

Common Services of United Nations Organizations at the Vienna International Centre (VIC)

Prepared by

Alexander S. Efimov

Earl D. Sohm

Miljenko Vukovic

Joint Inspection Unit



Geneva

1984

COMMON SERVICES OF UNITED NATIONS ORGANIZATIONS
AT THE VIENNA INTERNATIONAL CENTRE (VIC)

Prepared by
Alexander S. Efimov
Earl D. Sohm
Miljenko Vuković

Joint Inspection Unit

Table of Contents

	<u>Paragraphs</u>	<u>Pages</u>
I. INTRODUCTION	1 - 5	1 - 2
II. BACKGROUND	6 - 18	3 - 6
III. ORGANIZATION AND MANAGEMENT OF VIC COMMON SERVICES	19 - 59	7 - 16
A. General situation	19 - 28	7 - 9
B. Individual common services	29 - 59	9 - 16
(i) IAEA-managed services	29 - 48	9 - 13
(ii) UNIDO-managed services	49 - 58	14 - 16
(iii) United Nations-managed service	59	16
IV. CONVERSION OF UNIDO INTO A SPECIALIZED AGENCY	60 - 78	17 - 23
A. New formal status	60	17
B. Relevant constitutional provisions	61 - 62	17
C. Position of Member States	63 - 65	18 - 19
D. Measures taken or envisaged by the Secretary-General	66 - 75	19 - 22
E. Views of UNIDO and IAEA Secretariats	76	22 - 23
F. Opinion of JIU	77 - 78	23
V. CONCLUSIONS AND RECOMMENDATIONS	79 - 97	24 - 29
A. Existing common services	79 - 81	24 - 25
B. Future common services	82 - 97	25 - 29

Annexes:

- Annex I : Regular budget expenditure of VIC organizations in 1983
- Annex II : Staffing, operating costs and cost-sharing pattern of VIC common services at 31 December 1983

I. INTRODUCTION

1. A Formal Meeting on the Conversion of UNIDO into a Specialized Agency (hereinafter referred to as Formal Meeting) was held in Vienna, Austria, from 12 to 16 May 1983. Paragraphs 29 and 30 of the meeting's report which dealt with the effect of UNIDO's assumption of specialized agency status on the existing common services at the Vienna International Centre read thus:

"It was recognized that any changes in the existing working arrangements between the United Nations and UNIDO and the common services at the Vienna International Centre as a consequence of UNIDO's transformation into a specialized agency were a matter to be worked out, after UNIDO has become a specialized agency, by the appropriate authorities of the organizations concerned, taking into account the need to ensure efficiency and effectiveness in the United Nations system. It was recommended that the Joint Inspection Unit be asked to conduct a study of the matter and to submit its report to the competent authorities of the new UNIDO and the other organizations concerned.

If changes in the existing arrangements are deemed necessary they will be undertaken, in any case, taking into account the interests of the organizations concerned, the United Nations, UNIDO and the International Atomic Energy Agency (IAEA), and in conformity with established procedures governing such arrangements."

2. The term "common services", or more accurately "common support services", as used in the United Nations, refers to those support services in the fields of administration, finance and management which are provided communally by the Department of Administration and Management to several users including the following major ones: various United Nations departments, other United Nations organizations, the United Nations Joint Staff Pension Fund, and extrabudgetary programmes.

3. The provision of communal services is as old as the history of administration; however, its modern-day organizational roots are embedded in scientific cost accounting techniques which were used originally in manufacturing operations, but which have since been broadened to embrace office operations whenever the concept of "cost centres" applies. A "cost centre", in this sense, is simply a user of service for which a cost can be assessed, either at the time of use or, more conveniently, at the end of an agreed period of time: quarterly, semi-annually, annually or biennially.

4. The application of the concept of the communal provision of support services has been expanded over time to include not only manufacturing/industrial operations but also office operations, most frequently within a single organization, whether these operations are housed at the headquarters site or whether they are conducted as branch offices. In the United Nations system, the application of this concept has been widened even further to include a commonality of services provided on behalf of some or all organizations of the United Nations system. Common arrangements with respect to the Joint Inspection Unit, the International Civil Service Commission and the Consultative Committee on Administrative Questions are cases in point. Of deeper significance, operationally, are those communal services provided in the field by UNDP on behalf of almost every agency; common procurement arrangements by the Inter-agency Procurement Services Unit, based in Geneva; and certain common administrative arrangements in Vienna which form the subject of this study requested by the Formal Meeting.

5. In carrying out this study, the Inspectors were able to draw on the knowledge and experience of staff of several United Nations system organizations in Geneva, Rome and New York in developing their views on the concepts underlying common support service arrangements and applying them to the specific situation in Vienna on which the Inspectors had long and useful meetings with several staff members of IAEA, UNIDO and the United Nations office in Vienna. The Inspectors thank all of these for their very valuable contribution to the study, in particular their collaboration in developing criteria for use in determining whether particular administration, finance and management services would, more suitably, be carried out under communal arrangements.

II. BACKGROUND

6. The establishment of common and other services of United Nations organizations in Vienna is heavily influenced by the fact that the International Atomic Energy Agency (IAEA), the United Nations Industrial Development Organization (UNIDO) and other United Nations entities were located in Vienna at widely different dates over a twenty-year period: IAEA in 1957, UNIDO in 1967 and other United Nations entities in 1979. The major United Nations entities were: the Centre for Social Development and Humanitarian Affairs, the International Trade Law Branch of the Office of Legal Affairs (both from New York), the Division of Narcotic Drugs, the secretariat of the International Narcotics Control Board, the United Nations Fund for Drug Abuse Control, and the Social Affairs Division (from Geneva). UNRWA headquarters was transferred on a temporary basis from Beirut to Vienna in 1978.

7. Because IAEA already had a well-established infrastructure and experience when UNIDO came to Vienna in 1967, both organizations considered it would be less costly and more expedient to share some of IAEA's basic services rather than create duplicative support services. Thus, the medical service, library service, computer services, procurement services at headquarters, printing and reproduction, and housing services already established by IAEA for its purposes were, over the years, successively shared by UNIDO on a cost-recovery basis. Other support services such as Personnel, Finance and General Services remained the responsibility of each of the two organizations. As a result, a system of common services for IAEA and UNIDO had been in operation for several years before the transfer of other United Nations offices to Vienna and the move in 1979 of all organizations to their new premises at the Vienna International Centre (VIC).

8. In anticipation of their move to VIC, IAEA and UNIDO formed in January 1974 a Joint Working Group to determine which services could be operated in common by the two organizations once they occupied their new premises. The Group studied the following nine areas: procurement; supply and inventory control; commissary; catering; document reproduction and distribution; computer services; library; buildings management; and security. The Group concluded that these services could be performed under common service arrangements at the new headquarters. As regards the management pattern to be adopted for the provision of the services identified, three options were examined:

(a) Independent administration under which all common servicing functions would be carried out by a separate organization to be established for that purpose. This organization would form a largely autonomous body with its own budget, though answerable to both IAEA and UNIDO, to which the appropriate staff of the two organizations would be transferred.

(b) Joint administration denoting a pattern of management whereby common services would also be grouped into a single organizational component which would not, however, comprise a separate legal entity, but would form part of the two organizations. The staff would be drawn from both the IAEA and UNIDO but would remain staff members of their parent organization. The cost of the joint unit would be shared by the two organizations.

(c) Allocated administration under which pattern of management each common service was to be assigned to one organization or the other in such a manner that an overall balance of responsibility between the two organizations

would be achieved. The organization providing a specific service would receive payment from the user organization(s) in accordance with a cost-sharing formula to be devised. All staff employed in a common service would be staff members of the organization responsible for that service.

9. Of the three options, the Group recommended "allocated administration", acknowledging that each of the three alternatives gave rise to difficulties.

10. The nine services examined by the Group were selected "out of a larger number of potential areas for common services". Some of these potential areas excluded from the Group's terms of reference were the following:

- | | |
|--------------------|---|
| Finance | - property insurance
treasurer/cashier |
| Personnel | - medical service
health and life insurance
language training
services for staff, including welfare
general services and manual worker job
classification |
| Conference | - interpretation
translation
conference servicing
bookshop |
| Public information | - audio-visual facilities
press working areas
public relations |
| General | - telecommunications
United Nations pouch and postal service
transportation and courier
travel, visa and laissez-passer
archives
reception
messenger service
liaison with Austrian authorities |
| Others | - banks and travel agents
post office and newspaper stands |

11. The Group's report was discussed within UNIDO and the IAEA and led to protracted negotiations between the two organizations. As a result of these negotiations, during 1975 and 1976, a Memorandum of Understanding concerning the organization of common services at VIC was signed on 31 March 1977 by the Secretary-General of the United Nations, the Director General of IAEA, and the Executive Director of UNIDO. Unlike the report of the IAEA/UNIDO Joint Group discussed above, which envisaged a system of common services involving the two organizations only, the Memorandum provided for common service arrangements concerning three autonomous participants, but did not significantly alter the Group's recommendations.

