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### Joint Inspection Unit

## **Report of the Joint Inspection Unit on common and joint services of United Nations system organizations at Vienna**

### **Note by the Secretary-General**

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Common and joint services of United Nations system organizations at Vienna" (JIU/REP/2002/12 and Corr.1).

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\* A/58/150.



**COMMON AND JOINT SERVICES OF UNITED NATIONS  
SYSTEM ORGANIZATIONS AT VIENNA**

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\* Corrections contained in document JIU/REP/2002/12/Corr.1 are incorporated in the present text.



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2002**

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## ACRONYMS

<b>ACABQ</b>	Advisory Committee on Administrative and Budgetary Questions
<b>ACCS</b>	Advisory Committee for Conference Services
<b>BMAC</b>	Buildings Management Advisory Committee
<b>BMS</b>	Buildings Management Service
<b>CAC</b>	Commissary Advisory Committee
<b>CATAC</b>	Catering Advisory Committee
<b>CCCS</b>	Consultative Committee on Common Services
<b>CEB</b>	United Nations System Chief Executives Board for Coordination
<b>CTBTO</b>	Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization
<b>DACS</b>	Division of Administrative and Common Services
<b>ERP</b>	Essential Requirements Programme
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>GS</b>	General Services
<b>HRM</b>	Human Resources Management
<b>IAEA</b>	International Atomic Energy Agency
<b>IAPSO</b>	Inter-Agency Procurement Services Office
<b>ICSC</b>	International Civil Service Commission
<b>ICT</b>	Information and communication technology
<b>IMIS</b>	Integrated Management Information System
<b>ISP</b>	Internet Service Provider
<b>JAGGO</b>	Joint Advisory Group on Garage Operations
<b>JCCPS</b>	Joint Committee on Common Printing Services
<b>JIU</b>	Joint Inspection Unit
<b>JMCC</b>	Joint Management Consultative Committee
<b>JMS</b>	Joint Medical Service
<b>MOU</b>	Memorandum of Understanding
<b>MRRF</b>	Major Repairs and Replacements Fund
<b>ODCCP</b>	Office for Drug Control and Crime Prevention
<b>OIOS</b>	Office of Internal Oversight Services
<b>UNCITRAL</b>	United Nations Commission on International Trade Law
<b>UNDP</b>	United Nations Development Programme
<b>UNHQ</b>	United Nations Headquarters
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>UNIS</b>	United Nations Information Service
<b>UNOV</b>	United Nations Office at Vienna
<b>UNRWA</b>	United Nations Relief and Works Agency for Palestine Refugees in the Near East
<b>UNSSS</b>	United Nations Security and Safety Section
<b>VBOs</b>	Vienna-based organizations
<b>VIC</b>	Vienna International Centre

## EXECUTIVE SUMMARY: OBJECTIVE, CONCLUSIONS AND RECOMMENDATIONS

### **OBJECTIVE:**

*To provide an impetus to the further development of common services in the United Nations system by reviewing the framework under which common and joint services are provided to the Vienna-based organizations, highlighting best practice, identifying areas for improvement in the management and delivery of existing services, and examining the scope for expansion of these services.*

### **A. Policy context**

(i) The relationship agreements between the United Nations and member organizations of the United Nations common system recognize the desirability of cooperation in administrative matters and provide the legal framework for the establishment of common administrative services. The potential of common administrative services to yield cost savings through efficiency gains was recognized by the Secretary-General in his reform proposals of 1997, the expansion and strengthening of common services being one of eight strategies put forward for the enhancement of support capacities. Subsequent initiatives to implement this policy objective have tended to focus on the United Nations entities based in New York, but progress has been limited by various difficulties encountered (paras. 1-8).

### **B. Organization and management**

(i) Operation of common administrative services by the Vienna-based organizations (VBOs) has been facilitated by the functional layout of the Vienna International Centre (VIC), which was purpose-built by the Austrian authorities in the late 1970s to accommodate the permanent headquarters of both IAEA and UNIDO. These organizations began to occupy the new premises in 1979, along with other United Nations entities that were transferred to Vienna at that time. Based on the recommendation of the 1975 report of the Joint Working Group on Common Services, a system of allocated administration was adopted, whereby the common services were assigned between the organizations with the objective of achieving an equitable allocation and an overall balance of responsibilities, with the costs shared on the basis of predetermined formulae. A Memorandum of Understanding (MOU) between the United Nations, IAEA and UNIDO dating from March 1977 is still the basic instrument governing the system of common services at the Vienna International Centre, although a supplementary agreement was signed in 1998 to enable CTBTO to participate in the arrangements (paras. 9-17).

(ii) The Vienna-based organizations have gained some 20 years experience in operating a cost-sharing system for common services. The system has been progressively refined and is acknowledged as a model of good practice within the United Nations system. Nevertheless, the omission of administrative support costs from the calculations is hard to justify. And the lack of transparency in respect of total operating costs for some common services needs to be addressed (paras. 18-24).

(iii) A joint consultative machinery, consisting of a Consultative Committee on Common Services (CCCS) at the level of Chiefs of Administration and individual joint advisory/coordination committees for most of the common services, oversees the management and administration of common services at Vienna. Management time spent in servicing this joint consultative machinery is a significant cost component in the provision of common services, but is not accounted for in the cost-sharing arrangements. The CCCS has a wide mandate, and the power to make decisions and recommendations that at times may conflict with the responsibility and accountability of an individual Executive Head in the provision of a particular service (paras. 25-30).

### **C. Existing common and joint services**

(i) Of all the common services at the VIC, Buildings Management Service (BMS), operated by UNIDO, is undoubtedly the most complex, and places a disproportionate burden on this Organization. The Director-General of UNIDO proposed to transfer management of the BMS to another VIC-based organization from the beginning of 1999, but none was prepared to accept this responsibility. Whilst there is no doubting the high quality of the current management of the BMS, the constraints imposed on the Service by the rapid retrenchment of UNIDO since the mid-1990s must be seriously considered in discussions of its future (paras. 33-45).

(ii) Under the Memorandum of Understanding, the Catering Service and the Commissary, managed by UNIDO and IAEA respectively, are required to be self-financing, but both services have for many years enjoyed subsidies in respect of utilities and certain buildings services. One of the objectives of a new catering contract, effective from the beginning of 2000, was to achieve a substantial reduction in the level of subsidy. But there has been widespread dissatisfaction with the quality of the new catering service, and petitioning for the restoration of the previous level of subsidy. In the case of the Commissary, it was agreed in the CCCS in 2000 that the full cost of utilities would be reimbursed to BMS. The Inspector notes that some level of subsidy still remains for each service. It is evident that no subsidies were intended in the MOU, which suggests that prices should rise to cover all costs (paras. 46-55 and 66-72).

(iii) The IAEA is responsible for two services having a direct bearing on staff welfare – the Joint Medical Service (JMS) and the Child Care Centre. There has been a recent expansion in the number of child care places with the opening of a new Centre in September 2001. While the rationale for IAEA to be the managing organization for the Child Care Centre is not at all clear, it is acknowledged that the particular medical needs of IAEA give it a special interest in managing and operating the JMS. However, the Inspector believes that the Joint Medical Service would be better served by a joint management advisory committee rather than the present informal arrangement among human resources managers. A joint committee would permit a wider range of expertise – including financial – to consider JMS matters, improve transparency, and be more consistent with the close scrutiny applied to other common services at the VIC (paras. 57-61 and 73-74).

(iv) It is a matter of concern that IAEA's common printing service is not a full common service and that the United Nations Office at Vienna (UNOV) retains a separate reproduction facility to meet part of its documentation needs for conference services. Given the excess capacity of the IAEA print shop, the Inspector is of the view that dual provision is not justified. The Joint Committee on Common Printing Services should review current arrangements and make proposals for a consolidated service, taking due account of the requirements and concerns of all participants (paras. 62-65).

(v) UNOV provides several common services, including security and safety, garage operations and the issuance of official travel documents. Review of these services indicated that they were in general being well managed, although certain issues arose in respect of the Security and Safety Service, including the appropriateness of applying the BMS cost-sharing ratios, the use of general temporary assistance for core functions, and the security of the perimeter fence. The Inspector is of the view that such issues should be addressed in the forum of a joint advisory committee for the Security and Safety Services, which needs to be established (paras. 75-79, 80 and 81).

(vi) Interpretation service, managed by UNOV, is the only conference service which is currently provided as a common service to all the VIC-based organizations. While the users of this service appear to be satisfied with its quality, the cost-sharing formula omits some direct costs incurred by UNOV in the provision of the service. A proposal by UNOV to replace bilateral cost-sharing agreements with a unified agreement after 1997 has not been implemented. The cost-sharing methodology for interpretation services should be reviewed at this time and modified as appropriate (paras. 82-84).

(vii) The tortuous history of attempts to unify conference services at the Vienna International Centre is well documented. At the present time, the United Nations is providing the full range of conference services to UNIDO and to CTBTO, but, with the exception of its use of the common interpretation service, IAEA remains outside these arrangements, running its own conference services in parallel. A single conference-servicing facility at Vienna, operated by the United Nations, was considered by the General Assembly to be an ideal solution from the standpoint of cost efficiency (A/RES/44/201). The Inspector is similarly of the view that a unified approach could offer considerable cost savings, and does not consider the arguments put forward to justify separate provision by IAEA as particularly convincing (paras. 86-90).

(viii) Language training was operated as a common service by UNIDO until 1993 when IAEA withdrew, and in 1996 UNIDO decided to abolish the service in the face of severe budget constraints. Currently both UNOV and IAEA are running language training programmes, which overlap to a large extent, a duplication which is hard to justify in terms of cost effectiveness (paras. 91-93).

## **D. Expansion of common services**

- (i) Beyond the recent expansion of child care services, there was little enthusiasm during the interviews for this report for the further development of common services at the VIC, the reluctance sometimes justified on the basis of past experience. The Inspector believes that cost savings could be achieved through cooperative arrangements in several areas, although successful implementation depends crucially on the willingness and determination of the staff involved.
- (ii) Each of the four main organizations at the VIC has its own headquarters procurement service provided by its respective general support services entity. Although various joint arrangements have been tried in the past they have been abandoned in the face of logistical problems. The Inspector notes the recent progress at the New York duty station in common procurement initiatives, and believes that these could serve to revitalize interest on the part of the Vienna-based organizations. At the very least there should be renewed efforts to explore the potential cost savings of common procurement of headquarters supplies (paras. 96-99).
- (iii) Similarly, most recent initiatives for common or joint provision of information and communication technology services have faltered, and the Vienna-based organizations are losing ground in this area. The Inspector is of the view that there is considerable scope for common provision in areas such as user services, Internet services, the location of critical hardware in a shared data centre, disaster recovery, and security policy and implementation. The VBOs have recently collaborated in setting technical standards for the installation of a common cabling system at the VIC that will handle the needs of all the organizations; this would seem to offer a good basis for initiating further integration (paras. 100-103).
- (iv) In the area of human resources management, common services which had existed at Vienna for staff counselling, housing and language training have effectively been dismantled. However, there seemed to be some interest among the concerned officials in reinstating these common services, as well as exploring possibilities in the areas of recruitment and medical insurance (paras. 104-107).
- (v) In respect of financial services, there appears to be good interaction on areas of common interest between the senior financial managers of the Vienna-based organizations, and this cooperative relationship should facilitate further collaboration, possibly in the area of Treasury operations (paras. 108-109).
- (vi) The Inspector believes that there may be opportunities to use resources more efficiently for public information purposes in Vienna and proposes that a joint working group be set up to examine present arrangements with the objective of identifying existing overlaps in both facilities and services, as well as potential synergies for implementing a more fully common public information service (paras. 110-111).

