finance these posts.

6. The level of UNDP activities in the country in 1983 was $2.4 million and the level for 1984 is estimated at approximately the same. By comparison, the level of agency funds-in-trust programmes was estimated by the field office to be in the order of $20 million for 1983. Some three fourths of this sum related to the activities of two agencies. The Administrator will report in more detail on the order of magnitude involved in 1984 after further information has been received from the agencies.

7. At the Governing Council in 1983, the Administrator committed himself to bringing established posts in line with the approved budget to the extent that extabudgetary financing had not been secured at the end of 1983. In view of the situation that has arisen and the differing interpretations that have been placed on decision 82/33, the Administrator decided, in the interests of the recipient country and conscious of the concerns expressed by the agencies, not to proceed on this matter without first seeking the guidance of the Council.

8. The Administrator notes the following points:

(a) Members agreed during the discussion in the BFC that decision 82/33 should not prohibit the Administrator from correcting significant anomalies on the level of support being provided at the 1982-1983 level by individual field offices. The Administrator considers this case to be such an anomaly;

(b) The Council has established the clear principle that UNDP-administered trust fund activities should not be subsidized in any way from UNDP's central resources. The principle is reflected in UNDP's Financial Regulations and has been elaborated in document DP/1984/55. It has been fully applied in the co-operative agreements reached with certain recipient Governments and the World Bank. The Administrator considers that the same principle should be applied to trust funds with no administrative affinity to UNDP.

9. The first option pursued by the Administrator was to approach the authorities of the country concerned to secure the necessary financing. This approach had proved to be successful in other countries in similar cases. In this case, UNDP held extensive negotiations, at both field office and headquarters levels, including missions from UNDP headquarters to the
authorities of the country and a representation by UNDP at the highest level. The formal response of the authorities of the country has been that UNDP should approach the agencies to whom the country is paying 13 per cent for their support costs. The authorities of the country have stated that in their view it is the responsibility of the agencies to provide the UNDP field office with the required financial support. The amounts involved in this case would represent an estimated 1.3 per cent of the annual value of the funds-in-trust programmes for 1984, or, in other terms, 10 per cent of the agencies' respective support cost earnings of the year.

10. In view of these factors, the Administrator pursued a second option and approached the agencies concerned. Of these, one with a relatively small workload agreed to provide financial support. A desire was expressed by the great majority of those agencies concerned to discuss the matter at the sixtieth session of CCAQ(FB) in March 1984.

11. At that session, the agencies argued strongly that an important function of UNDP field offices is to support and provide services to the United Nations system as a whole. They considered that decision 82/33 reinforced this view and that accordingly the costs incurred should be borne by UNDP. The argument put forward by the agencies is reflected in part in the following extract from the advance report of CCAQ(FB) (ACC/1984/10) on its sixtieth session, which states:

"They [the agencies] attached importance to the role of UNDP field offices in providing services and co-ordination to the United Nations system's technical co-operation activities as a whole, and had expected such services and co-ordination to continue to be provided without charge when they had agreed to the present 13 per cent of reimbursement for support costs incurred. They considered that the costs referred to in paragraph 52 above [paragraph 5 of this paper] should be borne by UNDP."

II. OPTIONS FOR THE CONSIDERATION OF THE COUNCIL

12. The Administrator wishes to record his appreciation for the constructive spirit in which the agencies have discussed this matter with UNDP. In his judgement, the Council has two principal options for its consideration:

(a) The agencies may be requested to reimburse UNDP for the services rendered for their funds-in-trust programmes in the country concerned; or

(b) The Council may authorize 13 new posts for the field office and appropriate the necessary $600,000 for the biennium.

13. The Administrator wishes to bring to the attention of the Council the fact that a decision to adopt option (b) above would have significant financial implications for UNDP in other countries where agreement has been reached with Governments to pay for ongoing funds-in-trust programmes on the premise that there was no provision in the biennial budget for such support.
14. Against the background of the differing interpretations of decision 82/33 presented above, the Administrator seeks the guidance of the Governing Council on this matter.