12. The Memorandum set forth the following principal measures:

(a) The operation and maintenance functions of Donaupark premises would be governed by "the basic principle that the United Nations, UNIDO and IAEA bear joint responsibility and the common services will be implemented in a spirit of co-operation".

(b) A tripartite committee representing the three organizations would be established to provide policy direction and overall management of the planning and implementation of common service arrangements.

(c) Principles would be developed and agreed for dealing with personnel issues arising from the establishment of common services.

(d) A task force on financial matters to study financial aspects of common services and suggest procedures, including cost-sharing formulas.

13. The Memorandum additionally provided for the following allocation of responsibilities for the operation and management of common services.

IAEA

(a) Commissary, assisted by a commissary advisory committee representing the participating organizations.

(b) Printing and reproduction, merging IAEA and UNIDO facilities and supported by a joint group for publications and documents production planning. The joint group would be composed of one representative of each participating organization, review the requirements of users and set work priorities. Jobs that could not be produced in the plant would be contracted out.

(c) Computer services, supported by a permanent co-ordination group composed of the chiefs of IAEA and UNIDO computer services and one financial officer of each organization.

(d) Library service, including (i) a common acquisition and technical processing unit; (ii) a common education and training unit for library personnel from Member States of both organizations; and (iii) three separate leader service units, one for IAEA, one for UNIDO and a third common unit for United Nations documents, films, etc.

(e) Medical service.

UNIDO

(f) Catering service, assisted by a catering advisory committee representing the participating organizations. UNIDO would be the contracting agent on behalf of the organizations should this service be operated by a contractor.

(g) Buildings management, assisted by an advisory committee representing the participating organizations.

(h) Language training.

United Nations

(i) Security and safety service.

14. The Memorandum also envisaged that some services would remain separate, pending further studies and mutual agreement. These were the following:

- (a) procurement and contracting service;
- (b) conference services, with a proviso that the possibility of pooling interpretation and other activities and equipment would be "actively pursued";
- (c) receiving, storage and inventory control services; and
- (d) other potential common service areas such as mail, pouch, visas, insurance, (see also paragraph 10) were to be discussed between the organizations and referred to a task force whose final recommendation was to be given within four months after the date of the Memorandum, that is by August 1977.

15. No formal agreements for common services in the above areas have been reached to date, although some studies have been carried out and recommendations prepared. Pooling of interpretation services has been practised on an informal basis for many years by UNIDO and IAEA. There is also de facto co-operation with IAEA in pouch services.

16. In broad terms, the Memorandum outlined common service arrangements in line with the basic principle of allocated responsibilities and cost-sharing among the parties at VIC, as had been recommended by the IAEA/UNIDO Joint Working Group. By providing for common service advisory committees and co-ordination mechanisms, the Memorandum no doubt sought to ensure that these services would operate equitably in meeting the needs of user organizations, that is on the basis of equally-shared rights and obligations. However, as the Memorandum was signed two and a half years before the effective transfer of other United Nations units, including UNRWA, to VIC, it is not entirely certain that the future size of the United Nations presence at the Centre and the eventual role of the United Nations in common service arrangements had been adequately considered. Similarly, the agreement which was concluded before the adoption by Member States of the Constitution of UNIDO as a specialized agency made no reference, understandably, to the eventual conversion of UNIDO into its new legal status and the impact this development might have on common services.

17. As for other services, a year after the signing of the Memorandum, a United Nations co-ordination and planning office was established in Vienna to serve as the focal point for the planning and liaison of all aspects of the transfer to Vienna of other United Nations units mentioned in paragraph 6 above, and to arrange for the occupancy of the Vienna International Centre. The office was renamed the "United Nations Office at Vienna" (UNOV) in 1980 and had responsibility, at the time, to provide liaison with the host country authorities on local administrative arrangements and on all matters relating to the United Nations presence in Vienna, excluding, in each case, those concerning UNIDO (A/C.5/38/87). A Director-General was appointed in 1982 for the United Nations Office at Vienna with responsibility to represent the Secretary-General in relations with the Austrian authorities, and to handle questions connected with the presence of United Nations staff in Austria. Besides the Memorandum of Understanding, special arrangements were agreed upon by the Secretary-General and the Executive Director of UNIDO for UNIDO to provide a number of administrative support services to UNOV and other United Nations units housed at VIC, as discussed in paragraph 66 below. Meanwhile, the United Nations Conference on the Establishment of UNIDO as a Specialized Agency adopted the Constitution of the new UNIDO on 8 April 1979.

18. At 31 March 1984 total United Nations system staff at VIC stood at 3,576 with the following breakdown: IAEA - 1,560; UNIDO - 1,404; United Nations units - 365; UNRWA - 247.

III. ORGANIZATION AND MANAGEMENT OF VIC COMMON SERVICES

A. General situation

19. Present common service arrangements for the three VIC occupants (as distinct from United Nations/UNIDO joint services examined under Chapter IV below) are based largely on the provisions of the Memorandum of Understanding discussed above. In addition to the allocation of responsibilities for the running of the services listed in paragraph 13, the housing service and the management of the VIC garage have been assigned to IAEA and UNIDO respectively.

20. Division of management responsibility. With the exception of the security and safety service which is operated by the United Nations, VIC common services are distributed between IAEA and UNIDO on the principle of balanced responsibility, as proposed in the report of the 1974 IAEA/UNIDO Working Group on Common Services which advised that under the pattern of allocated administration "each common service would be assigned to one organization or other in such a manner that an overall balance of responsibility between the two organizations would be achieved" (page 21, paragraph 44(c)). The services administered by the two organizations represented over 90 per cent of total VIC common services expenditures in 1983, as follows:

<u>Managing organization</u>	<u>Operating costs</u> (Thousands of US dollars)	<u>Percentage</u>
United Nations	1,641.4	6.8
IAEA	10,462.9	43.6
UNIDO	11,926.9 <u>a/</u>	49.6
Total:	<u>24,031.2</u>	<u>100.0</u>

a/ excluding electricity and cleaning costs (US\$ 1,203,300) for buildings A and B occupied by IAEA for which no provision was made in the 1982-83 programme budget under section 28M. Full provision for these costs is made in the 1984-85 programme budget. The figure also includes US\$2,500,000 under general operating expenses, which are not shared with IAEA but with all other users.

21. Staffing: Annex II summarizes the staffing situation and the operating costs of common services, as well as the cost-sharing pattern at 31 December 1983. Data for the commissary, catering services and the VIC garage have been excluded because these are self-financing and constitute no charge to the respective budgets of the organizations. Established staff posts for common services totalled 372 in 1983. Of these 372 posts, 43 are in the professional category. In addition, a number of staff members were financed from allocations for temporary services in the 1982-1983 programme budget of the United Nations. Significantly, IAEA supplies 84 per cent of all professional posts and 52 per cent of all established posts.

22. Operating costs: Total common services operating costs which in 1983 amounted to US\$ 24 million represent approximately 34 per cent of the combined programme support costs of the three organizations, and over 14 per cent of their aggregate regular budget expenditures, excluding UNRWA (see Annex 1). An analysis of the costs of individual common services reveals that the computer service and buildings management alone account for slightly over 70 per cent of all common services expenditures in 1983, as shown below:

Common services cost ratios in 1983

<u>Common service</u>	<u>Operating costs</u> (Thousands of US dollars)	<u>Percentage</u>
Computer service	5,471.8	22.8
Library	1,469.7	6.1
Printing	2,694.9	11.2
Medical service	747.1	3.1
Housing	79.4	0.3
Buildings* management	11,673.3 <u>a/</u>	48.6
Language training	253.6	1.1
Security and safety	1,641.4	6.8
	Total:	100.0

a/ excluding electricity and cleaning costs (US\$ 1,203,300) for buildings A and B occupied by IAEA for which no provision was made in the 1982-83 programme budget under section 28M. Full provision for these costs is made in the 1984-85 programme budget. Including US\$ 2,500,000 under general operating expenses, which are not shared with IAEA but with all other users.

23. When the costs of the computer service, which is predominantly used (more than 80 per cent) by IAEA alone, and the costs of VIC buildings management which is logically best ensured through an integrated management service, are discounted, the remaining common services amounted to roughly US\$7 million in 1983, or 10 per cent of the overall programme support and only 4 per cent of the regular budget expenditures of the VIC organizations. In monetary terms, therefore, the scope of VIC common services is not as significant as might be expected of organizations of this size housed in common premises. This reason, along with others, suggests to the Inspectors that there might be much scope for the expansion of common services into other administrative, financial and management areas.

24. Cost-sharing. The organization operating a common service makes full budgetary provision for the service and is reimbursed by other user organizations according to agreed cost-sharing keys. These keys are developed on different bases: as a function of the number of staff employed by each organization; as a function of the space occupied by each organization; and in direct proportion to the services received.