## **E. Demise of the VIC common library service**

- (i) An analysis of the recent dismantling of the common library service at the Vienna International Centre is provided in chapter V for those readers who have the time for and the interest in this level of detail. While adding considerably to the length of the report, the Inspector believes that the “lessons learned” from this case study are instructive for the overall policy of common services expansion, and in the wider context of administrative reform in the United Nations (paras. 112-130).
- (ii) Specific cost factors include the lack of transparency in respect of the fixed budget for library services and the appropriateness of the cost-sharing formula, but it should also be emphasized that the overall drive to cut costs within the context of the reform programmes has tended to hit administrative services hardest, with library services a prime target. Service level factors, such as obstacles to electronic dissemination of information, and managerial factors, notably the absence of an effective joint advisory committee, also contributed (paras. 131-138).
- (iii) The Vienna-based organizations are now operating four separate library services which, it is claimed, have yielded cost savings over previous arrangements. The costs of these services should be monitored through the 2002-2003 and 2004-2005 bienniums, and an assessment made at the end of this period of the trend in costs and the extent of duplication in the services provided.



## **F. Rethinking administrative arrangements**

(i) The current allocation of common services still reflects the initial attempt in 1977 to balance out the management responsibilities between the United Nations, IAEA and UNIDO. However, indicators of the relative sizes of the three organizations at the present point in time, and the relative responsibilities of each in managing their respective common services, suggest that the allocation is far from equitable and that a marked imbalance of responsibilities exists. It can be concluded from the analysis that UNIDO is carrying a disproportionately large responsibility by virtue of its management of the VIC buildings complex, and that IAEA has less responsibility than is justified by the assumptions underlying the system of allocated administration. This is a matter of concern since administrative support costs for each common service are not being shared among the three main participants on the assumption that these costs would balance out between them – an assumption which is no longer valid (paras. 139-145).

(ii) Beyond the arguments that the responsibilities for common services are neither balanced nor equitable between the three organizations, the rationale for the present allocation is seriously open to question in terms of its efficiency and cost effectiveness. The Inspector is of the view that significant managerial and operational efficiency gains would be achieved by ending the current fragmentation. He proposes that the system of allocated administration be replaced by a single common services entity to be managed by the United Nations. A single common services entity under the management of UNOV would signify transforming the UNOV Division of Administrative and Common Services into a VIC Division of Common Services applying United Nations rules and regulations, but accountable to the Executive Heads of the Vienna-based organizations (paras. 146-153).

(iii) In the event, however, that the current system of allocated administration of common services is retained by the Vienna-based organizations, it would be necessary to renegotiate the Memorandum of Understanding to reflect the current realities, removing in the process any vagueness and ambiguities which arose from uncertainties at the time the MOU was originally drawn up, and, where required, revise the rules of each common service to ensure their consistency with the terms of the MOU (para. 154).

## **H. The oversight role of Member States**

(i) The Inspector acknowledges that the Vienna-based organizations have achieved considerable success in operating common services for more than two decades. However, further development of common services at Vienna, as at other duty stations, depends crucially on the support of Member States. It would be timely, therefore, if support for the principle of common services were to be restated by the legislative bodies of IAEA and UNIDO, in line with the terms of their relationship agreements with the United Nations (paras. 155-156).

(ii) It is of grave concern that the common library service was dismantled without the proposal being considered by the legislative bodies of the respective organizations, and the oversight role of Member States in respect of a major administrative policy objective appears to have failed in this case. Although the Secretary-General reports systematically on common services to the United Nations General Assembly, there is no equivalent reporting by either UNIDO or IAEA, an omission which should be remedied without delay (paras. 157-159).

## **RECOMMENDATIONS**

### **Recommendation 1:**

The legislative organs of the Vienna-based organizations should request their respective Executive Heads to jointly draw up proposals for the establishment of a single common services administrative unit under the management of the United Nations Office at Vienna, to be implemented no later than the 2006-2007 budget cycle.

*Pending the acceptance of Recommendation 1 for the establishment of a single common services administrative unit at the Vienna International Centre, or in the event that the Member States decide to retain the present system of allocated administration, the following recommendations are put forward for consideration.*

### **Recommendation 2:**

The legislative organs should request the Executive Heads of UNOV, UNIDO, IAEA and CTBTO to establish a joint management advisory committee for (a) the Joint Medical Service, and (b) the Security and Safety Service, with clear terms of reference and rules, as is the case for the other common services at the Vienna International Centre, and the Memorandum of Understanding should be revised accordingly.

### **Recommendation 3:**

The legislative organs of the Vienna-based organizations should decide whether or not (a) the Catering Service, and (b) the Commissary, should receive subsidies in respect of utilities and/or buildings services, and if so, specify which ones, and the Memorandum of Understanding and the respective Rules should be revised accordingly.

### **Recommendation 4:**

To facilitate further dialogue between the Vienna-based organizations, the Director-General of UNIDO should make the report of the internal audit of the VIC catering services available to the Executive Heads of UNOV, IAEA and CTBTO, as well as members of the Catering Advisory Committee and the Consultative Committee on Common Services.

### **Recommendation 5:**

The Executive Heads, through the Consultative Committee on Common Services, should request the Joint Committee on Common Printing Services to put forward proposals for a common printing service encompassing all the printing requirements of the Vienna-based organizations, and agreement should be reached on implementation as soon as possible.

### **Recommendation 6:**

The Board of Governors of IAEA should request the Director General to consult with the Executive Heads of UNOV and, as appropriate, UNIDO and CTBTO, and jointly draw up proposals for a fully unified conference servicing facility at the Vienna duty station, to be managed by the United Nations, and to be implemented no later than the 2006-2007 budget cycle.

### **Recommendation 7:**

The legislative organs of the Vienna-based organizations should request their respective Executive Heads to undertake a joint review of the costs of running parallel language training services at the Vienna International Centre with the objective of identifying the most cost effective modalities for future provision.

**Recommendation 8:**

The legislative organs of the Vienna-based organizations should request their respective Executive Heads to make renewed efforts to expand common services provision at the Vienna International Centre. Joint working groups should be set up under the auspices of the Consultative Committee on Common Services in the following areas:

- (a) Procurement, especially for headquarters supplies and equipment;
- (b) Information and Communication Technology;
- (c) Human Resources Management, including but not limited to recruitment, medical insurance, staff counselling and housing services;
- (d) Financial services, with an initial focus on Treasury operations;
- (e) Public Information services.

The Joint Working Groups should present proposals to the CCCS by the end of 2004 at the latest, and the Executive Heads should present a progress report to their respective legislative organs at the sessions in 2005.

**Recommendation 9:**

The legislative organs of the Vienna-based organizations should request their respective Executive Heads to monitor the costs of maintaining separate library services for the 2002-2003 and 2004-2005 bienniums, and to prepare a joint report for their sessions in 2006 setting out the trends in cost levels as well as duplication of services offered.

**Recommendation 10:**

The legislative organs should request the Executive Heads of UNOV, UNIDO, IAEA and CTBTO to jointly review the cost-sharing formulae, under the auspices of the Consultative Committee on Common Services, with the objective of incorporating the costs of administrative support for each common service. Within the context of this exercise, the present cost-sharing methodologies of the security and safety service and the interpretation service should be reviewed and modified as appropriate to more accurately reflect the costs of these services.

**Recommendation 11:**

Whether or not the Vienna-based organizations decide to move to a single common services administrative unit in line with Recommendation 1 above, the 1977 Memorandum of Understanding should be renegotiated to reflect current realities. The rules of each common service should then be revised as necessary to ensure consistency with the MOU.

**Recommendation 12:**

To improve the effectiveness of the oversight role of Member States in respect of common services at Vienna in the event that the current system of allocated administration is retained:

- (a) The Industrial Development Board of UNIDO should include common and joint services as an agenda item every two years and require the Director-General to report in a comprehensive manner on the Organization's activities as both a common and joint services provider and a common and joint services user.
- (b) The Board of Governors of IAEA should include common and joint services as an agenda item every two years and require the Director-General to report in a comprehensive manner on the Organization's activities as both a common and joint services provider and a common and joint services user.

## I. THE POLICY CONTEXT

1. This study is part of a series of reports by the Joint Inspection Unit (JIU) on the operation and development of common administrative services by organizations of the United Nations system located at the same duty station. Previous reports in the series have examined United Nations system common premises and services in the field, common services at United Nations Headquarters, and common services at Geneva.<sup>1</sup> The present study also follows up on an earlier report of the JIU on common services of United Nations organizations located at the Vienna International Centre (VIC).<sup>2</sup> The shared objective of these reports is to provide impetus for the development of common administrative services and a rational framework for their management in order to scale down overhead structures and costs, and achieve more efficient and effective methods of programme delivery.
2. The relationship agreements between the United Nations and member organizations of the United Nations common system provide the legal framework for the development of common administrative services. In the case of Vienna, the relevant agreements are those between the United Nations and the International Atomic Energy Agency (IAEA), and the United Nations and the United Nations Industrial Development Organization (UNIDO), concluded in 1957 and 1985 respectively. In each agreement, the organizations “recognize the desirability of co-operation in administrative matters of mutual interest”, and undertake to consult from time to time concerning these matters, particularly the most efficient use of facilities, staff and services and appropriate methods of avoiding the establishment and operation of competitive or overlapping facilities and services.<sup>3</sup> Additionally, in the UNIDO agreement there is a provision to “explore the possibility of continuing or establishing common facilities or services in specific areas, including the possibility of one organization providing such facilities or services to one or several other organizations, and establish the most equitable manner in which such facilities or services shall be financed”,<sup>4</sup> a reflection of the common services arrangements already in place in Vienna when UNIDO became a specialized agency in 1985.
3. The extension of common services was among the measures envisaged by the Secretary-General when, in March 1997, he outlined his proposals for strengthening the United Nations system.<sup>5</sup> To examine the feasibility of extending common services, including the possible establishment of a common services facility, a Task Force on Common Services was set up with the participation of the Secretariat and a number of the funds and programmes. In turn, the Task Force established 11 service-specific working groups. The Secretary-General’s reform initiatives were set out in more detail in his report entitled “Renewing the United Nations: a programme for reform”, in which expanding and strengthening common services was one of eight strategies proposed for the enhancement of support capacities.<sup>6</sup>
4. Strategy six – expand and strengthen common services – required a systematic review of all major support services. In the actions proposed for this strategy, particular importance was placed on the development of procurement services, and information and communication technology (ICT) infrastructure and services. Furthermore, it was envisaged that “one or more common service facilities [would] be established at United Nations Headquarters in New York, Geneva and Vienna to offer to all United Nations organizations certain common services”.<sup>7</sup> Thus, a major thrust of this strategy was towards widening the spatial dimension of common services beyond a given duty station, with the objective of system-wide provision where feasible.
5. An Executive Coordinator for Common Services was appointed in October 1997 and a small Common Services Support Unit was established. A Common Services Strategy Paper, dated January 1998, set out the basic principles and main elements of a common services strategy, and also considered the promotion of common services approaches at duty stations other than New York, identifying Vienna as a probable initial candidate.<sup>8</sup> Subsequently, however, it was decided to focus efforts on United Nations Headquarters and the funds and programmes headquartered in New York.

<sup>1</sup> “United Nations system common premises and services in the field”, JIU/REP/94/8 (A/49/629); “Common services at United Nations Headquarters”, JIU/REP/96/5 (A/51/686); “United Nations system common services at Geneva, part I: Overview of administrative cooperation and coordination”, JIU/REP/98/4 (A/53/787); “United Nations system common services at Geneva, part II: Case studies (ICC, JMS, TES, DPS, JPS)”, JIU/REP/2000/5 (A/55/856).

