



**Governing Council
of the United Nations
Development Programme**

Distr.
GENERAL

DP/1992/51
27 April 1992

Original: ENGLISH

Thirty-ninth session
4-29 May 1992, Geneva
Item 11 of the provisional agenda

OTHER MATTERS

The Commonwealth of Independent States and the Baltic States

Report of the Administrator

I. BACKGROUND

1. The present report responds to Governing Council decision 92/8 of 14 February 1992. It examines alternative and innovative ways of establishing a United Nations presence in the former Soviet Union, with particular regard to cost-effectiveness. The Administrator has borne in mind that the setting up of traditional United Nations Development Programme (UNDP) field offices in these countries should not constitute an excessive burden on the UNDP administrative budget.
2. The Administrator has consulted with the Joint Consultative Group on Policy and with the Administrative Committee on Coordination. Furthermore, the Secretary-General sent a letter on 22 March 1992 to the Governments of Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine and Uzbekistan, informing them that "the Organization is proceeding with the establishment of an Interim Office" in each one of these countries, and that he had "entrusted the Administrator of the United Nations Development Programme and the Under-Secretary-General for Public Information with the responsibility to pursue the matter with the utmost urgency". In addition to the five countries for which the Governing Council at its special session in February 1992 established indicative planning figures (IPFs), the Administrator has received requests for recipient status from another seven countries of the region.

GE.92-61351/9547a

92-20181

3. In view of these factors, UNDP has broadened the parameters within which it has responded to Governing Council decision 92/8.

4. Since the special session of the Governing Council in February 1992, UNDP has undertaken the following:

(a) A review of various options and of their cost implications;

(b) Missions by the Director of the Division for Europe and the Commonwealth of Independent States to the three Baltic countries;

(c) Participation in a collaborative mission led by the United Nations Children's Fund and the World Health Organization to the Commonwealth of Independent States and the Baltic countries, in which the United Nations Population Fund and the World Food Programme also took part;

(d) Preparations for joint UNDP/United Nations missions to six countries of the Commonwealth of Independent States; and

(e) Missions to several of the major donor countries to discuss, inter alia, the possibility of obtaining funds in support of the Baltic countries and the countries of the Commonwealth of Independent States.

5. Consultations on the question of a field presence have been held with the five countries that were allocated IPFs in decision 92/8 and with the countries requesting a similar status at the current session of the Governing Council. The countries concerned have indicated that they wish to benefit from a UNDP presence in support of those areas of international assistance where the United Nations system offers comparative advantages.

6. Country-by-country analyses will be undertaken to develop specific programmes in the region. In the meantime, information will be provided to the Governing Council at its current session on the substantive thrust of such programmes. The areas of assistance envisaged include:

(a) Technical assistance and policy advice, at the request of governments concerned, in the areas of capacity-building, including the strengthening of management within Government administration and in the production and services sectors; on aspects of the democratization process such as elections and the role of local government; pre-investment studies; and options related to the introduction of market mechanisms and the process of privatization; and in specialized areas such as the environment, poverty alleviation and human development;

(b) Impartial policy advice based on country presence;

(c) Needs assessment and provision of services and expertise available within the United Nations system, including special delivery mechanisms;

(d) Capacity-building in aid flow management, the handling of information systems and project/programme formulation;

(e) Elaboration of financial packages in support of operations requiring financing from multiple sources and support to fund-raising;

(f) Facilitation of linkages with activities supported by other donors, particularly those without a resident development cooperation mission;

(g) Promotion of "South-East" cooperation;

(h) Expansion to these countries of relevant portions of the regional programmes of the United Nations system and the initiation of additional intercountry activities, including cooperation among the countries concerned.

7. In those countries in which offices are being established on the initiative of the Secretary-General, both developmental and information functions will be performed.

8. The experience gained in middle- and high-income countries, including the countries of Central and Eastern Europe, shows that the recipient country status is far more valuable in those countries where there is a UNDP presence. The UNDP country presence provides a capacity to engage in a policy dialogue, in drawing on the capacity of the United Nations system, and in facilitating linkages with strategies and initiatives of other bilateral and multilateral entities, public or private. This seems particularly relevant in the former Soviet Union because of the combination of two specific factors: (a) the complexity of the economic and social transition process and (b) the paucity of resources available from UNDP core resources for the region.

9. The following additional considerations guide the recommendations contained in the present report:

(a) All recipient countries in the region would be eligible to benefit from the field structure proposed in the present report, including the in-country presence;

(b) Wherever a field presence is created, it should, to the extent possible, take the form of an integrated United Nations office;

(c) The specifics of each office should be tailored to the needs dictated by the transitional process;

(d) A key purpose of the office would be to represent the United Nations system and to increase the capacity of these countries to manage aid flows and to raise funds.