25. From the pattern of cost-sharing displayed in Annex 2, IAEA can be seen to be the most important user of the common services it operates, particularly in the area of computers, library and printing services. Indeed these services were originally designed, and have developed, more as built-in elements of IAEA's programme support structure than as common services. This aspect is further touched upon in the review of individual common services.

26. Organizational arrangements. As mentioned in paragraph 9, the organizational model adopted for the provision of all VIC common services is that of "allocated administration" recommended by the 1974 joint IAEA/UNIDO Working

Group enshrined in the 1977 Memorandum of Understanding. A description of this organizational arrangement follows.

27. Allocated administration. This pattern of management confers upon the organization to which a common service has been allocated undivided authority and responsibility for the operation of that service in meeting the needs of users. Thus, services assigned to an organization are in effect managed in accordance with the administrative, financial and budgetary rules of that organization, and form an integral part of its managerial system. The other "participating" or user organizations are treated as customers paying for services received, but have no line or functional relationship with the provider of these services. This means that the executive head of the organization managing a particular common service, rather than the operative chief of that service, is directly accountable to other user organizations for the economical, efficient and timely response to their needs. The practical merits of this approach have been (a) to avoid conflicts in the application of differing personnel and financial rules of these organizations as would apply in the case of joint administration (see paragraph 8) and (b) to eliminate the possibility of more than one line of command and accountability in the operation of common services. The disadvantage is that user organizations have little or no managerial and financial control over common service operations. The system of allocated administration also tends to give rise to criticism that not all users are treated equitably.

28. Advisory and co-ordination committees. It was in order to overcome this disadvantage that the Memorandum of Understanding envisaged the establishment of advisory and co-ordination committees or groups to provide advice on the operation of common services and resolve possible conflicts of priorities in servicing user organizations. However, no such mechanisms exist for four services (security and safety, medical, library and joint housing services), and where they do exist, these bodies have no decision-making authority and have, in some cases, ceased to function. On the whole, the experience with these committees has been uneven. This matter is discussed further in Chapter V.

B. Individual common services

(i) IAEA-managed services

29. The computer service whose operational costs consist of staff costs, travel, contractual programming services, supplies and equipment had been functioning as an IAEA-UNIDO common service prior to the move to VIC. At present, its facilities are used by practically all VIC occupants although, as observed earlier, it operates very much as an in-house IAEA unit since the jobs it performs for other users amount to only about 20 per cent of its expenditure. This is borne out, for example, in the composition and functioning of the advisory bodies (the IAEA Computer Steering Committee and a Permanent Co-ordinating Group) mentioned in the Memorandum of Understanding. The IAEA Computer Steering Committee, which sets computer policy, allows UNIDO participation for purposes of information only. The Permanent Co-ordination Group comprising the Chiefs of the UNIDO and the IAEA Computer Services and one Finance Officer from each organization is responsible for providing "guidelines for establishing priorities of work between UNIDO and IAEA and, at the request of either party, will resolve differences as to their application and related problems". The Group, the Inspectors have been told, has long become virtually inoperative.

30. Some users of this service have expressed concern on the following points: (a) the application of the cost-sharing formula for charging jobs done for users; (b) the low priority allegedly accorded to other than IAEA needs when there is competition for limited resources; and (c) the acquisition of new hardware. For these reasons UNIDO has had to consider the possibility of acquiring its own computer which might be more cost-effective than the IAEA computer facilities in meeting its present needs in the light of new developments in computer technology, and which would guarantee the receipt of services in more timely fashion. The Inspectors would not, however, feel able to endorse such a course of action, should it be pursued, unless it can be demonstrated that the system as a whole would benefit from such a move in terms of the quality, cost and timeliness of services. Given this situation, it is necessary for IAEA to get together with other users to resolve their differences.

31. Looking towards the future, present arrangements can be improved in a number of ways. First, the draft agreement for the provision of computer services, which was prepared in January 1983 by IAEA and UNIDO but which has not been signed should be up-dated, broadened to include United Nations representation, and formalized. Second, and more specifically, the terms of reference of the Permanent Co-ordination Group, on which would sit representatives of the three organizations, would be expanded to ensure its policy-making role in terms of hardware and software acquisition, rate-setting, and the staffing and training of computer personnel. In determining acquisition policy, the Group would pay particular attention to the desirability of acquiring facilities which are compatible with other duty stations and would work towards a link-up with other stations. The Group (or a sub-Group) might also be made responsible for monitoring the operations of the computer service. This might entail review of scheduling priorities, the establishment of a VIC computer information system, and maintenance procedures.

32. Over and above these institutional improvements, the goodwill and co-operative spirit of all the parties is indispensable to smooth communication and the efficient operation of a common service. A more systematic flow of information among participants should help allay present misunderstandings which appear to the Inspectors to be the main problem of this common service.

33. The Joint library service provides library and information services to staff members of all VIC organizations, to members of permanent missions and to authorized external users. According to its terms of reference outlined in the Memorandum of Understanding, this service consists of (a) a common acquisition and technical processing unit; (b) a common education and training unit for library personnel from Member States; and (c) three separate Reader Service Units, one for IAEA, one for UNIDO and a third common unit for United Nations documents, films and other reference material of joint interest. The Inspectors note that at present the service covers the full range of librarianship including the acquisition of material from worldwide sources and the provision of information services based on the library's collections, as well as an estimated 300 bibliographical data bases both internal and external.

34. Operating costs include staff costs, travel, supplies of books and journals, equipment, and training. These costs are distributed on the basis of total professional staff in IAEA, UNIDO and United Nations. UNRWA pays a fixed amount of US\$10,000 per annum. The present cost-sharing ratio is 54.5 per cent for IAEA, and 45.5 per cent for UNIDO and other users (see Annex II). Costs for acquisitions of interest to a particular organization are directly charged to that organization. The library's managers say there is not enough money to purchase shared acquisitions.

35. The operation of the library service is generally considered by the users to be satisfactory. However, the following difficulties have been brought to the Inspectors' attention. The library clientele includes, in addition to IAEA and UNIDO, highly specialized United Nations units whose needs for special scientific literature are allegedly being met only superficially. For this reason some United Nations units such as UNCITRAL and the Division of Narcotic Drugs have had to acquire their individual collections of specialized publications. The International Narcotics Control Board reports that it makes only occasional use of the VIC library and obtains directly from United Nations Headquarters and other sources what up-to-date information it requires.

36. The fact that the library operates in practice more like an IAEA/UNIDO common arrangement than a VIC-wide common service has also tended to reinforce the sense of isolation felt by the smaller United Nations units in regard to this service. Doubts have also been raised about the substantive quality of library acquisitions. Another source of dissatisfaction concerns the inadequate participation of all VIC users in important library management decisions, especially those having financial implications for all parties. In essence therefore some users believe that the service provided is not commensurate with the costs to them.

37. The Inspectors have also encountered problems of a wider nature which the JIU also found in their study on United Nations system libraries. One such problem is the level of staffing of the libraries where management argued for "higher level professional staff in serials acquisition and in reference services". Another relates to the fact that, at present, the small specialized libraries are neither linked to the central VIC library nor to data bases in New York and Geneva. The Inspectors see merit in breaking this isolation by integrating present and future branch libraries with the main VIC library under an arrangement that preserves the specialized identity of individual unit collections while giving them full access to the services of the central library. An additional requirement is to standardize indexing in order to facilitate computerized linkage within and outside the United Nations system.

38. In any attempt to redress these problems, the Inspectors believe that the establishment of a higher-level joint library committee representing all participants would help iron out these difficulties of co-ordination and ensure the speedy delivery of library services to users. There is scope as well for improving the present system of apportioning library operating costs on the basis of the professional staff on board in the participating organizations. Admittedly, this cost-sharing formula has the advantage of being simple. But it is open to doubt whether it provides an objective basis for costing services actually performed for the respective organizations since it would also appear that non-professional staff make use - and rightly so - of the VIC library.

39. The VIC printing and reproduction service consists of the merger of IAEA and UNIDO printing and reproduction facilities and staff. The service operates under the supervision of a joint IAEA/UNIDO Committee on VIC printing services, established in 1982. This committee is composed of 8 members, 4 each from both organizations and meets on an ad hoc basis. Services are provided to all VIC organizations and charged directly, i.e., on the basis of work done for each organization or unit. Capital costs are shared proportionate to services received the preceding year.

40. The service is adequately staffed and equipped to meet demands on an eight-hour shift. Two to three shifts are run about four months annually

during peak conference periods. Present average output is estimated at 250 million page impressions a year. Books account for 65 per cent of total impressions. Even though the quality of in-house services is generally appreciated by the users, the Inspectors nevertheless heard questions raised about the relatively higher costs of VIC printing services compared to work contracted externally, which may be attributable to the fact that books account for such a large percentage of total impressions. For this reason, the Inspectors view with favour the steps being taken by the management of the VIC printing service to invite competitive bids for the external printing of books now done at the VIC, but would endorse such a move only if it led to cost-savings and an improvement in the services now provided.