<sup>2</sup> “Common services of United Nations organizations at the Vienna International Centre (VIC)”, JIU/REP/84/10 (A/39/520).

<sup>3</sup> General Assembly resolution 1145 (XII), 14 November 1957, art. XIII; GA resolution 40/180, 17 December 1985, art. 14.

<sup>4</sup> Ibid.

<sup>5</sup> “Strengthening of the United Nations system”, A/51/829, 17 March 1997, p. 7.

<sup>6</sup> A/51/950, 14 July 1997.

<sup>7</sup> Ibid., paras. 242-243 and action 26.

<sup>8</sup> “Common services”, Report of the Secretary-General, A/55/461, 9 October 2000, annex, paras. 15-16.

6. In his report on common services to the fifty-fifth session of the General Assembly, the Secretary-General assessed what had been achieved so far, as well as the obstacles to further progress. Administrative services for which specific common services initiatives would be pursued were identified as follows: archives and records management; financial services; integrated management information systems; procurement; personnel services; and transport and travel services.<sup>9</sup> But it was also stated that the Task Force on Common Services was “at a crossroads”, and that while it had been able “to bank on the commonalities” there were also “some significant differences in practices and requirements between the Secretariat, which is under the purview of the General Assembly, and the funds and programmes, which are under their respective Executive Boards”.<sup>10</sup> The feasibility of the creation of common services facilities also appeared to be in some doubt. As for offices away from Headquarters, information sharing would continue, but it was observed that “[a]s common services are highly location-specific and organizational buy-in is essential”, the development of common services at offices away from Headquarters, including Vienna, “must continue to be managed separately with the appropriate information-sharing mechanism in place”.<sup>11</sup> More recently, the Secretary-General has stated in a follow-up report that only 4 of the 11 working groups remain operational.<sup>12</sup>

7. Barriers to the expansion of common services had also been highlighted by the Office of Internal Oversight Services (OIOS) in a review of common services in the United Nations.<sup>13</sup> The report considered the specific actions that were being taken to implement the Secretary-General’s common services strategy in New York, but it also emphasized the importance of including the United Nations Offices at Geneva and Vienna in the overall implementation of that strategy. Given the limitations of its mandate, OIOS necessarily focused its review on the United Nations Secretariat, and the JIU commented that “this kind of report would have benefited greatly from including also the perspective of the specialized agencies which would be an important factor in expanding and strengthening the common services, particularly at Geneva and Vienna”.<sup>14</sup>

8. The system-wide mandate of the JIU has facilitated the broader review of common and joint services at Vienna which is the subject of this present report. In preparation for the report, the Inspector had meetings in Vienna with senior administrative officials of IAEA, UNIDO, the United Nations Office at Vienna (UNOV), the United Nations Office for Drug Control and Crime Prevention (ODCCP), and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), as well as meeting with high-level officials in New York. The Inspector would like to thank all those who participated in the meetings and who have so willingly shared their knowledge and expertise.

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<sup>9</sup> Ibid., para. 66.

<sup>10</sup> Ibid., para. 69.

<sup>11</sup> Ibid., para. 67.

<sup>12</sup> Archives and records management; procurement services; personnel services; and travel and transport services. “Common services”, Report of the Secretary-General, A/57/176, 2 July 2002, para. 6.

<sup>13</sup> “Report of the Office of Oversight Services on the review of common services in the United Nations”, A/54/157 of 30 June 1999.

<sup>14</sup> “Review of common services in the United Nations”, A/54/157/Add.1, 30 September 1999, para. 10.

## II. ORGANIZATION AND MANAGEMENT OF COMMON SERVICES AT VIENNA

### A. Background

9. The first United Nations organization to be located at Vienna was IAEA in 1957, followed by UNIDO in 1967. As IAEA already had a well-established administrative infrastructure, it was considered efficient and cost effective for UNIDO to share some of IAEA's support services on a cost-recovery basis, even though UNIDO was housed in different buildings. The services included were medical, library, computing, printing and reproduction, housing and headquarters procurement, while personnel, finance and general services remained the separate responsibility of each organization. Thus, IAEA was a common services provider to UNIDO for several years before these organizations began to occupy the new premises at the Donaupark Centre<sup>15</sup> in 1979, along with the other United Nations entities that were transferred to Vienna at that time.

10. The new facility was purpose-built by the Government of Austria and the City of Vienna to accommodate the permanent headquarters of both IAEA and UNIDO, based on 1971 estimates by the two organizations of projected space requirement at 1981 of 2,325 and 2,266 persons respectively.<sup>16</sup> By the terms of the Headquarters Agreements with the Austrian Government, both IAEA and UNIDO would pay a nominal rent of one Austrian schilling per annum for a period of 99 years. The complex consists of four office towers, two common services buildings and a central rotunda housing a medium-sized conference centre. The innovative design, which connects linked pairs of buildings to the central rotunda, allows movement between the various buildings at two different levels. The functional layout of the complex was conducive to the sharing of common services by the joint occupants, and it was envisaged that the common services buildings would house catering facilities, printing facilities, a library, computer operations, maintenance shops, a commissary, medical services, and language training facilities.

### B. Administration

11. With the impending relocation of IAEA and UNIDO to the new premises there was an opportunity to re-examine existing common services arrangements with a view to extending them, and the organizations set up a Joint Working Group on Common Services in January 1974 to study the administrative and legal implications of the establishment of common services at the Donaupark Centre. By its terms of reference, the Joint Working Group was required to consider the following areas selected from a larger number of potential areas for common services operation: procurement; supply and inventory control; commissary; catering; document reproduction and distribution; computer services; and library. Buildings management and security were added subsequently. Further, the Joint Working Group was requested to examine methods of allocating capital and operating costs between the organizations, as well as alternative forms of management.<sup>17</sup>

12. The following management options were considered: independent administration, joint administration, and allocated administration. The first envisaged an independent entity with its own budget, staff and legal identity, though accountable to IAEA and UNIDO. The second, a separate entity, but jointly owned, financed and staffed by IAEA and UNIDO. Under the third option, which was eventually chosen, management of each common service was to be assigned to one or other of the two organizations with the objective of achieving an "overall balance of responsibility", with the costs shared on the basis of predetermined formulae. The Joint Working Group acknowledged that each option gave rise to difficulties, but concluded that allocated administration was the least problematic of the three, proposing this method of management "initially at least".<sup>18</sup> The Joint Working Group, reporting in 1975, recommended "that [s]ervices be equitably allocated essentially on the assumption that the organization now responsible for a given service will continue to exercise this responsibility, and that detailed arrangements be worked out for each service".<sup>19</sup>

13. The report of the Joint Working Group led to protracted negotiations between IAEA and UNIDO during 1975 and 1976. In the meantime it was realized that both organizations had overestimated their space requirements for the

<sup>15</sup> Later known as the Vienna International Centre.

<sup>16</sup> "Pattern of Conferences. Inclusion of Vienna in the pattern of conferences", Report of the Secretary-General, A/10348, 17 November 1975, para. 9.

<sup>17</sup> "Report of the IAEA/UNIDO working group on common services for the permanent Headquarters", May 1975, paras. 4-5 and annex I.

<sup>18</sup> Ibid., paras. 43-47.

<sup>19</sup> Ibid., para. 68.3.

new premises, and a need arose to find other occupants for the surplus space. As UNIDO was not a specialized agency at that time, the United Nations was expected to assume responsibility for the space that exceeded UNIDO's needs.<sup>20</sup> As for IAEA's excess space, the General Assembly agreed to take responsibility for it by its resolution 31/194 of 22 December 1976 which approved the recommendation of the Secretary-General that one of the tower buildings originally designated for IAEA should be occupied by United Nations entities, if only temporarily. By the same resolution, the General Assembly approved a phased plan of action proposed by the Secretary-General to transfer a number of organizational units from New York and Geneva to Vienna.<sup>21</sup> It was also envisaged that new United Nations offices or agencies might be located at Vienna in the future.<sup>22</sup>

### C. The Memorandum of Understanding

14. A Memorandum of Understanding (MOU) concerning the organization of common services at the Donaupark Centre 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. Whereas the Joint Working Group had envisaged a system of common services involving only two organizations, the MOU now provided for three autonomous participants.

15. The MOU states that "[t]he operation and maintenance functions of Donaupark premises have to 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".<sup>23</sup> The MOU provided for the establishment of a tripartite committee with responsibility for policy direction and overall management of the planning and implementation of common services in the period until the Donaupark complex was occupied. A task force was to be set up to examine the financial aspects, including cost sharing. The MOU also acknowledged that there would be staffing issues which would need to be resolved on the basis of agreed principles. Although the allocation of common services was set out and, in some cases, provision made for joint advisory committees, most of the detailed arrangements remained to be worked out. In the event that major disputes could not be settled, they were to be referred to the Executive Heads of the organizations. Finally, the MOU provided for an individual organization to terminate any or all parts of the agreement by giving at least 12 months notice.

16. Under the MOU, common services were allocated as follows: IAEA (library services, medical services, commissary, printing and reproduction, computing); UNIDO (buildings management, catering, language training); United Nations (safety and security). Further study was to be undertaken on establishing a common procurement service for headquarters equipment and supplies, the pooling of interpretation services, and a common receiving, storage and inventory control service. Other services (mail, pouch, visas, property insurance) were also to be considered eventually for common provision.

17. Some 25 years after it was signed, the MOU is still the basic instrument governing the system of common services at the VIC. However, following the move of CTBTO to Vienna in 1997, the Executive Heads of UNOV, UNIDO, IAEA and CTBTO decided in January 1998 that CTBTO should participate in the arrangements for the management of common services at the VIC, and a supplementary MOU was signed to that effect. Although the supplementary MOU states that CTBTO "shall be a full member of the arrangement" its membership differs in one important respect in that, in addition to paying its share of the costs according to existing cost-sharing methodologies, "CTBTO shall pay to the organization providing a service an overhead charge as contribution to that organization's administrative costs".<sup>24</sup> This was to take account of the fact that CTBTO would not itself be a common services provider.

<sup>20</sup> "Pattern of Conferences ...", op. cit., paras. 18-20.

<sup>21</sup> "United Nations accommodation. Utilization of office accommodation and conference facilities at the Donaupark Centre in Vienna", Report of the Secretary-General, A/C.5/31/34, 11 November 1976 and Report of the ACABQ, A/31/452, 16 December 1976.

<sup>22</sup> The United Nations Office at Vienna has responsibilities related to: the United Nations Office for Drug Control and Crime Prevention; the Office for Outer Space Affairs; the International Trade Law Branch of the Office of Legal Affairs; the Reconstruction and Development Support Unit; the United Nations Scientific Committee on the Effects of Atomic Radiation; the United Nations Information Service in Vienna; programmes of administration and conference services and other support and common services. "Organization of the United Nations Office at Vienna", ST/SGB/1998/16, 30 October 1998.

<sup>23</sup> "Memorandum of Understanding concerning the allocation of Common Services at Donaupark Centre in Vienna", 31 March 1977, sect. 1.

<sup>24</sup> "Supplementary Memorandum of Understanding concerning the Allocation of Common Services at the Donaupark Centre in Vienna", 1998.

## D. Cost-sharing arrangements

18. An integral part of a system of common services is a mechanism for sharing the costs of the services among the participating organizations and it was necessary to develop cost-sharing formulae for VIC common services at an early stage. Buildings management service is by far the most important common service in cost terms, and in the initial period of 1979-1980, a complex formula was applied to this service that encompassed object of expenditure codes, cost centres, and a range of “distribution keys” such as floor area, number of staff etc. This system was found to be liable to coding errors and was evidently too complicated, and it was replaced in 1981 with a system of flat percentage shares computed on the basis of 1980/81 expenditures under certain shareable object codes, which assigned 45.5 per cent to IAEA, 50.1 per cent to UNIDO, and the rest to UNRWA and commercial tenants.<sup>25</sup> When UNIDO became a specialized agency it assumed a share of 31.6 per cent, and the share for UNOV (including UNRWA) was set at 22.9 per cent, and these ratios were applied up to the end of 1995. They were also used as the basis for cost sharing other services, such as the security and safety service.