II. DETAILS OF PROPOSED FIELD STRUCTURE

10. Within the framework of an integrated United Nations presence, the Administrator recommends that the basic UNDP structure in the region consist of one international senior staff member per country, with the minimum office logistical support required and access to a wide-area communications network.

11. The role of UNDP dictates a set-up that meets the following characteristics:

(a) In support of the international senior officer, the host country would share in the cost of nationally recruited professionals. This team may also be supported by additional expertise provided in kind or in cash by other sources, on a voluntary basis, such as the Junior Professional Officer programme;

(b) In selecting candidates for senior international posts, UNDP would pay due attention to the diversity of experience and expertise required in the region. Thus, while the heads of offices would primarily serve their respective country of accreditation, they might also provide initial advice in their field of specialization to other offices in the region. The knowledge referred to here may cover such areas as the electoral processes, the social and economic dimensions of transition, information management, support to entrepreneurship, aid flow management and the role of local government. This networking implies a travel budget to ensure the mobility necessary for the provision of such short-term hands-on expertise, as well as the ability to share experience through telecommunications.

12. UNDP is examining the concept of "business centres" to provide logistical services required by the United Nations system such as office space, document processing, transport and communications. The cost-effectiveness of this approach in a given country depends on four main factors: (a) the commercial pricing structure for such services; (b) the arrangements necessary to ensure quality control of the services rendered; (c) the possibility for the organizations of the United Nations system and the host government to share in the initial investment and in the recurrent costs, thus achieving economies of scale; and (d) the opportunity to develop entrepreneurship and franchise industries in the countries concerned.

13. The aim is to set up a source of logistical support, to a significant extent self-running and self-financing, with almost no managerial demands on UNDP and with minimal recurrent local costs to UNDP.

14. As regards the administrative functions that are specific to UNDP and do not lend themselves to any form of subcontracting, a study is under way regarding the establishment of one or possibly two administrative services centres in the region. Assuming this option proves cost-effective, the regional facility would be entrusted with most of the administrative functions normally performed by the traditional UNDP field offices. For instance, it would handle all payments while the in-country offices would retain only a small imprest account for daily operations and emergency payments. Administrative operations of a largely mechanical nature would be decentralized to the administrative service centre.

15. Information exchange and the related communications infrastructure are crucial, from the very start, for the success of the above proposal. The concept is predicated on the ability of each of the country teams to communicate with one other, with the United Nations and UNDP headquarters, and with the administrative services centre(s).

16. Furthermore, access to information is among the most pressing needs many of the countries concerned currently face. UNDP can provide immediate services in this area as an integral part of its assistance. The same network that sustains the proposed operation would therefore be gradually linked to various databases within and outside the United Nations system. This would, inter alia, open information windows on the sectoral knowledge available within the specialized agencies.

III. FUNDING AND IMPLEMENTATION

17. It is clear from the above that the proposed offices are not seen as an end in themselves. Each of them should be a reaffirmation of the comparative advantages of the United Nations system. They would also constitute a lean structure that can serve as a catalyst to attract additional resources.

18. The financial arrangements recommended in the present report are based on the concept of performance-oriented offices, i.e., offices whose substantive capacity will grow in proportion to the resources they can generate, individually and as a group, coordinated by the Division for Europe and the Commonwealth of Independent States.

19. Six sources of funding are expected for the proposed field structure:

- (a) The UNDP core budget;
- (b) Direct contributions to local office costs by the recipient countries;
- (c) Reimbursements by other entities for services performed on their behalf, including from the regular budget of the United Nations, as appropriate;
- (d) The management cost covered under the various extrabudgetary modalities, such as funds in trust;
- (e) Specific contributions made by donors in support of the field structure;
- (f) Contributions in kind.

In addition, the Administrator will pursue with other United Nations organizations the possibility of sharing in the costs of integrated offices.

20. The start-up and recurrent costs to UNDP through December 1993, after deduction of host country contributions to local office costs, consist of: (a) an average start-up cost of \$100,000 per country (vehicle, personal computer, photocopying and fax machines, office alterations, etc.) and (b) an average yearly cost of \$300,000 per country, subdivided into \$150,000 for the head of the office and \$150,000 for operations, including travel and telecommunications.

21. Applying these figures to the five countries that obtained recipient status at the special session of the Governing Council in February 1992, the total cost over 18 months would be \$2.75 million. Assuming that the 10 remaining countries acquire recipient status, the total net cost through 1993 for all 15 countries would be \$8.25 million. It is expected that, after 1993, the cost of maintaining or, as the case may be, enhancing the capacity of these offices would decrease as extrabudgetary funding takes over an increasing proportion of the management cost.

22. The Administrator recommends that the \$8.25 million be provided from the UNDP administrative budget. He proposes to offset a large portion of this provision with any income received through special contributions.

23. Since these countries are undertaking momentous change and in view of the urgency attached by the Secretary-General to this matter, the Administrator recommends that the field structure proposed in the present report be deployed very rapidly in the recipient countries of the region.