41. Concern was also expressed by some users over occasional conflicts of priorities and delays. The joint committee which is responsible for dealing with these and related questions is currently composed only of IAEA and UNIDO representatives, to the exclusion of other VIC participants and also at variance with the provisions of the Memorandum of Understanding. Other participants, though relatively smaller users of this service, would like to be fully involved in consultations and decision-making regarding the establishment of work priorities for meeting the needs of VIC printing clientèle. The service management contends, however, that user deadlines are sometimes unrealistic, job requirements are not properly planned in advance, and the decentralized nature of documents control units hampers workflows and the order of priorities. As a result, management intends to adopt a policy that would make it mandatory for all printing requirements to be effectively planned according to agreed procedures, failing which jobs would be contracted externally or done on more expensive overtime shifts. The Inspectors support this initiative but urge that the organizations concerned be consulted before their jobs are turned over to external printers. Also, a more balanced representation of user interests on the joint body would help improve communication between operators and users of the service, and even out conflicts of priorities.

42. The merging of IAEA and UNIDO staff in the printing service has not proved easy to manage owing to differences in the employment contracts of staff and the personnel rules of the two organizations. Conflicts of staff loyalty have been reported. Similar conflicts are noted in the library service also. The Inspectors believe that this problem can be resolved with time as a result of the natural turnover of UNIDO staff, with replacements coming under IAEA contracts and personnel rules. This evolution may, however, take a great deal of time.

43. The medical service, which originally was also an IAEA in-house facility shared by UNIDO before the transfer to new premises, now covers all VIC tenants. Its terms of reference are akin to those of the medical services in New York and Geneva, with one important difference: in addition to its normal functions and responsibilities for the medical aspects of staff administration, the VIC medical service also administers in-house treatment to VIC staff: mainly diagnoses, injections, prescriptions, medicines, and sometimes even physiotherapy. Staff are referred to external practitioners only in serious cases. This approach is compatible with local rules and has proved advantageous in that it saves staff time and probably reduces their medical expenses.

44. Although some concern has been voiced about the expanding trend and increasing cost of this service, the Inspectors find that its operating costs over the last three years have remained steady when adjusted for inflation. The cost-sharing formula consists of two keys: medical staff and equipment

costs are apportioned proportionate to the total number of routine examinations made for each organization, whilst medical consultancies during week-ends and holidays are charged in proportion to the total number of staff in each organization. No formal advisory body exists at present, though it has been under discussion for some time and two meetings of an informal character have been held in 1983 and 1984. Such a body would be desirable in the interest of consultation and communication among participants, even though the VIC medical service can be considered to function very well at present.

45. The VIC housing service is an expanded version of the original IAEA housing unit whose services were shared by UNIDO on a reimbursable basis before the move to VIC. The service, which is available to all VIC staff and permanent missions, is essentially designed to save the time and money of staff members and missions by assisting them to find accommodation speedily and efficiently, and at reasonable prices. It is at present adequately staffed with 4 general service posts and its operating costs are shared by participating organizations on the basis of lease contracts concluded. The Inspectors heard no complaints about this service which is generally appreciated by users.

46. The VIC commissary is a self-sustaining and non-profit making service and is a merger of previous IAEA and UNIDO commissaries, operated separately prior to the move to VIC. The commissary sells limited quantities of imported articles for personal use and consumption in accordance with the privileges provided for in agreements with the host Government. It is accessible to all VIC organizations, permanent missions and other international personnel. The commissary, like preceding common services, is an integral part of the IAEA secretariat; but its operations are guided by an advisory committee consisting of 11 members: 4 from IAEA staff and management, 4 from UNIDO staff and management, 2 from United Nations units staff, and one representative of the permanent missions. No major problems were raised in regard to this service but a few comments were made regarding the selection and pricing of articles and the use of surcharge funds.

SUMMARY

47. Of the IAEA-managed services reviewed in the foregoing paragraphs, the computer, library and printing services can be considered to be closely related to the discharge of IAEA's constitutional responsibilities as a technical agency. As shown in Annex II, IAEA makes more extensive use of these services than any other VIC entity, judging from the IAEA cost-sharing ratios: computer - 80.7 per cent; library - 54.5 per cent; and printing - 49.0 per cent. These services can therefore be rightly described as vital organizational elements in the Agency's programme support machinery, over and above the principle of allocated administration underlying the VIC common services arrangement. In terms of expenditure, the three services account for 93 per cent of the VIC services managed by IAEA.

48. The medical service is also related in some, but not vital, respects to IAEA's technical functions because, in accordance with the service's terms of reference, it provides special medical examinations and supervision of the Agency's radiation workers, safeguards and inspection teams and experts. Additionally, it supervises the medical aspects of the IAEA laboratories at Seibersdorf and Monaco. The remaining two services, namely the housing service and commissary bear no relationship to the Agency's technical functions.

(ii) UNIDO-managed services

49. Buildings management has responsibility for the entire VIC complex, comprising seven buildings (four office towers, one conference and two common service buildings). The total floor area measures 270,000 m², including parking facilities for about 2,400 vehicles. The occupancy capacity of the building is estimated at 4,500 persons. The actual current occupancy is reported to exceed 4,000. Two office towers have been designated for the exclusive use of IAEA. One tower is occupied exclusively by UNIDO, and the other is presently shared by UNIDO, United Nations units and UNRWA. According to buildings management, these two towers have practically attained their capacity limits.

50. The entire complex was built by and is owned by the Austrian Government and the City of Vienna, which have leased it, for a nominal fee, to the international organizations for a period of 99 years. VIC tenants are responsible for day-to-day maintenance, cost of utilities and other operating expenses whilst the Austrian Government is responsible for major repairs and replacements to the buildings, facilities and installations made necessary by force majeure or faulty materials, design or labour within their responsibility in the construction. Other major repairs are financed from a Common Fund established in January 1981 pursuant to an agreement between the United Nations, IAEA and the host Government. The fund, financed by the three parties which contribute US\$33,000 each per annum, is administered by UNIDO.

51. For the biennium 1984-1985, budgeted expenditures for buildings management stood at US\$22 million provided for under section 28M - Administrative Services, Vienna - of the 1984-1985 programme budget of the United Nations. Of the US\$22 million, staff costs amount to US\$5 million, whilst the cost for utilities, supplies, equipment, spare parts, external contracts, etc., total US\$17 million. The cost-sharing system is based on area occupied and consists of fixed percentages of 45.5 for IAEA, 51.0 for United Nations/UNIDO, 3.5 for UNRWA and commercial tenants. The shares paid by other than United Nations/UNIDO occupants are reimbursed to the United Nations and reflected in the incomes section of the programme budget. The present formula of sharing costs at flat percentage rates, which was developed following two years of experience with a more complex mode of apportioning cost elements, is not entirely satisfactory to all the parties. IAEA, in particular, advocates review of the present system, and would like to be more involved in budgeting procedures, particularly prior to submission to United Nations Headquarters of budget proposals for the buildings service. The latter's advisory committee which includes representatives of the executive heads of IAEA, UNIDO and UNOV is reported to function satisfactorily though IAEA has suggested that the scope of its functions be more precisely defined.

52. The buildings management service is efficiently run from all accounts, minor issues apart. Some major maintenance tasks which were originally entrusted to external contractors have been taken over by in-house services, resulting in net cost benefits. Measures introduced to scale down energy costs are reported to have yielded savings of more than AS 12 million (roughly equivalent to US\$700,000) in the 1982-1983 biennium. External contracts, currently representing about US\$3 million per annum, concern tasks that cannot be done in-house without, according to buildings management, impairing the quality of operations.

53. The service comprises 78 established posts (of which 5 in the professional grade) and 23 temporary posts approved for the biennium 1984-1985. These posts together with operating costs are provided in Section 28M of the programme budget. Structurally, the service is fully integrated with the UNIDO administration. In terms of supervisory functions, for example, it is estimated that the UNIDO Director of Administration and the Chief of General Services devote respectively 15 per cent and 50 per cent of their time to this service, which additionally depends on other UNIDO support services such as finance, budget, personnel, purchase and contracts. In terms of regular budget costs, buildings management in 1983 represented almost 98 per cent of services administered by UNIDO.

54. Language training programmes have been in operation since the move to the VIC in 1979 for UNIDO, United Nations and UNRWA staff, and since 1981 for IAEA staff. There is a Standing Co-ordination Group composed of UNIDO and IAEA representatives which has an advisory capacity. UNOV is not represented on the Group at present. The languages taught comprise Arabic, Chinese, English, French, Russian, Spanish and German. The enrolment figure for the winter 1983 semester was 830 persons - 42% UNIDO, 11% United Nations, 5% UNRWA, 41% IAEA in the regular programme and 169 in self-financed classes for dependants. Operating costs (instructors' fees, pedagogical materials and administrative costs) are shared proportionately to student enrolment. The Service also administers the United Nations language proficiency examinations in the United Nations official languages, which it supervises for all VIC staff, and develops and administers the German proficiency examination. Comments on the quality of language training were, in general, positive. There is a need, however, to accommodate UNOV and UNRWA in the standing co-ordination group.