19. During this period, there were changes in staff size, with increases in IAEA and UNOV and decreases in UNIDO. Further reductions in UNIDO staffing in 1996 and the move of UNRWA to Gaza highlighted the need for a review of the cost-sharing formula for buildings management services, and it formed the first part of a consultancy study of cost sharing of common services undertaken in 1996.<sup>26</sup> The second part of the study considered cost-sharing arrangements for the eight other common services at the VIC.

20. The consultancy study drew attention to the relatively high ratio of common areas (corridors, toilets, technical rooms, staff welfare areas, buildings management, security and safety services, commercial tenants, etc.) to total space in the VIC (48.6 per cent). The calculations underlying the cost-sharing proposal for buildings management included the total space, and different methodologies were used to distribute the common areas, the space occupied by staff service facilities (catering, child care and commissary), and that occupied by the other common and joint services.<sup>27</sup> The proposal also recommended that the cost-sharing ratios be updated annually. A working group was convened to review the recommendations of the consultancy study and the proposed cost-sharing formula for buildings management was accepted by the Consultative Committee on Common Services (CCCS) to be implemented retroactively from 1 January 1996, with a distribution of 49.7, 26.9 and 23.4 per cent to IAEA, UNIDO and UNOV, respectively.

21. Subsequent revisions to the cost-sharing ratios for buildings management reflect further retrenchment at UNIDO as well as CTBTO’s move to the VIC in 1997. Based on space allocation as at December 2000, as well as staff numbers and the distribution keys for common and joint services, the cost-sharing ratio effective 1 January 2001 was 51.7, 23.1, 17.4 and 7.8 per cent for IAEA, UNOV, UNIDO and CTBTO, respectively. An overhead charge is also paid by CTBTO because it does not itself manage a common service.

22. The Vienna duty station has gained some 20 years experience in operating a cost-sharing system for common services. This was recognized by the General Assembly in its resolution 54/249 of 23 December 1999, in which it noted “the advanced level of the arrangements for common services and related cost indicators at the United Nations Office at Vienna”.<sup>28</sup> The perception that cost-sharing arrangements in Vienna are well developed was generally confirmed by the views expressed in the interviews for this report.

23. The present cost-sharing arrangements do not extend to the sharing of administrative support costs incurred by the organizations in providing the services (costs of personnel, financial, administrative services, etc.). The decision to omit support costs in the calculations was based on the assumption that each organization would carry more or less the same burden in respect of these costs in managing its part of the common services, an assumption which appears to be no longer valid.

24. Another problem relates to an apparent lack of transparency, in the case of certain common services, in respect of total operating costs of the service and the breakdown of those costs. With cost effectiveness a constant theme of the reform process in the United Nations, the issue of transparency is particularly sensitive. Since under common services arrangements user organizations have little, if any, control over the costs of the services of any given provider, it is essential that they feel confident that the services are being provided cost effectively. But it was clear

<sup>25</sup> “VIC common services – Cost sharing arrangements”, UNIDO, Division of Administration, 1 February 1984.

<sup>26</sup> “Vienna International Centre – Study of cost sharing of common services. Phase I – Building Management Services”, Consultancy Report, June 1996.

<sup>27</sup> Ibid., paras. 6-24.

<sup>28</sup> A/RES/54/249, 18 February 2000, para. 172.



from the interviews for this report that in the absence of sufficient cost information, the required level of confidence was lacking in respect of certain services.

## **E. Management mechanisms**

25. A fully-functioning consultative machinery is fundamental to the successful operation of any common services arrangement. As noted above, the MOU provided for a tripartite management committee that would give policy direction in the initial planning and implementation of common services at the VIC. The JIU recommended in 1984 that a joint coordination committee should be established at the level of Chiefs of Administration, a proposal that was supported by the Secretary-General.<sup>29</sup> The ACABQ considered the JIU recommendation “logical and necessary”, and the General Assembly concurred.<sup>30</sup> The formal establishment of a joint consultative machinery was delayed, however, until after UNIDO became a specialized agency at the beginning of 1986.

26. Under its terms of reference, which were revised in 1998 following the admission of CTBTO to the common services arrangement, the Consultative Committee on Common Services (CCCS) shall be composed of one senior official each of the United Nations, IAEA, UNIDO and CTBTO, accompanied by advisors and experts as deemed necessary. The CCCS functions “on the basis that each common service is allocated to one of the three organizations and is operated under the authority of the respective executive head who bears final responsibility for that service”. The CCCS is also required to take into consideration the areas of responsibility and the terms of reference of the individual advisory/coordination committees. On this basis, the CCCS “may consider, and, by consensus, decide or make recommendations” on, *inter alia*, policy questions and related financial matters, outsourcing of services, and the establishment of a new, or dissolution of an existing, common service.

27. A similar document sets out the principles governing the establishment of coordinating committees for the individual common services at the VIC, except for those services with pre-existing advisory committees. The coordinating committees were to function as “a forum for exchange of information and of views of a general nature on any aspect of the management”, including financial and budgetary matters, and were to “submit recommendations to the managing organization on policy matters”. They were not, however, to interfere with day-to-day operations of a service. Joint advisory or coordinating committees exist for the following common services: buildings management, catering, printing, commissary, child care centre, and garage operations. There are no such committees, however, for the medical service or the security and safety service.

28. The CCCS meets four times a year in regular session supplemented by occasional special sessions. Review of the minutes of the CCCS since 1998 shows that, on average, 16 senior managers, generally at the level of chiefs and above, and often including all four heads of administration, have attended the meetings. The CCCS is chaired on an annual rotating basis by the heads of administration of the four organizations, and the agenda covers the full range of common services, though a proportionately large amount of time is spent on issues relating to buildings management.

29. In the statement of principles governing coordinating committees for the individual services, it is emphasized that the “frequency and duration of meetings should take into account the need for economical use of staff time” since the membership of the committees will be at a senior level. The time required of the senior managers in the organizations in respect of common services, over and above that of the managers directly responsible for operating the services, was raised as an issue in some of the interviews for this report. This management time is not accounted for in the cost-sharing exercise, since the premise from the outset was that such support costs would balance out between the organizations.

30. A further issue of concern relates to the fine line that must be drawn between the advisory function of the CCCS and the individual coordinating committees, and the responsibility, and hence accountability, for management decisions which must ultimately lie with the Executive Heads of the organizations administering each service. The minutes of the various committees suggest that, in general, a reasonable and acceptable balance has been struck, but where problems arise in the provision of a given service, conflict may follow in the relationship between the advisory committee(s) and the managing organization.

<sup>29</sup> JIU/REP/84/10, Recommendation 1 (a); “Comments of the Secretary-General”, A/39/520/Add. 1, 26 November 1984, para. 10.

<sup>30</sup> “Report of the ACABQ”, A/39/733, 4 December 1984, para. 6; ‘Joint Inspection Unit’, A/RES/39/242, 15 February 1985, sect. IV, para. 1.

### III. A REVIEW OF COMMON AND JOINT SERVICES AT VIENNA

31. The Common Services Strategy Paper defines common services as “those that are provided, through various formal or informal mechanisms, to “client” organizations other than the providing organization”.<sup>31</sup> At the Vienna duty station, however, it is usual practice to distinguish between common services and joint services. Common services are those that are supplied by the service provider to all the organizations located at the VIC, while joint services are provided on a bilateral basis (annex I), and this distinction is adhered to for the purposes of this report.

32. At the present point in time, the common services at the VIC are allocated as follows:

IAEA	UNIDO	United Nations/UNOV
Medical	Buildings management	Security and safety
Printing	Catering	Garage operations
Commissary		Official travel documents
Child care centre		Interpretation

To a large extent, the current allocation reflects the initial attempt to balance out the management responsibilities between the three signatory organizations of the MOU, as called for by the Joint Working Group.

#### A. Current arrangements for common services at Vienna

##### (a) Services provided by UNIDO

33. Under allocated administration, UNIDO was to be responsible for managing the buildings of the VIC complex, as well as catering services and language training services. In retrospect, this allocation appears to have been rather ambitious, but at the time of assuming these responsibilities, plans were being developed for UNIDO to become a specialized agency and the outlook for the Organization was positive. The withdrawal of major contributors at the end of 1993 and 1996, however, has had a substantial impact on all UNIDO's programmes, and relatively more so on its administrative and support services. Faced with major retrenchment, the Organization sought to transfer responsibility for some of its joint and common services to the other VBOs. Language training services (a joint service since 1993 following IAEA's withdrawal) were taken over by UNOV, effective from the 1998-1999 budget cycle. UNIDO has had less success, however, in its plans to transfer the buildings management service.

##### (i) Buildings Management Service

34. The Headquarters Agreements set out, *inter alia*, the conditions of use of the various parts of the VIC, as well as the respective responsibilities of the Austrian Government and the international organizations concerning maintenance, repair and replacement. The organizations were responsible at their own expense for the orderly operation and adequate maintenance of the buildings, facilities and installations, and for minor repairs and replacements. For major repairs and replacements, a distinction was made between those made necessary by force majeure or by faulty construction, which would be the responsibility of the Austrian Government, and all other major repairs and replacements, which would be the subject of a separate agreement between the parties.<sup>32</sup>

35. Under the terms of the 1977 MOU, UNIDO has responsibility for managing the day-to-day operation and basic maintenance and repair of the grounds, buildings and related installations and equipment of the complex, on behalf of and financed by the VIC-based organizations.<sup>33</sup> A Buildings Management Advisory Committee (BMAC) is required by the MOU to “give guidance to UNIDO on major matters of buildings management problems and priorities, work standards and resulting costs, etc.”.<sup>34</sup> Buildings Management is a separate major programme in the UNIDO Programme and Budgets. For 2002-2003, a total of 111 regular budget posts is proposed for Common Buildings

<sup>31</sup> A/55/461, 9 October 2000, annex, para. 5.

<sup>32</sup> See, for example, the IAEA Information Circular containing the texts of the Agreements between IAEA, the United Nations and the Federal Government of the Republic of Austria regarding the Headquarters seat and related Agreements. INFCIRC/15/Rev.1/Add.1, January 1983, sect. III and V.

<sup>33</sup> The Inspector notes that, contrary to the terms of the MOU, IAEA has contracted separately for cleaning services for the space that it occupies. It also employs staff for in-house buildings services, which can give rise to problems of coordination with BMS.

<sup>34</sup> “Memorandum of Understanding ...”, *op. cit.*, sect. 5.

Management (4 Professional and 107 General Services (GS)), and resource requirements are estimated at some €35.9 million.

36. The MOU also stipulated that all appropriate buildings management and maintenance services were to be contracted out “to the extent that it is technically and economically feasible”, with UNIDO the contracting agent. In that regard, all BMS services have been subject to periodic review and adjustments have been made in an effort to achieve the most cost-effective balance. Following a recent review of outsourced services, for example, it was decided that three of these services could be provided more cost effectively in-house. The Inspector suggests that the relative costs of outsourcing and in-house provision, as well as the quality of service, should continue to be scrutinized on a regular basis.

