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BUDGETARY AND FINANCE COMMITTEE  
Thirty-third session  
June 1986, Geneva  
Item 10 of the agenda of the Budgetary  
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE  
TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. MKHONZA Adelaide Phindile (Swaziland)

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

FIELD OFFICES IN BELGRADE AND BUCHAREST

1. For its consideration of agenda item 9 (h) of the council's agenda, the Committee had before it the informal report of the Administrator, dated 29 May 1986.
2. In introducing the subject, the Associate Administrator reminded the Committee of the background to the question of these two field offices. He recalled that, in his original proposal for the 1986-1987 biennial budget, the Administrator had proposed the closure of these offices. He noted that it had been the Administrator's intention to service the country programmes of both

countries from UNDP office in Geneva, which office was to be strengthened to cope with this additional workload. The Governing Council, at its thirty-second session, had found itself unable to agree on whether to approve this aspect of the Administrator's budgetary proposal. However, an appropriation for 1986 only was approved for other reasons, and the issue was therefore deferred for further consideration by the Council at its thirty-third session.

3. Accordingly, the matter was further discussed by the Governing Council at its special session in February 1986. The Associate Administrator recalled that once again the debate demonstrated the deep divisiveness of the issue, in that recipient countries generally supported the contention of both Governments concerned that the field offices should be retained in view of the continuing country programmes and the many other functions performed by the two field offices. Donor countries, on the other hand, supported the Administrator's view that he should be allowed to close the offices and service the programme from the UNDP office in Geneva, since this would be a more cost-effective management approach and would release UNDP resources for use elsewhere. Once again, therefore, the Council could not reach agreement on this issue and requested the Administrator and the Governments concerned to engage in further consultations to ascertain whether a mutually agreeable solution could be found.

4. The proposal which was presented to the Committee represented the result of these consultations. The Associate Administrator pointed out that the proposal for the retention of both offices on the basis of certain financial commitments on the part of the Governments concerned was indeed a compromise solution, but one which he felt he could recommend to the Committee since it protected the financial position of UNDP, ensuring that there were no net

additional resources required to continue operation of both offices, while equally satisfying the wish of the two Governments concerned to retain the offices in their countries. He explained that the basic principle that had been agreed between the Administrator and the two Governments was that each Government would pay the difference between (a) the projected cost for UNDP to administer the programmes from Geneva and (b) the cost of maintaining the field offices. These costs, which would be on the basis of actual expenditures, were largely in local currency, but also included a dollar component. Any shortfall in meeting this commitment on the part of the Governments concerned would be made up by application of the accounting linkage, authorized by Council decision 84/9, or, in the event that insufficient voluntary contributions were available, by an appropriate deduction from the indicative planning figure (IPF). In summary, the Associate Administrator stressed that this was a compromise formula which he felt should be adopted, since it did provide a satisfactory solution for all parties.

#### Summary of the discussion

5. Many members expressed their support for the proposals contained in the paper. They appreciated the efforts that had been made by the Governments concerned and by the Administrator in seeking a common basis for agreement. The Governments concerned indicated that they were prepared to commit themselves to meet the obligations specified in the proposal.
6. Several members, on the other hand, while appreciating the efforts that had gone into developing this compromise formula, expressed their concern that a precedent was possibly being established in connection with this issue. They felt that the Administrator's original proposal to close both offices had been sound and that his prerogative to close offices in the future should not

be jeopardized by this precedent. Furthermore, they expressed some reservation concerning the principle of the host Government contributing to the direct cost of the resident representative, which they felt might compromise his independence. They noted that the application of the accounting linkage did entail some cost to UNDP resources as a whole. They also questioned whether there was a time limit to the proposed arrangement.

Response of the Administration

7. In his response to the points raised, the Associate Administrator admitted the compromise nature of the proposal, which he none the less felt was justified in light of the clear division of opinion between donors and recipients that had emerged in this debate, as in previous debates on the subject. In the opinion of the Administrator, the proposal did protect the financial position of UNDP, while avoiding undesirable precedents. The year-to-year application of the formula would be based on actual expenditures. Application of the accounting linkage did represent a decrease in general resources available for use elsewhere by UNDP, though this was to some extent offset by the fact that a significant part of the payment would be made in non-convertible currency. Payment of part of the resident representative's salary would in no way compromise his independence, since there would be no direct linkage between such a payment and his appointment or his remuneration. In conclusion, the Associate Administrator stated that it was his understanding that the agreement that had been reached was valid for the duration of the fourth cycle.

Recommendation of the Committee

8. Following its discussion of this item, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the information provided by the Administration on this subject,

- (a) Agrees with the retention of the field offices in Belgrade and Bucharest on the basis of the agreement reached between the Administration and the Governments concerned,
  - (b) Requests that this agreement be reflected in the appropriation decision on the 1986-1987 biennial budget.
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