55. Catering service. Before their transfer to VIC premises, IAEA and UNIDO ran separate in-house catering services which did not prove self-supporting and even turned deficits. As a result of this experience, the present VIC catering service for which UNIDO has responsibility has been entrusted to an external Managing Agent who receives a fixed annual fee for his services. The service is designed to be self-financing although initial investments were cost-shared between IAEA and UNIDO at equal rates. It registered a net surplus of AS 1 million (equivalent to US\$55,000) in 1983. A catering Advisory Committee representing all VIC organizations and staff and one member from the Permanent Missions gives guidance to UNIDO in the exercise of its responsibility for this service. Although actual catering operations are carried out by the Managing Agent as indicated above, the UNIDO Administration keeps close watch over cost and expenditure control through its Financial Management and Operations Unit. This unit controls the financial operations of other VIC common services administered by UNIDO as well as United Nations/UNIDO shared services.

56. Garage management. The VIC garage is an integral part of the buildings complex and has six parking decks with a capacity of 2,400 vehicles. Managed by UNIDO General Services, the garage is a self-supporting operation; staff members using parking facilities are charged a monthly fee. Income so derived covers the costs of 3 security officers and five-sixths of one general service post assigned to the garage as well as expenditure for insurance, electricity, cleaning, etc. One security officer and one-sixth of a general service post are financed from Section 28M of the programme budget. The management of the VIC garage has not been free of problems. At present, VIC garage rules exist and a Joint Advisory Group has been established to iron out problems related to the garage operation, including the setting of parking rates.

SUMMARY

57. Unlike most of the VIC common services under the responsibility of IAEA, the services allocated to UNIDO, with the exception of language training, are essentially in the area of general services: buildings management, catering services and garage. The main rationale for allocating these services to UNIDO appears to be based as much on past experience as on the need for a balance of responsibilities between IAEA and UNIDO for the operation of the VIC common services arrangement (see paragraph 20). The assignation of approximate equal weight to the two organizations in the management of these services may be explained by the fact that they are not only the principal tenants of VIC in terms of staff size but also the most important users of these services.

58. The four services under review are fully dependent upon the UNIDO administration in terms of overall management and support services, over and above the direct costs of these services. UNIDO officials state for example that their staff at the higher administrative range are significantly involved in the work of the buildings management section, catering services and the garage operation especially as regards budgetary questions, cost and expenditure control, negotiations with other VIC participants and with host government officials.

(iii) United Nations-managed service

59. The United Nations manages the security and safety service. This service grew out of the merger of previous IAEA and UNIDO security staff and consists at present of 2 professional and 94 general service established posts. It operates under the authority of the Director-General of the United Nations Office at Vienna (UNOV). Its responsibilities and duties are similar to those of United Nations security services in New York and Geneva, i.e., to provide protection for delegates, staff, visitors, buildings and grounds within the VIC international boundaries. It investigates losses, thefts, accidents and property damage claims and provides traffic control within the VIC. The cost-sharing system is based on the number of staff in each organization. Some user organizations have complained about the costs of this service, but the Inspectors note that these costs have remained fairly constant between 1980 and 1983. The service reports a shortage of staff which has led to increased reliance on overtime assistance (almost 10,000 work-hours in 1983). The need for permanent surveillance within the complicated VIC premises, including several points of access to the grounds, implies extensive use of available staff time. The service estimates, for example, that over 13,000 work-hours were devoted in 1983 to the garage alone. The garage operations also highlight the inter-relationship between VIC security matters and buildings management: co-ordination between UNOV and UNIDO in operating these services was reported to be satisfactory. No joint body exists at present to facilitate systematic consultations and reporting on VIC security and safety problems.

IV. CONVERSION OF UNIDO INTO A SPECIALIZED AGENCY

A. New formal status

60. The 1977 Memorandum of Understanding setting up VIC common services considered UNIDO as a separate partner, with the qualification that this provision had "no bearing on the current constitutional status of UNIDO as a subsidiary organ of the General Assembly and, therefore, as an integral part of the United Nations Secretariat". In effect, therefore, UNIDO, while participating as a "separate entity" in the VIC common services arrangement together with IAEA and United Nations units, has nonetheless remained, up to now, an integral part of the United Nations administrative structure. Thus the VIC common services managed by UNIDO as well as the services it provides to United Nations units are financed from the United Nations budget, which includes the programme budget of UNIDO. With UNIDO soon to be transformed into a specialized agency, following the adoption on 8 April 1979 of the text of the Constitution of the new UNIDO, the question arises as to what adjustments and modifications might be required to present VIC common and joint services with UNIDO's new status. This chapter summarizes: some provisions in the new UNIDO Constitution which have a bearing on the subject in hand, the views of Member States; measures already taken or envisaged by the Secretary-General; and the views of UNIDO and IAEA officials. It concludes by offering the opinion of Inspectors.

B. Relevant constitutional provisions

61. The Constitution of UNIDO as a specialized agency provides, inter alia, that "the Director-General shall be the Chief Administrative Officer of the organization. Subject to general or specific directives of the Conference or the Board, the Director-General shall have the overall responsibility and authority to direct the work of the Organization. Under the authority of and subject to the control of the Board, the Director-General shall be responsible for the appointment, organization and functioning of the Staff" (article 11, paragraph 3). As regards relations of the new UNIDO with other organizations of the United Nations system, the Constitution stipulates that "the Director-General may, with the approval of the Board and subject to guidelines established by the Conference, enter into agreements establishing appropriate relationships with other organizations of the United Nations system and with other intergovernmental and governmental organizations (...). Subject to such agreements and relations, the Director-General may establish working arrangements with such organizations" (article 19, paragraphs 1(a) and 2)). Under the terms of article 20 of the Constitution, the seat of the organization shall be Vienna, and the organization shall conclude a headquarters agreement with the host Government. On transitional arrangements, article 26, paragraph 2 of the Constitution states that "the rules and regulations governing the organization established by United Nations General Assembly resolution 2152(XXI) shall govern the organization and its organs until such time as the latter may adopt new provisions".

62. In the opinion of the Inspectors, none of the above provisions detracts from the principle of UNIDO's participation in common and joint services with other VIC occupants after its Constitution enters into force. In this regard, article 19 specifically empowers the Director-General to conclude agreements establishing working relationships with other organizations of the United Nations system.

C. Position of Member States

63. The formal meeting on the conversion of UNIDO into a specialized agency (Vienna, 16-20 May 1983) recognized that any changes in the existing working arrangements between the United Nations and UNIDO and the common services at the VIC as a consequence of the transformation of UNIDO into a specialized agency were a matter to be worked out, after UNIDO became a specialized agency, by the appropriate authorities of the organizations concerned, taking into account the need to ensure efficiency and effectiveness in the United Nations system. The meeting agreed that if changes in the existing arrangements were deemed necessary they would be undertaken taking into account the interests of the organizations concerned, i.e., United Nations, UNIDO and IAEA, and in conformity with established procedures governing such arrangements.

64. Statements made at the same formal meeting by the chairpersons of the various regional groups indicated the following positions:

- a) Strong support by some Member States of the principle of joint and common services at VIC. It was observed that while the changes in the status of UNIDO could necessitate legal and other adjustments in the present arrangements, substantive changes should not be implemented merely because of the change in the formal status of UNIDO, and that any necessary changes should not result in additional costs for Member States.
- b) The conversion of UNIDO into a specialized agency should be orderly and smooth in order not to disrupt the activities of the organization. The question of common services should be worked out by the Director-General of the new organization with the appropriate authorities of other organizations concerned within the context of article 19 of the UNIDO Constitution.
- c) After the Constitution has entered into force and the organization has acquired full legal capacity, it should be for the Director-General to conclude agreements governing the relations of UNIDO with other organizations of the United Nations system. Only then would the new UNIDO be able to negotiate on the same footing with the other organizations concerned, with the purpose of establishing, as far as common services are concerned, a system of relationships that would ensure the maximum degree of efficiency, the best use of resources, a harmonious system of collaboration and the preservation by the organizations of control over those services that are indispensable to their normal operation. Until such agreements have been concluded, present common service arrangements at VIC should be maintained and continued.