37. In respect of major repairs and replacements, the original Agreement, signed on 19 January 1981 by IAEA, the United Nations and the Government of Austria, set up a common fund for financing these expenditures – the Major Repairs and Replacements Fund (MRRF)<sup>35</sup> – and provided for a provisional list of the main elements to be covered, which were itemized in a separate Protocol. The major projects financed by the MRRF are also administered by UNIDO on behalf of the VIC-based organizations and the Austrian Government. As the VIC buildings have aged, so the demand for major repairs and replacements has grown, notably so since the mid-1990s, and the financing arrangements for the MRRF have necessarily come under review. The situation has been additionally complicated by the need to undertake an extensive asbestos removal programme at the VIC – estimated at some USD 100 million – which is the subject of separate discussions with the Austrian authorities.

38. Negotiations between the Austrian Government and the four VBOs on a revised agreement for the MRRF for the period 2002-2006 were being concluded as this report was being prepared. The VBOs had proposed that the financing of the MRRF be shared equally (50 per cent for Austria, 50 per cent for the VBOs, instead of 20 and 80 per cent respectively), with the same ceiling for both partners (a condition of Austria), and catastrophic failures the responsibility of Austria. A substantial increase in the total annual contribution to the MRRF (to USD 2.2 million), as well as in the list of elements to be covered by the fund, was also envisaged (and subsequently achieved).

39. In 1996, the VBOs agreed to launch an Essential Requirements Programme (ERP), covering repairs and replacements that could not be financed from either the regular budget of the BMS or from the MRRF, to begin in 1998 and run for 10 years. Implementation of the programme was, however, delayed by difficulties in reaching agreement on items to be financed by the ERP. In December 2000, the CCCS agreed to a BMS proposal that the ERP should be absorbed by the regular budget of the BMS from the 2002-2003 biennium. It was further agreed in 2001 that a special BMS account would be established as of 2002 to carry forward unspent balances of the BMS regular budget, which would give greater flexibility to achieve full implementation of the budget.

40. The brief overview above gives some indication of the complexity faced by the VBOs in overseeing the management of the VIC complex, and the workload carried by UNIDO as the managing organization. It should also be noted that the buildings management operation was becoming more complex at the time that UNIDO was facing a severe financial crisis. Thus, in the 1996-1997 biennium, there was an 8 per cent decrease in the real gross resources budgeted by UNIDO for buildings management compared with 1994-1995, and reductions were foreseen in all cost components, including staff, maintenance, utilities, and furniture and equipment supplies.<sup>36</sup>

41. A proposal to transfer responsibility for the BMS to another VBO effective the beginning of 1999 was set out in the UNIDO budget presentation for the 1998-1999 biennium, although it was acknowledged that the transfer was dependent on consultations and agreement with the VBOs under the terms of the MOU.<sup>37</sup> The objective was “to relieve UNIDO of the administrative and management burden of managing a complex operation”, and it was seen as “a logical step in the light of the significant staff reductions ... and the fact that UNIDO’s share of the costs of BMS had fallen to approximately 20 per cent”.<sup>38</sup> The transfer would also allow UNIDO to concentrate on its core functions. However, agreement was not forthcoming and BMS has remained the responsibility of UNIDO.

<sup>35</sup> Under the original Agreement, the signatories were to contribute USD 33,333 to the common fund each year, as well as reimburse in each year a one-third share of disbursements from the fund in the previous year, although a ceiling was placed on the annual financial liability of both the United Nations and IAEA. When UNIDO became a specialized agency in 1986, the shares for contributions and reimbursements fell to 25 per cent.

<sup>36</sup> IDB/S.6/2, PBC/AS.2/2, 4 December 1995, p. 120, Programme 1110 table and para. 11.8.

<sup>37</sup> GC.7/21, 21 November 1997, paras. 47-48, 83 and G.23-G.28, including tables.

<sup>38</sup> IDB.20/7, PBC.14/6, 14 August 1998, para. 22.

42. In the 2000-2001 programme and budgets, buildings management was made a separate major programme showing income and expenditure “to enhance transparency in its cost-shared management”.<sup>39</sup> The process is carried further in the 2002-2003 programme and budgets by presenting the separate buildings management major programme as self-balancing. All the proposed expenditures are offset by income, i.e., contributions received from the VBOs, including UNIDO, through the cost-sharing mechanism. Thus, UNIDO’s core budget shows only its own share of the costs of buildings management operations, which is included under a separate major programme (Indirect Costs), and BMS posts are excluded from the UNIDO post profile.<sup>40</sup>

43. Major changes in the format and presentation of UNIDO’s programme and budget document, which were introduced from the 1998-1999 biennium, do not readily permit comparisons between recent bienniums of the real gross resources budgeted for buildings management. In the programme and budget document for 2000-2001, however, it was noted that zero or negative growth budgets were “severely constraining the ability of BMS to ensure that needed repair and maintenance work [was] carried out on a regular basis ...”.<sup>41</sup> The difficulties were compounded by high vacancy rates in BMS (almost 20 per cent of budgeted posts in BMS were vacant as at 1 December 2000, as well as the relatively low rate of budget implementation (the BMS gross appropriation was released at the rate of 85 per cent in 2000 compared with an average release of 91 per cent for the regular budget).<sup>42</sup> In spite of all the constraints, the quality of the current management of the BMS was generally praised by the senior staff of the VBOs interviewed for this report.

44. For the 2002-2003 biennium, 598 staff (279 Professional and 319 GS) are budgeted for UNIDO’s major programmes, not counting the buildings management major programme, for which 114 staff are budgeted. Thus, of an overall total of 712 staff, 16 per cent are budgeted directly for buildings management, which seems disproportionate, and which also impacts on the associated administrative support costs. To some extent, this situation reflects the decision to provide many of the buildings services in-house, and greater recourse to outsourcing would reduce the apparent burden on the Organization. Nevertheless, the Inspector is inclined to support the view that responsibility for BMS places a disproportionate load on the senior management of UNIDO.

45. Given the unwillingness of IAEA to take over responsibility for BMS, alternative arrangements need to be considered at this time. In the interviews for this report, it was sometimes argued that, as labour costs for equivalent work were lower in the local market than the salaries paid to United Nations General Service staff, it would be more cost effective to outsource buildings management services. While this remains to be demonstrated, it would still be necessary for one of the VBOs to assume management responsibility for the contractual arrangements of outsourcing. An alternative proposal would be for the owner of the VIC – the Government of Austria – to manage the complex and charge rent to the international organizations at a more commercial rate. The future of buildings management is considered further in chapter VI below.

## **(ii) Catering Service**

46. Catering and commissary services are considered together in the MOU, presumably because they share certain common features, notably the requirement to be self-financing.<sup>43</sup> In both cases provision is made for the establishment of an advisory committee to give guidance on the operation of the service. The MOU notes that UNIDO “intends to operate the catering facilities through a contractual arrangement for which UNIDO will be the contracting agent ...”, and goes on to stipulate that the Catering Advisory Committee (CATAC) shall give advice on certain aspects of the service, including specifications for the catering contract and catering contractors to be invited to bid.<sup>44</sup>

47. Rules for the catering service were jointly adopted by the VBOs in 1989. Under these rules, prices of food and beverages “shall be such as to meet all operational expenses”, with pricing policy “oriented towards making the Catering Service self-sustaining on a commercial basis, without making a profit ...” (Rule 4.01).<sup>45</sup> The rules also state that the Catering Service “shall be housed free of charge”, and that the VBOs “shall provide and replace all capital equipment”, but that “[e]xpendable supplies and equipment...shall be provided by the Catering Service” (Rule 5.01).

<sup>39</sup> IDB.21/7, PBC.15/7, 2 March 1999, paras. 30 and G.1-G.5, including tables.

<sup>40</sup> IDB.24/3, PBC.17/3, 16 March 2001, paras. 29-30 and G.1-G.5, including tables, and annex A, table 1.

<sup>41</sup> IDB.21/7, PBC.15/7, op. cit., para. G.2.

<sup>42</sup> IDB.24/8, PBC.17/8, 14 March 2001, para. 2.

<sup>43</sup> The MOU states that “[i]t is incumbent upon the managing Organization to run the operation in such a way that, in the long term no losses occur”. “Memorandum of Understanding ...”, op. cit., sect. 4 (g).

<sup>44</sup> Ibid., sect. 4 (b) and (e).

<sup>45</sup> “Rules of the Catering Service at the Vienna International Centre”, Catering Service No. 27, 19 January 1989.

48. Under the original arrangements, most of the costs of the catering contractor were covered by charges to the consumers, but the costs of utilities and other buildings services (maintenance, cleaning) related to the space occupied by the catering facilities were shared among the VBOs based on the BMS cost-sharing ratios. In effect – and contrary to the terms of the MOU – the VBOs were subsidizing the catering operation. Furthermore, there was no incentive to the contractor to economize on the use of the subsidized utilities. The 1996 consultancy study estimated the annual value of the subsidy and concluded that catering prices would have to rise by 9 per cent to absorb all the subsidized costs (or by 3 per cent if only utilities were included).<sup>46</sup> The report of the external auditor of UNIDO for the 1996-1997 biennium found that “[t]he amount of the subsidy...[was] significantly high” and “... not in compliance with the principle of Catering Service as a self-sustaining, non-profit-making operation”.<sup>47</sup> UNIDO calculated in 1999 that the operation had been subsidized by the VBOs at approximately ATS 13 million per annum.<sup>48</sup>

49. With the catering contract due to expire at the end of December 1999, the operation was put up for competitive bidding in August 1999, an objective being to discontinue at least part of the subsidy. According to the minutes of the CCCS, certain utilities would continue to be subsidized in the amount of some ATS 7 million, while the bidders were required to take over the remaining subsidy of ATS 5.8 million on the basis of a predetermined scale linked to profit-sharing. In the case of an offer to assume 100 per cent of the target subsidy, for example, the bidder would be entitled to 90 per cent of the total profit, and so on, down to a floor of 50 per cent of the subsidy. The request for proposals also emphasized that the current catering price levels and quality should be maintained.

50. More than 20 companies were invited to bid, but only three bids were received, and these were evaluated technically and financially by a consultancy. Only one contractor offered to assume 100 per cent of the target subsidy and this was the recommended bid. The contractor was offered and accepted a six-year contract as of 1 January 2000. However, IAEA raised objections in the CATAC and in the CCCS in November 1999 that it had not been fully informed or consulted under agreed rules.

51. Under the present catering contract, the contractor is required to meet the costs of some of the utilities (electricity, water, cleaning, waste disposal) but not the costs of heating, cooling and ventilation. The contractor must also bear the costs of maintenance and repair of the premises and equipment, though not the costs of normal redecoration. In the event, maintaining the price levels and quality for food and beverages while at the same time meeting utility and maintenance costs that had previously been subsidized turned out to be a difficult challenge. The new contractor experienced serious cash flow problems in the first year and could not maintain the budget forecast. Furthermore, consumer dissatisfaction with the quality and service resulted in a significant reduction in demand which compounded the contractor’s problems.

52. It was clear from the many comments made to the Inspector – and from a review of the minutes of the CATAC – that widespread dissatisfaction with the new catering service was based on real concerns such as food quality and hygiene, and the motivation of the catering staff. The dissatisfaction was also expressed in a petition circulated by the IAEA Staff Council in June 2001 and signed by 1,100 IAEA staff members which requested that the contract be terminated and the bidding process reopened “for selection of a caterer in full accordance with the established procedures ...”. The petition also demanded that the VBOs once more assume the full utility costs, justifying this in part on the basis of past practice and in part by reference to Catering Service Rule 5.01.