65. The need to ensure the orderly and smooth transition of UNIDO to its new formal status is also reflected in General Assembly decision 34/96 of 13 December 1979, which urged that all the staff members of the United Nations assigned to the existing UNIDO should be offered appointments by the new agency that preserve their acquired rights and contractual status. The resolution also authorized the Secretary-General to transfer to the new agency the assets of the United Nations used by the existing UNIDO, in accordance with arrangements to be entered into between the Secretary-General, acting in consultation with ACABQ and the Director-General of the new agency. In brief, the positions of Member States converge on the need for orderly transitional arrangements for

the new agency, a system of VIC common services designed to ensure optimal efficiency, budgetary discipline and the most economical use of resources by the parties concerned, with UNIDO participating in any new arrangements on an equal legal footing with other partners in accordance with article 19 of its Constitution.

D. Measures taken or envisaged by the Secretary-General

66. In addition to the VIC common services described in the preceding chapter, the United Nations Secretary-General and the Executive Director of UNIDO agreed upon arrangements for UNIDO to provide a range of support services to UNOV and United Nations units which were transferred from New York and Geneva to the VIC in 1979. These services consisted of finance, personnel, legal, public information, conference services, general services, and purchase and contract services. In the area of administration UNIDO was provided with 37 posts (2 professional, 21 general service and 14 manual workers) to cope with the additional workload entailed in servicing the United Nations units. This measure was considered to be more cost-effective than the establishment of a new administrative structure to serve the needs of UNOV and United Nations units at VIC. However, when the Constitution of the new UNIDO enters into force, three legally autonomous organizations of the United Nations system will be housed at the VIC. In the view of the United Nations Secretary-General, "This development should not alter the fundamental premise on which common services are based, which is that, in view of their nature and the layout of VIC, they cannot be duplicated". With regard to the services UNIDO provides to United Nations units, excluding UNRWA, the Secretary-General believes that the new UNIDO status will have an impact on existing joint arrangements. In his view, separate and distinct United Nations public information and personnel services would be required, and should be established forthwith. Proposed measures by the Secretary-General and other United Nations officials regarding modifications to present United Nations/UNIDO arrangements are set forth in the following paragraphs.

67. The public information requirements of United Nations units in Vienna, including a visitors service, had until recently been covered by the UNIDO information service which was provided for this purpose with 2 professional and 4 general service posts costing US\$390,300. With effect from 1 January 1984, a separate United Nations information service has been established to cover the activities of the United Nations units in Vienna and to serve additionally as an information centre for Austria and the Federal Republic of Germany. The centre is also expected to be responsible for the United Nations visitors' service. The six aforementioned posts previously assigned to UNIDO's information service have been transferred to the new United Nations information service while 2 professional and 3 general service posts, coupled with operational funds, have been redeployed from within the Department of Public Information to the Vienna service. Total costs of the service are estimated at US\$821,400 for the 1984-1985 biennium. Net additional resources required for the creation of this service amount to US\$79,000 in respect of 1 D-1 post which the Secretary-General also hopes to fill through internal redeployments. As for audio-visual facilities available at VIC, it is his view that these need not be duplicated and that modalities should be determined for their use by both UNIDO and the United Nations.

68. The General Assembly's endorsement of the creation of a separate United Nations information service at Vienna appears to rule out any possibility of a common public information arrangement for all VIC organizations when UNIDO acquires its new status. Three distinct information services will operate at the VIC. The Inspectors are of the view that certain elements, such as audio-

visual and visitors' services, could be pooled together. Other potential areas of collaboration among the three organizations should be explored and exploited.

69. Personnel services. The Secretary-General has decided to create a nucleus of personnel services within UNOV effective 1 January 1984, and to reassign to the new service 7 of the 8 posts (2 P-3 and 5 general service) previously assigned to UNIDO. These resources have strengthened the existing core administrative service at UNOV which now has responsibility for the provision of personnel services to the United Nations units at the VIC. The one general service post which has not been redeployed from UNIDO is devoted to language training provided by UNIDO to all VIC occupants.

70. Legal service. A separate United Nations senior legal liaison officer post was established within UNOV in 1983 with the approval of the General Assembly.

71. Conference services are at present provided to United Nations entities by UNIDO under an integrated management arrangement whereby UNIDO conference facilities are also shared by United Nations units in the following areas: translation; terminology and references; meetings planning and servicing; editorial and documents control services; publications and distribution; and, to a lesser extent, interpretation. The direct costs of conference services for United Nations entities - about US\$10.3 million in the 1984-1985 biennium - are provided in Section 29C (conference services, Vienna) of the programme budget, and include 42 regular posts (21 professional and 21 general service) assigned to UNIDO for translation and related functions in respect of United Nations meetings in Vienna. In effect, therefore, UNIDO and United Nations entities use the same conference premises, equipment and staff pool in the interest of economy and sound management practice.

72. However, the Secretary-General has proposed to change in due course this joint arrangement by entrusting UNOV with responsibility for servicing United Nations conferences at Vienna. This development would result in three separate conference services for the VIC organizations, and would entail duplication of resources and competition for conference rooms and freelance staff. For this reason, the Secretary-General and UNOV officials consider it desirable to establish a joint co-ordinating mechanism to determine the allocation and use of conference rooms and pool meetings-servicing requirements. Whilst this latter initiative is commendable, the resulting cost to Member States of running three separate conference services is by itself a strong argument against splitting the present UNIDO/United Nations joint arrangement. For example, statistical data ^{1/} on the volume of translation, revision and typing work required to service United Nations units in 1984, based on United Nations productivity norms applicable to these activities, suggest that a separate UNOV conference service as envisaged by the Secretary-General would have the following staffing implication:

^{1/} Statistical estimates available to the Inspectors forecast for 1984 a total of 4,546 man-days for in-house translation, 2,273 man-days for revision and 5,152 man-days for typing.

<u>Unit</u>	<u>Professional</u>	<u>General service</u>
Office of the Chief	1	2
1 Contractual translation unit	-	2
6 Language units	27	26 <u>2/</u>
1 Reference unit	1	4
	—	—
Total:	29	34
Existing established posts	21	21
	—	—
Additional posts needed	8	13
	—	—

On the basis of standard salary costs-version 44 applicable to Vienna - as used in the 1984-1985 initial appropriations, the Inspectors estimate that these 21 additional posts would cost Member States at the very least US\$1 million per biennium for salaries alone, and US\$1.4 million when common staff costs are included. These figures would be several times higher if additional meetings planning, editorial and documents control, publication and distribution units were to be established as part of a separate UNOV conference service. Moreover, additional office space and some equipment items such as typewriters would be needed, while the economies of scale derived from the present integrated system, and the even more substantial cost benefits likely to flow from a single VIC conference arrangement, would be lost.

73. The Inspectors therefore conclude that it would be wasteful of scarce financial and human resources to operate three separate conference services at VIC whose outputs and efficiency cannot be guaranteed to be of better quality. The Executive Director of UNIDO has expressed reservations concerning the establishment of a single conference service to serve the three organizations, but at the same time he expressed UNIDO's readiness to study the proposal to establish one unified conference service, taking into account the needs of each organization, the experience gained in recent years, and the cost involved. Some United Nations officials shared this view. IAEA, on the other hand, has strong reservations on the principle of creating a single conference service to serve all three organizations, the main reason being their fear that a single service would not meet the technical and scientific needs of their Organization, nor accommodate their practice of holding meetings outside Vienna. The Inspectors do not quite see how these needs might be jeopardized by operating a unified facility, particularly since they foresee that whenever one of the three organizations holds a meeting there would be continuous consultation between the substantive and key administrative staff of that organization and Conference Service staff at managerial and operational level. Therefore, notwithstanding IAEA's and UNIDO's reservations, the Inspectors recommend that the present UNIDO/United Nations joint conference arrangement be continued after UNIDO becomes a specialized agency, and that the existing informal co-operative arrangement with some IAEA conference servicing units should be formalized; modalities should be determined for pooling other IAEA conference-servicing units into a single VIC conference structure after application of the principles and criteria set forth in paragraphs 86-92 of this report.

2/ Figure includes 6 unit secretaries.

74. Finance. The Secretary-General intends to maintain the existing arrangement whereby UNIDO provides some financial services to United Nations units. The 4 general service posts currently assigned to UNIDO's financial service for this purpose are expected to be transferred to the new UNIDO. The UNOV administrative service will continue to have responsibility for budget administration, certification, staffing table control and liaison functions for United Nations units. The continued provision of some financial services by UNIDO to the United Nations units has encouraged the Inspectors to consider a possible common financial service for the three organizations, in pay-rolling, accounting and treasury functions. IAEA and UNIDO officials have raised objections to such a merger in view of their different financial rules, accounting and budgetary systems. The Inspectors, however, believe that these should not represent an insurmountable obstacle and suggest that such a possibility be explored in the present review of the Memorandum of Understanding with a view to developing a common financial service for payroll, accounting and treasury functions.

75. Within general services, buildings management and catering services were established as common services; garage services are operated as a de facto common service. These services include travel and transportation, inventory control, communications, archives and records, and buildings management. The present staffing situation in general services for the 1984-1985 programme budget is the following:

<u>Authorized posts</u>	<u>UNIDO (Section 17)</u>		<u>UNITED NATIONS (Section 28M)</u>		<u>Total</u>
	<u>Established posts</u>		<u>Established posts</u>	<u>Temporary posts</u>	
Principal level	1		-	-	-
Professional	5		6	-	6
General Service & Manual Workers	71		102	47	149
	—		—	—	—
Total:	77		108	47	155
	—		—	—	—

According to the programme budget document, the allocation of staff resources between section 17 and section 28M is not based on a detailed apportionment of cost between UNIDO on the one hand and other United Nations entities on the other. "The basis of the division applied between the two sections is that the level of services provided prior to the move to the VIC may be found in section 17, whereas additional provisions made since are shown in section 28M." According to the Secretary-General, the current arrangements whereby UNIDO performs the above-mentioned general service functions on behalf of United Nations units should continue for the time being, pending completion of the review of present distribution of responsibilities outlined in the Memorandum of Understanding. In this connection, UNOV officials have suggested that buildings management, including the garage, should be assigned to the United Nations.

E. Views of UNIDO and IAEA Secretariats

76. UNIDO and IAEA officials, like the Secretary-General, believe that the conversion of UNIDO into a specialized agency should not introduce fundamental changes in the present system of VIC common services. In their view, adequate operational experience has been acquired by the organizations in the running of common services and any proposed changes in the present allocation of responsibilities for the administration of these services should be justified by incon-

trovertible evidence of greater cost benefits, improved efficiency and effectiveness. Both organizations are in favour of improving the implementation of the Memorandum of Understanding through codification of measures that have worked satisfactorily and refinement of those that have been less than successful in practice. The Inspectors share these views.

F. Opinion of JIU

77. The views of the Member States and the UNIDO and IAEA secretariats, which have been summarized in preceding paragraphs of this chapter, support the principle of and continuing need for efficiently run common support services after UNIDO becomes a specialized agency. Member States, in particular, have taken the position that substantive changes ought not to be made simply because of a change in UNIDO's formal status; the possibility of change being addressed, in any event, only "after UNIDO has become a specialized agency".

78. The Inspectors support fully these positions of principle. Consequently, they hold the view that the Secretary-General's initiative to have separate United Nations services created in the areas mentioned above did not sufficiently take into account the implications that such an initiative would have for the entire system of VIC common services, particularly in the light of the views of Member States, expressed in May 1983 at the Formal Meeting. The Inspectors believe, however, that the Secretary-General's action should not forestall opportunities for maintaining and even expanding common services in a significant manner after UNIDO accedes to its new formal status.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Existing common services

79. A review of the organization and management of present VIC common services, presented in Chapter III, has led the Inspectors to conclude that, notwithstanding some weaknesses, these services function generally well. Moreover, it is apparent that the costs to Member States would have been appreciably higher had these services not been provided communally. In addition, valuable operational experience has been gained by VIC occupants in managing, and by participating in, common services. Therefore, it seems logical to the Inspectors that the financial benefits, the knowledge and the practical experience gained thus far should be consolidated and maximized as far as feasible. The Inspectors thus conclude that there should be no change in existing common service arrangements unless it is demonstrated that a realignment of responsibilities would lead to more efficient and cost-effective results.

80. Management pattern. The system of allocated responsibility for managing VIC common services has doubtless stood the test of time and experience. The Inspectors heard no comments regarding the need to replace the present management approach. Nevertheless, some weaknesses have been observed in the VIC management pattern. Management organizations, consciously or not, exercise direct control over the policy and budgetary aspects of services they provide, often taking little or no account of the views of users who have to pay their share of the bills. On this point, the comments of VIC organizational entities, including UNRWA, suggest that these entities are not fully integrated into the present management system of VIC common services. Some UNRWA officials have the uncomfortable feeling of being treated as guests rather than as a United Nations entity with full tenant rights in the VIC premises, although temporarily located there. This feeling of isolation is variably shared by other United Nations units. Advisory committees and other joint bodies have in some cases, such as the commissary and catering services, raised the level of user participants in decision-making processes. However, as group problem-solving mechanisms, these joint bodies are far from wholly effective since they are hardly vested with the necessary authority to influence decisions of line managers of common services. Moreover, not all users are represented on some of these bodies, and for certain services few advisory or co-ordination committees exist. Some, formerly functional, have ceased to exist. There is, therefore, a need to strengthen and refine the joint committees and institute them where they are non-existent. The Inspectors understand that the three organizations are working jointly on this. The following additional measures should be taken:

RECOMMENDATION 1

(a) A joint co-ordination committee of the three organizations at the level of Chiefs of Administration should be established with a clearly defined role. They should have responsibility for reaching agreement on policy issues concerning financial and budgetary questions, including the budgetary implications of common service arrangements; and for the review of costing procedures and cost-sharing patterns.

(b) All user organizations should be represented on common service advisory committees. The level of representation on these bodies should be high enough to ensure that their recommendations can be effectively translated into practice.

81. Cost-sharing keys vary from one service to another. In several cases the keys are straightforward and simple to understand, such as in language training, security, housing, buildings management. For other services, especially the computer, the system used has given rise to question. The belief is also held, in some organizations, especially the smaller units, that services received are more costly than those available from outside (printing and library services for example).

RECOMMENDATION 2

The task of simplifying the cost-sharing keys in computer and other contested services so that they are fully accepted by all parties should be entrusted to the joint bodies.

B. Future common services

82. At the time of preparation of this report, the three organizations were engaged, through a series of high-level meetings, in reviewing current arrangements and exploring additional potential areas. The Inspectors welcome this since any investigation into future common service arrangements should review the Memorandum of Understanding, since the Memorandum has not been fully implemented. For example, the Memorandum had envisaged that a joint study be undertaken to "consider the re-establishment of a common procurement service for headquarters equipment and supplies on the most economical basis", on which the Inspectors have the following views.

83. The UNIDO procurement and contracting service is shared by United Nations units in Vienna. In addition, IAEA and UNRWA operate separate procurement services. The financial benefit of having a common VIC procurement service (at least for headquarters equipment and supplies) which would include UNRWA as well is acknowledged by some officials in view of the economies of scale likely to be derived. The Inspectors, therefore, suggest that the establishment of joint VIC procurement services, including field procurement operations, be studied. To the extent possible, cost-saving opportunities offered by the UNDP Inter-Agency Procurement Services Unit (IAPSU), located in Geneva, should be explored.

84. Receiving, storage, inventory control, mail, pouch, and visas are other activities which the Memorandum had identified as potential VIC common services and which are currently shared only between UNIDO and United Nations units. As an example of the wrong direction in developing separate services, the Inspectors noted three telephone directories, three diplomatic lists and two separate telephone switchboards. The Inspectors recommend that these services be brought under common services not only because of the economic savings, which may not be significant, but for the image of the organizations concerned.

85. It would also be necessary to look at the larger list of potential areas which had been recognized as such when the IAEA/UNIDO Joint Working Group convened in 1974. These areas are listed in paragraph 10. Two of these, medical service and language training, have since become common services.

86. The Inspectors are not aware why all these were considered to be potential areas or what principles and criteria were used in determining whether

any of them was suitable for common services. In the absence of established principles and guidelines, the organized application of commonsense was understood to be used which, in the opinion of the Inspectors, needs to be supported by more formal investigation. The Inspectors welcome the fact that the three organizations in VIC have developed, in connection with their current review of the Memorandum of Understanding, a set of principles to guide their work. The two more important among these are:

(1) Common services are established for the purpose of realizing economies without loss of effectiveness, efficiency or quality of the service, and

(2) Common services must be viewed as a partnership.

These two basic principles imply that there must be:

(a) cost benefit for all participants;

(b) effectiveness, efficiency and quality of services provided, and

(c) partnership in the operation of services.

87. The Inspectors believe that a few other points need to be borne in mind in deliberations on common services, namely:

(a) whenever more than one organization of the United Nations system is based in the same city (on occasion in the same country), the use of common service arrangements should be considered as a matter of course;

(b) all administrative services should be subject to investigation for common arrangements;

(c) in selecting the most suitable organization to provide the service, the twin attributes of experience and availability of resources (financial, human and physical) remain paramount.

88. In addition to the above, the Inspectors consider that it would be useful to develop for use a set of criteria which are discussed below.

Criteria

89. There are two basic steps in determining whether a particular service should become the subject of common arrangements among two or more participating organizations. The first step is to determine whether the service is susceptible of common arrangements. If it is not, there is no need to go further. If, however, it is, the second step would be to determine whether the participating organizations would derive advantage from having the service provided at less cost and with the same or greater efficiency.

Step 1

90. As an aid not only to the VIC organizations to which the present study is addressed but also to the other organizations of the United Nations system whenever the need may arise, the following criteria, together with their method of use, are suggested for determining whether a particular service falls suitably under common arrangements.

(i) Policy objectives. Does the service require setting major policy objectives for its proper functioning? If it does, and there are likely to be objectives which are fundamentally different between organizations, and if these objectives cannot be made compatible, then admittance to common arrangements will be circumspect.