53. For its part, UNIDO indicated in interviews for this report in October 2001 that many of the early problems had been resolved, and that the cash flow situation had improved so that the contractor had started to make a small profit. The Inspector was also provided by UNIDO with a report on the catering operation by a catering liaison manager from the Food and Agriculture Organization of the United Nations (FAO) who had visited the facility in April 2001. This report was largely favourable, although its scope was necessarily limited to one individual’s experience. The Inspector was not, however, informed at that time that UNIDO had conducted an internal audit of the VIC catering operation in 2000, and it was not until the present report was being finalized that UNIDO confirmed that an internal audit had already taken place. Subsequent delays in UNIDO’s response to the Inspector’s request for a copy of the audit report led to the present report being completed without reference to this significant audit. Bearing in mind the problems outlined above, as well as the importance of the catering facility for the wellbeing of the staff of the VBOs, the Inspector is of the view that in the interests of transparency, and to facilitate further dialogue between the VBOs, UNIDO should make the report of the internal audit of the VIC catering services available to the Executive Heads of UNOV, IAEA and CTBTO, as well as members of the CATAC and the CCCS.

<sup>46</sup> “Vienna International Centre – Study of cost sharing of common services”, Consultancy Report, June 1996, paras. 39-41.

<sup>47</sup> IDB.20/3, PBC.14/3, 23 June 1998, paras. 21 and 112-114.

<sup>48</sup> CCCS, Minutes of Meeting 4/99, 4 November 1999, para. 13.

54. There is an apparent conflict between the requirement of the MOU that the operation is run in such a way that, in the long run, no losses occur, and the Rules of the Catering Service where these have been interpreted as providing for a range of subsidies by the VBOs. Rule 5.01, which provides for the Catering Service to be “housed free of charge”, has been taken by some to mean not just rent-free space, but also free utilities. Further ambiguity appears in Rule 4.01 since the “operational expenses” are not itemized, and the intention to include or exclude the cost of each utility as an operational expense is not made clear. In general, rules are subordinate to the primary legal instrument – in this case the MOU – and it is evident that no subsidies were intended in the MOU, which suggests that prices should rise to eliminate all subsidy.

55. An added complication, however, is that cafeteria prices form part of the price survey which is used to determine salaries of General Service staff, so that increases in cafeteria prices of the magnitude indicated by the consultancy report would imply a compensatory increase in salaries. It hardly seems logical that the VBOs should eliminate a subsidy and then compensate staff with a salary increase. Furthermore, it has been argued that the catering subsidy represents an acquired right of the staff. If the intention of the VBOs is to retain a catering subsidy, the MOU and the Rules of the Catering Service should be revised accordingly. In light of the experience gained in operating the subsidized catering service, it should be possible to revise the MOU in sufficient detail to remove any future doubt or ambiguity.

#### **(b) Services provided by IAEA**

56. Common services currently provided by IAEA are medical, printing and reproduction, commissary, and child care. Until recently, IAEA also operated a joint library service, but the participating organizations have been progressively disengaging from the service since 2000. The demise of the common library service is discussed in chapter V below.

##### **(i) Joint Medical Service**

57. Established primarily for the benefit of the staff, the Joint Medical Service (JMS) is responsible, *inter alia*, for the following services: conducting medical examinations having a bearing on recruitment, mission travel, disability claims and separation from service; approving sick leave and maternity leave; administering immunizations; advising on health precautions for duty travel and on occupational health matters in the workplace; organizing health education campaigns; and administering first aid.<sup>49</sup> IAEA’s interest in managing and operating this common service derives in part from the particular medical needs of the organization since its field inspectors are exposed to specific health risks and radiation workers need more frequent medical examinations. IAEA’s relatively high use of the services of JMS also reflects the turnover of professional staff in the organization attendant on its staff rotation policy.

58. For the 2000-2001 biennium, IAEA budgeted for 19 staff for the JMS (3 Professional and 16 GS) with estimated resource requirements of some USD 3.2 million. In respect of the cost-sharing formula for JMS, the consultancy study recommended that the number of keys for attributing the expenditures should be reduced from three to one – the number of services provided to each participating organization during the previous calendar year.<sup>50</sup> IAEA considered that this method would be bureaucratic and not transparent since arbitrary weightings would have to be applied to different services, proposing instead the number of staff in each organization. After a detailed analysis, this was accepted and has been the practice since then.

59. As for management, the JMS is not presently supported by its own management advisory committee, and there is no provision for such a committee in the MOU. The only requirement of the MOU is that the chief of the medical service should be appointed by mutual agreement between the United Nations, UNIDO and IAEA. When issues concerning medical services arise they are discussed at the regular meetings of the heads of the various human resources management offices. In the interests of efficiency, the JMS has introduced benchmarks to assess performance (24-hour medical clearance, same-day medical evacuation etc.).

60. The internal audit office of IAEA has recently audited the JMS, although the Inspector was not afforded access to the report and so was not able to verify that the audit had concluded that unit costs in the JMS were lower than equivalent provision outside the VIC. In interviews with other participating organizations, however, it emerged that the JMS was perceived to be less cost-effective than external provision of the required services. The Inspector further understands that the IAEA internal audit found general satisfaction, based on survey responses, with the services of

<sup>49</sup> IAEA, “Administration Manual”, part II, sect. 18, para. 1.

<sup>50</sup> “Vienna International Centre – Study of cost sharing of common services”, op. cit., paras. 17-22.

the JMS, although it appears that the information came from the focal points in each organization (heads of human resources management), and it was not clear if the survey had been more widely disseminated to the users.

61. The Inspector is of the view that the JMS would be better served by a joint management advisory committee meeting on a regular basis to review and discuss issues arising in the provision of medical services at the VIC, rather than the present informal arrangement among human resources managers. Such a joint committee would permit a wider range of expertise – including financial – to consider JMS matters and provide guidance. It would also improve transparency, a key element in the survival of common services provision, as is shown in the review of the demise of the common library service in chapter V below. And it would be more consistent with the close scrutiny applied to most of the other common services at the VIC.

## **(ii) Common Printing Service**

62. Printing is regarded as a VIC common service even though UNOV retains a separate reproduction facility to meet part of its documentation needs for conference services. The IAEA print shop has modern equipment including one fast four-colour printer and one two-colour printer, as well as two other printing machines. For the most part the IAEA printing operation was considered by those interviewed for this report to give satisfactory service, although it was observed that occasionally there were problems with quality control. However, the operation is not cost effective since there is excess capacity, and there appears to be scope to reduce the number of printers. The Inspector understands that restructuring within the Division of Conference and Document Services would also lead to the elimination of duplicative administrative activities.

63. Under the terms of the 1977 MOU, the printing and reproduction services were to be self-financing and, to that end, the IAEA operates a charge-back system, using a unit cost per page impression, which enables it to finance the fixed costs of the print shop as well as the operating costs. The charge-back system would need to be taken into account in any plans for restructuring the division, and revised accordingly. The consultancy study of 1996 noted that the “current arrangement appears not to provide any incentive for the Print Shop to increase its efficiency since both its fixed and variable costs are guaranteed”.<sup>51</sup> It recommended that this cost-sharing arrangement should be modified with the introduction of a two-tier system – one rate to cover fixed costs (staff, equipment lease and maintenance), and one to cover variable costs (paper, ink, temporary staff), with the latter rate charged on the basis of actual use.

64. Cost effectiveness of the printing operation vis-à-vis external competitors was an issue raised recently by the Consultative Committee on Common Services.<sup>52</sup> It is timely then that the Joint Committee on Common Printing Services (JCCPS), which had become defunct after 1994, was recently revived. At its first meeting in February 2001, it was agreed that the MOU needed updating and that amendments would be proposed. Issues discussed included the menu of services and a new method of charging, new mechanisms for assessing the prospective needs of the participating organizations, and outsourcing.

65. The Inspector is concerned that the common printing service is not a full common service. UNOV argues that it needs to maintain its own facility for the urgent reproduction requirements of conference services, and that it might not be accorded sufficient priority for these tasks under common arrangements. Prioritization of tasks by providers and loss of control of the timing of outputs by users are perceived as major disadvantages of common services provision, and appear to underlie much of the reluctance to expand this type of provision. However, given the excess capacity of the IAEA print shop, the Inspector is of the view that dual provision is not justified. As a first step, the JCCPS should review current arrangements and make proposals for a consolidated service, taking due account of UNOV's requirements and concerns. The proposals should be reviewed by the CCCS with a view to implementing a fully comprehensive common printing service as soon as possible.

## **(iii) Commissary**

66. The Headquarters Agreements with the Government of Austria give the officials of the international organizations and representatives of Member States the right to import free of duty and other restrictions limited quantities of certain articles for personal use or consumption. The organizations, in turn, are permitted to establish a commissary for the sale of such articles. Prior to taking up occupancy at the VIC, IAEA and UNIDO each had their

<sup>51</sup> Ibid., para. 35.

<sup>52</sup> It was noted that since 1994, the unit cost per page impression charged by the printing service had increased from 30 to 36 Groschen, i.e., 20 per cent (CCCS, 4/2000, para. 16).

own commissary, but since the move this facility has been provided by IAEA as a common service to all the VIC-based organizations and the Commissary is an integral part of IAEA's secretariat.

67. Under the 1977 MOU, the Commissary was to be run "in such a way that, in the long term, no losses occur", while the Rules of the Commissary state that the service "shall be operated as a self-sustaining and non-profit making operation..." (Rule 1.04). However, the Rules also state that the Commissary "shall be housed free of charge in appropriate heated and air-conditioned premises in the VIC", but would be responsible for "[r]eplacement of equipment, expendable supplies and furnishing, including decoration...of premises" (Rule 7.01).<sup>53</sup>

68. The MOU made provision for a Commissary Advisory Committee (CAC) to give guidance and advice. The CAC is composed of members designated by both the Executive Heads and the staff councils of each organization, and meets regularly every two to three months. There is also a Selection Sub-Committee which advises on items to be sold. Review of the minutes of the CAC from 1997 shows that the Committee has been active in discussing and advising on a wide range of issues, including rights of access to the Commissary, purchase entitlements, pricing policy and relative prices, opening hours, service quality, store layout and inventory control, abuse of privileges and other security issues, the establishment of a homepage on the Intranet, and participation in the distribution of special mark-ups. It is a common practice for the manager of the Commissary and the Director of the Division of General Services of IAEA to be invited to attend the meetings of the CAC, and the minutes indicate that this participation has facilitated the flow of information and exchange of views on many issues, considerably enhancing transparency.

69. The CAC also supported a proposal to conduct a customer satisfaction survey in 1999, and collaborated with the Commissary management by setting up a working group to design the questionnaire. The survey yielded more than 2,000 responses, with 78 per cent of respondents giving the service an overall rating of "good" or better, and 92 per cent stating that they used the Commissary for convenience.

70. Pricing policy for the Commissary is determined by the Director General of IAEA after consultation with the CAC (Rule 6.01). A mark-up system is in force, which appears to date from the mid-1980s, whereby goods are divided into different categories which are charged with specified mark-up percentages, and prices are fixed accordingly by the manager of the Commissary. Under Rule 6.02, a special mark-up is authorized on certain goods sold in the Commissary, for the purpose of financing staff welfare activities, and the funds thus derived are distributed to the VBOs in proportion to the sales made to the employees of each organization.

71. As is the case with the catering service, under the terms of the MOU the VIC Commissary is required to be self-financing. Under Rule 6.01, the prices of goods sold should be set to cover all operational expenses of the Commissary. In practice, however, the Commissary has been subsidized for many years in respect of its utility costs and related buildings management expenditures. Under a 1982 agreement between IAEA and UNIDO, the Commissary reimbursed a flat rate fee of USD 100,000 each year towards the costs of its utilities, but this was estimated to fall short of the actual costs.<sup>54</sup> The shortfall on utilities and related buildings management expenditures was picked up by the BMS and cost shared among the participating organizations, which in effect were subsidizing the customers of the Commissary.