(ii) Responsibility. Would the pooling of services impinge upon the ability of the participating organizations to discharge efficiently their responsibilities?

(iii) Confidentiality. Would the degree of confidentiality required in the operation of the service be such as to cause rejection?

(iv) Conflict of priorities. Is there likely to be a conflict of priorities between the provider of services and the user? Are these so fundamental that they cannot be resolved?

(v) Employer/employee relationship. Is the legal and personal bond between employer and employee likely to be impaired?

91. The above criteria have not been weighted, the Inspectors being of the view that they need not be. However, should participating organizations consider, in getting together to feel out the possibility of communal arrangements for any given service, that a weighting of criteria in that particular situation might be helpful, they could then agree on an appropriate weighting scale.

Step 2

92. Not all services which are susceptible of such arrangements can automatically become the subject of operational agreement; for the inevitable questions arise: Will it cost less? Will it be more efficient? In other words, has the first general principle set out in paragraph 86 been met successfully?

93. The Inspectors believe that the general principles and criteria stated above, used by members of Joint Groups who normally bring wide knowledge and experience to bear on these problems, will help in determining which services are eligible for common arrangements.

94. Applying the five criteria listed in paragraph 90, the Inspectors find themselves in agreement with the "possible areas" listed in paragraph 10. Treasury and banking services are areas in which policy objectives are normally set, but the Inspectors do not see these objectives as being fundamentally different between the organizations based in Vienna. The participating organizations together with outside assistance, if deemed necessary, may now set about determining the cost-effectiveness and efficiency of each of these arrangements.

95. It is worthy of note that a cautious and conservative approach had been taken in identifying possible areas, that is to say, pockets of functions, mainly in the areas of general services, had been identified, and these areas were expected to become the subject of common service arrangements and additional areas identified over time. Whilst the Inspectors agree with the cautious approach which had originally been taken, they feel that since so much time has elapsed since the initial review in 1974 and since much experience has been gained over the past decade, it is time to take more resolute action towards full identification of areas in all branches of administration which are open to communal arrangements. In addition to those identified in paragraph 10, the Inspectors suggest the following:

Finance

All accounting functions, including payroll.

Personnel

Recruitment (excluding policy setting).

General services

All procurement - headquarters and field (except for decentralized authority). A single Contracts Committee and Property Survey Board would be established.

Information

Visitors' and audio-visual services.

Conference services

Steps, as set out in paragraph 73, leading to a single, combined conference service.

RECOMMENDATION 3

VIC organizations should immediately investigate whether those services identified in the 1977 Memorandum of Understanding, together with those suggested by the Inspectors above can, after applying the principles and criteria mentioned in paragraphs 86 - 92, be the subject of common service arrangements, and report to their respective legislative organs thereon.

96. In paragraph 78, the Inspectors took the position that the Secretary-General's decision to establish a number of separate United Nations services (legal, personnel and public information, for example) before the effective entry into force of the new UNIDO Constitution did not adequately anticipate the implications of such a decision for the entire system of VIC common services, nor was it in accord with the basic position of Member States, who have urged that present arrangements be maintained and continued until UNIDO assumes its new formal status. In keeping with this, the following recommendation is made:

RECOMMENDATION 4

The Secretary-General should withhold implementation of any definitive or substantive changes in existing joint services until after the Constitution of the new UNIDO has effectively entered into force and should review actions already taken in the light of the conclusions and recommendations of this study. Subject to this, the informal review underway by VIC occupants on existing common services and consultations on future common services as recommended above should continue.

97. In paragraphs 72 - 73, the Inspectors have argued that the splitting of the present UNIDO/United Nations joint conference service which would result in three separate conference services at the VIC after UNIDO becomes a specialized agency, would be wasteful of scarce financial and human resources without guaranteeing improved efficiency of conference servicing operations. Both IAEA and UNIDO have expressed reservations on establishing unified VIC

conference arrangements. As indicated in paragraph 73, the Inspectors do not consider these arguments solid enough. In light of this, the Inspectors make the following recommendation:

RECOMMENDATION 5

The existing UNIDO/United Nations joint conference service should be continued after UNIDO becomes a specialized agency and the present informal co-operative arrangement with some IAEA conference servicing units should be formalized. Modalities should be determined for pooling other IAEA conference-servicing units into a single VIC conference structure after application of the principles and criteria set forth in paragraphs 86 - 92.

ANNEX I

Regular budget expenditure of VIC organizations
in 1983

(Thousands of US\$)

	Total	United Nations	IAEA	UNIDO
1) Total regular budget expenditures	167,748.2	20,112.2 <u>b/</u>	92,821.0	54,815.0 <u>b/</u>
2) Programme support (all support services and general operating expenses)	71,092.0	9,474.0 <u>b/</u>	37,285.0 <u>e/</u>	24,333.0 <u>a/</u>
3) VIC common service	24,031.0	1,641.0 <u>c/</u>	10,461.9 <u>c/</u>	11,926.9 <u>c/d/</u>
4) Percentage of VIC common services to regular budget	14.3	8.2	11.2	21.8
5) Percentage of VIC common services to programme support expenditures	33.8	17.3	28.1	49.0

a/ Including buildings management expenditure and less other programme support expenditures provided for under sections 28M, 29C and 29F of United Nations 1984-1985 programme budget (see footnote b/ below).

b/ Including finance and personnel services, general services and conference services provided by UNIDO to UNOV and United Nations units under budget sections indicated in footnote a/ above.

c/ Figures reflect common services expenditures and not the costs apportioned to each organization.

d/ Costs for language training (\$253,600) are partly financed from section 28M - personnel services (\$155,100) and partly from section 17 (\$98,500).

e/ Includes IAEA share of VIC Common Services and other support services of Technical Programmes (Translation, Conference Services, Administration).

ANNEX II

Staffing, operating costs and cost-sharing pattern
of VIC services at 31 December 1983

Organization	Common service	Established posts			Operating costs	Cost-sharing pattern							
		Prof.	Other	Total		IAEA		UNIDO		UNITED NATIONS		UNRWA & Others	
						US\$000	%	US\$000	%	US\$000	%	US\$000	%
IAEA	1. Computer service	20	51	71	5,471.8	4,414.1	80.7	695.3	12.7	89.7	1.6	272.7	5.0
	2. Library	11	22	33	1,469.7	800.3	54.5	524.1	35.6	135.1	9.2	10.2	0.7
	3. Printing	1	65	66	2,694.9	1,320.3	49.0	902.0	33.5	262.7	9.7	209.9	7.8
	4. Medical service	4	17	21	747.1	331.7	44.4	365.9	49.0	17.9	2.4	31.6	4.2
	5. Housing	-	4	4	79.4	32.4	40.8	24.2	30.5	8.6	10.8	14.2	17.9
	6. Commissary	-	-	-	-	-	-	-	-	-	-	-	-
		SUB-TOTAL	36	159	195	10,462.9	6,898.8	65.9	2,511.5	24.0	514.0	4.9	538.6
UNIDO	7. Building Management	4	74 ^{d/}	78 ^{d/}	11,673.3 ^{b/c/}	4,159.1 ^{b/}	35.6	5,791.2 ^{a/}	49.6	1,158.3 ^{a/}	9.9	564.7	4.9
	8. Language training	1	2	3	253.6	103.1	40.7	87.2	34.4	63.3	24.9	-	-
	9. Garage	-	-	-	-	-	-	-	-	-	-	-	-
	10. Catering	-	-	-	-	-	-	-	-	-	-	-	-
	SUB-TOTAL	5	76	81	11,926.9	4,262.2	35.7	5,878.4	49.3	1,221.6	10.3	564.7	4.7
UNITED NATIONS	11. Security and safety	2	94	96	1,641.4	743.9	45.3	667.0	40.6	166.7	10.2	63.8	3.9
		GRAND TOTAL	43	329	372	24,031.2	11,904.9	49.5	9,056.9	37.7	1,902.3	7.9	1,167.1

a/ Because the costs apportioned to UNIDO and the United Nations under these objects of expenditure are integrated in Section 28M of the 1984-1985 United Nations programme budget, a notional sharing of costs between the two organizations has been calculated on the basis of a 5 to 1 UNIDO/United Nations staff ratio.

b/ Excluding electricity and cleaning costs (US\$1,203,300) for building A + B occupied by IAEA for which no provision was made in the 1982-1983 programme budget under Section 28M. In 1984-1985 full provision is made for these costs. If these costs were included for purposes of comparison with 1984-1985 the cost-sharing pattern would be as follows: IAEA 41.6%, UNIDO 45%, United Nations 9%, UNRWA and others 4.4%.

c/ Including US\$2,500,000 under general operating expenses, which are not shared with IAEA, but with all other users.

d/ In addition, 47 posts financed under general temporary assistance in 1982-1983 were converted into temporary posts in 1984-1985.