72. The subsidy issue was discussed in meetings of the CCCS in 2000, and it was agreed that the actual costs of the utilities would in future be reimbursed by the Commissary but that there would still be some cost-sharing of related BMS expenditures. The Inspector is of the view that, as with the catering service, discussed above, if it is the intention of the VBOs to retain a subsidy for the Commissary, the MOU and the Rules of the Commissary should be revised to remove the current ambiguities and contradictions.

#### **(iv) Child Care Centre**

73. The Child Care Centre at the VIC was established for the purpose of providing child care services for children aged from three months to six years of working parents employed with the participating VBOs. A new Child Care Centre was opened in September 2001, expanding the number of places from 32 to 148. The financing for the new Centre came from three sources: the Municipality of Vienna, the Federal Government of Austria and the Staff Welfare Funds of IAEA, UNOV, UNIDO and CTBTO. The provision of child care as a common service was not part of the 1977 MOU, but is covered under a supplementary MOU, which sets out cost-sharing principles, and the number of places is allocated to each participating organization accordingly.

<sup>53</sup> "Rules regarding the Commissary at the Vienna International Centre", effective date 13 December 2001.

<sup>54</sup> "Vienna International Centre ...", op. cit., para. 43.



74. An Advisory Committee on the VIC Child Care Centre handled the planning phase of the project, and IAEA undertook to manage the expansion phase in collaboration with UNIDO's BMS. Discussions took place in the CCCS as to which organization would manage the centre after the expansion, and at one stage CTBTO offered to take on this responsibility and thus become a common services provider. This proposal, however, raised the question of whether in managing the Centre, CTBTO could be relieved of paying overheads for joint and common services. Subsequently, CTBTO withdrew its offer to manage the Centre, and IAEA agreed to take on the responsibility.

**(c) Services provided by the United Nations/UNOV**

**(i) Security and Safety Service**

75. Under the 1977 MOU, the United Nations was given the responsibility for managing and operating a security service for the Donaupark Centre, with the standard and level of the service to be determined by consultations between the participating organizations. It was also stipulated that the chief of the service would be selected by mutual agreement between the United Nations, UNIDO and IAEA, and that the security guards should be recruited as far as possible on a local basis irrespective of nationality.<sup>55</sup> However, there was no provision in the MOU for a joint advisory committee for the service.

76. The United Nations Security and Safety Section (UNSSS), which is part of the UNOV Division of Administrative and Common Services (DACS), provides these services under the authority of the Director-General of UNOV, to the international organizations located at the VIC. As well as providing the usual range of services, including protection of personnel and property, operation of emergency response procedures, and investigation of accidents, theft etc., the UNSSS contributes security officers for mission assignments, including peace-keeping operations, and provides services for IAEA's specific nuclear safety needs.

77. For 2002-2003, a total of 85 regular budget posts was proposed (2 Professional and 83 GS), as well as general temporary assistance to fund additional GS posts covering both core functions and mission replacement. Resource requirements are estimated at some USD 9.3 million. The costs of the security and safety services are shared among the VBOs by applying the BMS cost-sharing ratios. It has been observed that this cost-sharing formula is not entirely appropriate since it fails to take account of the number of visitors, yet visitor services (conferences, receptions etc.) are an important element of the services of UNSSS. The 1996 consultancy study developed a formula which included space allocation, staffing and conference participants, and the resulting cost-sharing ratio would have assigned a significantly higher share to UNOV and a significantly lower share to UNIDO, with a slight increase for IAEA.<sup>56</sup> One difficulty with this formula was that it was based on estimates only of conference attendance and did not include other visitors, since these statistics were not being maintained. The study recommended that UNSSS develop the required statistical database and that the BMS formula should continue to be applied in the interim. The Inspector understands that comprehensive statistics are not yet being collected and is of the view that resources should be made available to initiate this project without further delay.

78. Review of the performance reports of the activities of the UNSSS at Vienna, as well as feedback from the VBOs, indicate that the service is well managed and effective. One area of concern, however, relates to the use of general temporary assistance for the employment 13 GS staff on fixed-term contracts when those staff are performing core functions, a practice which was adopted following cuts in regular budget posts during the recent reform exercise.

79. Some issues concerning the provision of security and safety services are discussed in both the CCCS and the BMAC – a current problem is the security of the perimeter fence which UNSSS considers is in need of replacement. Discussions of this item in the CCCS have highlighted differing viewpoints and priorities, particularly between BMS and UNSSS, and the project is facing delays. In the view of the Inspector, it is likely that such issues could be more speedily resolved in the forum of a joint advisory committee for security and safety services.

**(ii) Garage operations**

80. Originally managed by UNIDO, responsibility for the VIC garage was reassigned to UNOV as of 1994 under a tripartite agreement between UNIDO, UNOV and IAEA. The garage, which is an integral part of the VIC buildings complex, provides parking for official cars, representatives of Member States and staff. The operation is self-financing, with five sixths of the spaces allocated to staff members who are charged parking fees sufficient to cover

<sup>55</sup> "Memorandum of Understanding", op. cit., sect. 6.

<sup>56</sup> "Vienna International Centre ...", op. cit., paras. 8-16.

five sixths of the costs of operating the facility. The remaining one sixth of the costs is shared by the VBOs on the basis of the buildings management cost-sharing ratio. Management is overseen by a Joint Advisory Group on Garage Operations (JAGGO), which advises on policy issues such as the user fee, parking entitlement and penalties, and the operation appears to be running satisfactorily. On the understanding that the facility is to be self-financing, UNOV has been granted full delegation of authority by UNHQ for the financial administration of the garage operation under a locally established account.

**(iii) Official travel documents**

81. Under the terms of the relationship agreements, staff of IAEA and UNIDO are entitled to use the United Nations laissez-passers as a valid travel document where such use is recognized by States parties to the Convention on the Privileges and Immunities of the United Nations. The Director-General of UNOV, first appointed in 1982, represents the Secretary-General in relations with the Austrian authorities, including matters relating to the presence in Austria and the relevant privileges and immunities of all United Nations staff. Thus UNOV has responsibility for issuing laissez-passers and other official travel documents to all the VIC-based organizations, liaising with UNHQ as necessary. This common service is run on a cost-recovery basis.

**(iv) Interpretation service**

82. The 1977 MOU recognized that the United Nations and IAEA had “different operational requirements as regards conference services...[and] that these specialized functions should continue to be operated separately...”.<sup>57</sup> The MOU did, however, envisage the pooling of interpretation services, and eventually agreement was reached with IAEA on the establishment from 1992 of a common interpretation service under UNOV. Interpretation is the only conference service which is provided as a common service to all the VIC-based organizations. Simultaneous interpretation is provided in the six official languages for meetings of UNIDO, IAEA, CTBTO and the Vienna-based United Nations units, as well as for meetings convened at Vienna by other departments and offices of the United Nations Secretariat and for meetings of the VBOs held outside Vienna. The United Nations is the major user of the interpretation service, with 72 per cent of the workload (measured in interpreter days) in 2000, with the shares of IAEA, CTBTO and UNIDO at 13, 12 and 3 per cent respectively. Between 1997 and 2000, the number of meetings serviced by UNOV with interpretation rose from some 25 to 29 per cent of the total serviced.<sup>58</sup>

83. The interpretation service is staffed by full-time Professional and GS personnel, and, in addition, UNOV employs freelance interpreters, recruiting locally as far as possible. Separate – but similar – bilateral agreements between UNOV and the three participating organizations govern the cost-sharing arrangements: each organization reimburses UNOV for all costs of freelance interpreters, and for “the services of United Nations interpreters at the daily rate for locally recruited freelance interpreters” with travel costs, when incurred, charged directly.<sup>59</sup>

84. The 1996 consultant’s report on the cost-sharing of common services noted that the “daily rate” did not meet the actual direct costs incurred by UNOV which included clerical support and supervision. The report also emphasized the differences between these cost-sharing arrangements and those of other VIC common services. In response, UNOV proposed to the Working Group on the cost-sharing of common services to replace the existing bilateral agreements with a tripartite agreement after 1997, and it was agreed that a draft would be submitted for the consideration of the CCCS, and, eventually, the Advisory Committee for Conference Services (ACCS).<sup>60</sup> However, at the time of writing, the bilateral agreements were still in place, and an additional agreement had been negotiated with CTBTO.

**B. Current arrangements for joint services at Vienna**

85. The provision of joint services at the VIC has historical roots in the arrangements which were made for UNIDO to provide a range of support services to UNOV and to the United Nations units which were transferred from New York and Geneva to Vienna in 1979. These services initially included finance, personnel, legal, public information, conference and general services, and UNIDO was provided with additional administrative posts to handle the workload. With the conversion of UNIDO into a specialized agency in June 1985, these joint arrangements were

<sup>57</sup> “Memorandum of Understanding”, op. cit., sect. 8 (a).

<sup>58</sup> Statistics provided by UNOV, Division of Administrative and Common Services.

<sup>59</sup> See, for example, “Cost-sharing arrangements for Unified Conference Service provided by UNOV to UNIDO effective 1 January 2001”, annex A, 5 April 2001.

<sup>60</sup> “Report of the Working Group on Cost-sharing of Common Services”, April 1997, para. 11.

modified, and separate units were initially established for the United Nations for public information and personnel services, with the appropriate transfer of posts from UNIDO to UNOV.<sup>61</sup> For other services, however, such as language training, joint provision resulted from the breakdown of previous common service arrangements.

**(i) Conference services**

86. As noted above, the 1977 MOU envisaged separate conference services for IAEA and UNIDO/United Nations, and arrangements were made whereby UNIDO provided conference services for the United Nations units at the VIC. At the time of UNIDO's conversion into a specialized agency, however, the Secretary-General stated his intention that in due course UNOV would be given the responsibility for servicing United Nations conferences at Vienna.<sup>62</sup> This implied that there might eventually be three separate conference services operating at the VIC, a notion which was firmly opposed at the time by the JIU on the grounds of duplication and waste. The Unit's 1984 report recommended that the joint UNIDO/United Nations conference service should be continued, with a view to eventually establishing a single VIC conference structure as a common service.<sup>63</sup>

87. In commenting on the JIU report, the Secretary-General agreed with the goal of "unifying conference services to achieve maximum efficiency and economy" and stated that "[i]n the light of its experience in this field...the United Nations [was] ready to assume the responsibility of providing conference services for all organizations at the Vienna International Centre".<sup>64</sup> The ACABQ also supported the idea of a unified conference service at Vienna administered by the United Nations.<sup>65</sup> The Secretary-General set out proposals in his report of September 1985 having consulted with IAEA and UNIDO, but both of these organizations expressed reservations.<sup>66</sup> All that could be achieved at that time was the establishment of joint services for the United Nations and UNIDO, with the former operating a joint meetings and interpretation service and the latter a joint translation and documents service.

88. In 1986, a joint Advisory Committee for Conference Services at the VIC was set up by the United Nations, UNIDO and IAEA, and undertook a comprehensive study as requested by the General Assembly. Though the Committee could not agree on a unified service, it did agree that existing joint arrangements were preferable to the establishment of separate services.<sup>67</sup> A single conference-servicing facility at the VIC operated by the United Nations remained, however, a policy objective of the General Assembly, representing an "ideal solution from the standpoint of cost efficiency" (A/RES/44/201 A of 21 December 1989), although one which was increasingly couched in terms of a unified service for the United Nations and UNIDO.<sup>68</sup> After protracted consultations, agreement was reached in 1993 for a unified conference service for the United Nations and UNIDO, managed by the former. This was established in 1995, with the transfer of translation and documentation services from UNIDO to the United Nations in accordance with General Assembly resolution 49/237 of 31 March 1995.

89. Since the establishment of CTBTO at the VIC in 1997, the United Nations has also been providing a full range of conference services to that organization. Statistics provided to the Inspector by UNOV's Division of Administrative and Common Services show an 11 per cent increase in the total number of meetings serviced between 1997 and 2000. The distribution of meetings serviced in 2000 was 72 per cent for the United Nations, with CTBTO, UNIDO and IAEA at 14, 9 and 5 per cent respectively (interpretation only in the latter case). For the translation workload, the distribution in 2000 was 82, 11 and 7 per cent for the United Nations, UNIDO and CTBTO respectively. The statistical profile also points to some of the problems encountered in running conference services in Vienna (as elsewhere) including peaks and troughs in demand for meetings servicing, the timeliness of document submission and distribution, and disparities between forecasts and submissions for translation work. As for cost-sharing arrangements for conference services, bilateral agreements have been established between the United Nations and each participating organization detailing the arrangements for each service based on workload attributable to each organization.

<sup>61</sup> A/C.5/38/87, 7 December 1983.

<sup>62</sup> Ibid., para. 15.

<sup>63</sup> JIU/REP/84/10, paras. 71-73 and Recommendation 5.

<sup>64</sup> A/39/520/Add.1, 26 November 1984, para. 18.

<sup>65</sup> A/39/733, 4 December 1984, para. 14.

<sup>66</sup> A/C.5/40/7, 23 September 1985, paras. 5 and 29-30.

<sup>67</sup> A/C.5/49/24, 8 November 1994, para. 2.

<sup>68</sup> See the following General Assembly resolutions: 39/68 A, 13 December 1984, paras. 4-5; 44/201 A, 21 December 1989, sect. VIII; 45/248 A, 21 December 1990, sect. VIII; 48/218 C, 23 December 1993, paras. 7-8, and 48/222 A, 23 December 1993, para. 14.

90. The question remains whether conference services at Vienna could be run more efficiently and cost-effectively within a unified structure managed by the United Nations and offering these services to all VBOs, including IAEA. Certainly the General Assembly resolutions referred to above are unambiguous in support of unified conference services, and it is clear that the United Nations has a strong mandate in this regard. The Inspector is of the view that a unified approach could offer considerable cost savings through, for example, the elimination of post duplication, particularly at the senior management level. He is mindful of the fact that extensive consultations with IAEA in the late 1980s and early 1990s failed to reach agreement on the issue. This outcome can be attributed, at least in part, to IAEA's insistence that the specialized and technical nature of its work made it imperative that conference services be provided in-house. This argument would appear to lack justification, particularly as UNOV has been a conference service provider since 1997 to CTBTO, a similarly technical and specialized agency, and IAEA itself has been willing to participate in common interpretation services.

**(ii) Language training services**

91. Under the 1977 MOU, UNIDO was assigned responsibility for language training, and this was operated as a common service until 1993 when IAEA withdrew. Language training continued as a joint service for UNIDO and UNOV, but in 1996, faced with budgetary constraints, UNIDO gave UNOV one year's notice of its intention to abolish the service. As the United Nations is mandated to provide language training to its staff, UNOV set up its own language training service effective July 1997 to provide language training in the six official languages, as well as German. Participation of staff dependants, staff of UNIDO and CTBTO, and personnel of the missions of Member States is accommodated by direct reimbursement of the costs for the services provided.

92. In parallel, IAEA is running its own language training programme offering five of the six official languages as well as German and Japanese. In the interests of cost effectiveness, the service is outsourced to a contractor employing freelance language teachers. Most of the participants are IAEA staff members, but the courses are also open to the other VBOs as well as the permanent missions.

93. The provision of overlapping and partially competitive language training services at the VIC is clearly at odds with the common services policy objectives outlined in chapter I above, although offsetting benefits in terms of quality of service may arise from the competitive incentives, in addition to the possible cost advantages of outsourcing. Such benefits may well be negated, however, by the costs of duplication, particularly for languages where class sizes are very small, such as Arabic and Russian. The Inspector has concluded therefore that a detailed review of the costs of running parallel language training services should be undertaken without delay with the objective of identifying the most cost effective modalities for future provision.

**(iii) Other joint services**

94. UNOV provides *communications services* to UNIDO and CTBTO on a cost-recovery basis, including telephone, fax and telex operations, mail and messenger services and diplomatic pouch facilities. *Joint buildings management services* are provided by UNIDO for certain operational services, such as conference technicians for the conference facilities and cleaning of jointly-used premises, which are cost-shared only between UNOV and UNIDO. The provision by UNIDO of *audio-visual services* to UNOV dates from the time that UNIDO was providing all public information services to the United Nations units at the VIC. When a separate public information service for the United Nations was being planned for the 1984-1985 biennium, it was decided that the audio-visual facilities need not be duplicated, and these facilities are being used by both UNIDO and UNOV. Some *computer services* (mainframe applications) are being provided by UNIDO to UNOV but these are legacy systems which will be phased out in the near future.

#### IV. FURTHER EXPANSION OF COMMON SERVICES

95. The recent opening of an expanded child care facility at the VIC demonstrates that cooperation and the commitment of the participating organizations can result in the further development of common services provision. This example is the exception, however, and its success may depend in part on the personal interest of the staff in expanding the service. The Inspector found little enthusiasm during the interviews for this report when seeking concrete suggestions for possible areas of expansion, the reluctance sometimes justified on the basis of past experience. The development of conference services and language training into full common services has already been considered in the previous chapter; other possible areas for expansion are reviewed below.

##### A. Procurement services

96. In the purchasing of equipment and contracting-out of services, it is usual to make a distinction between requirements related to the use of headquarters buildings and those related to research and technical cooperation programmes. For the first of these categories, IAEA had provided a common procurement service for several years following UNIDO's establishment at Vienna in 1967, and when the Joint Working Group reported in 1975 it was assumed that this arrangement would continue. As for the second category, IAEA and UNIDO had each maintained separate offices specializing in the requirements of their substantive programmes, and the Joint Working Group concluded that merging them would be unlikely to yield significant cost economies or greater efficiency, although suggesting that the matter might be studied further.<sup>69</sup>

97. By the time of the move to the VIC, however, each of these organizations had its own separate headquarters procurement operation. The 1977 MOU accepted dual services for "the immediate future" but stated that a "joint study should be undertaken to consider the re-establishment of common procurement services for headquarters' equipment and supplies on the most economical basis", a recommendation which was echoed in the JIU report of 1984.<sup>70</sup> Far from re-establishing this common service, however, each of the four organizations at the VIC has its own headquarters procurement service provided by its respective general support services entity. Furthermore, various joint arrangements have been dismantled. Until recently, for example, UNOV and UNIDO shared a joint contract for travel agency services, and UNIDO and IAEA had a joint agreement for the purchase of office paper supplies, while UNIDO had also undertaken purchasing on behalf of ODCCP, and CTBTO had used the procurement services of both UNOV and UNIDO. These arrangements lapsed, however, in the face of various logistical problems.

98. It was pointed out in the interviews for this report that separate procurement services, particularly for office supplies such as pens and photocopying paper, could be justified on the basis of modern management methods such as "just-in-time" delivery which reduced storage costs and wastage. As for one organization providing purchasing services to another, there was little incentive to do this when organizations were reducing staffing, particularly in administrative areas such as general support services, and when the reimbursement for the service went into "miscellaneous income". From the viewpoint of the recipient organization, there might also be problems in respect of quality control, cost and timeliness of delivery, which raised questions of responsibility and accountability. Differences in the operational systems and computer systems of the VBOs were further obstacles to joint ventures in this area, as was the specialized nature of procurement for technical cooperation projects.

99. Among those interviewed, there was some agreement that the correct platform for expansion was through wider inter-agency initiatives such as UNDP's Inter-Agency Procurement Services Office (IAPSO), and mention was made of IAPSO's success in negotiating favourable contracts for some commercial software. There appeared to be little interest, however, in more cooperative arrangements at the local level, even in UNOV which had been urged by OIOS in 1999 to identify further areas where shared procurement with the other VBOs, particularly for office supplies, "would reduce overall costs of goods and services purchased" and to act accordingly.<sup>71</sup> It should be noted that real progress has been made at the New York duty station in common procurement efforts, including office stationery supplies, photocopier leasing and travel services.<sup>72</sup> These initiatives have been shared with the Inter-Agency Procurement Working Group and could serve to revitalize interest on the part of the Vienna-based organizations. The Inspector is of the view that there should be renewed efforts to explore the potential cost savings that might accrue

<sup>69</sup> "Report of the IAEA/UNIDO Working Group ...", op. cit., para. 19 (a).

<sup>70</sup> "Memorandum of Understanding ...", op. cit., sect. 7 (c); JIU/REP/84/10, para. 83 and Recommendation 3.

<sup>71</sup> A/54/157, 30 June 1999, para. 140.

<sup>72</sup> A/57/176, 2 July 2002, paras. 10-14 and 16-18.

from common procurement arrangements, especially for office supplies and equipment, and that a joint working group should be set up for that purpose.

## **B. Information and communication technology services**

100. In theory, a wide range of information and communication technology (ICT) services could be provided on a common basis. In practice, this has been limited to the joint use of IAEA's mainframe computer. Prior to the move to the VIC, an agreement between IAEA and UNIDO gave the latter access to this facility on a cost-recovery basis. The computer services provided by IAEA consisted of data conversion and electronic data processing. Under the 1977 MOU, it was agreed that UNIDO would continue to use IAEA's computer facilities, and that a permanent coordination group would be established with representatives from each organization to decide issues relating to the costs of the services and the prioritization of the workload. UNIDO became increasingly dissatisfied with these aspects of the service, as well as IAEA's hardware acquisition policy, and in the early 1990s the Organization installed its own mainframe computer. In the event, this turned out to be a costly error. Eventually UNIDO abandoned its mainframe and reverted to using IAEA's facilities.

101. The rapid pace of change of computer technology in the last 25 years, notably from centralized mainframe computing to distributed processing on desktop computers, has altered some of the basic assumptions regarding common provision of computer services. At the present time, UNIDO is still buying mainframe capacity from IAEA, but the arrangement is due to terminate at the end of 2003. Following deployment of the "Agresso" software package, UNIDO's financial systems have already been migrated from the mainframe to independent servers, and the personnel systems will follow when a package has been selected and is operational. However, the opportunities for common provision of ICT services are legion and would bear detailed examination in the search for economies of scale and sharing of valuable (and expensively gained) experience. These could include user services (desk-top technical support and Help Desk, for standard products), shared data centre for location of critical hardware (servers, storage area networks, routers, etc.), Internet service provision, disaster recovery and, increasingly important, security policy and implementation.

102. Within UNOV, there has been recent rationalization of ICT capacity to remove duplicative services, and UNOV's Information Technology Section now supports all the United Nations programmes/units at the VIC including ODCCP. However, interviews with ICT professionals in IAEA, UNIDO and UNOV indicated that in respect of common services provision, the organizations were losing ground in this area, and some recent initiatives had faltered. For example, IAEA had originally provided a single Internet route for the whole of the VIC, but now there are four different routes, which suggests under-utilization of line capacity, or an over-provision of back-up lines. There are four different Internet Service Provider (ISP) contracts at least two of which are reportedly with the same supplier. Likewise, IAEA had originally provided common security services, but now each organization has established its own firewall operated by its own staff. While it is important to recognize that relatively higher levels of security will be required by various operational units, it is probable that all units would benefit from the policies and operations undertaken by the most demanding users.

103. The only example cited of positive progress relates to the imminent re-cabling of the VIC during the asbestos removal programme. Through good inter-agency cooperation at the working level, the organizations had agreed on technical standards for the installation of a common cabling system which will handle the needs of all the organizations. This would seem to offer a good opportunity for initiating further integration in the context of shared services and data centre facilities. The Inspector has concluded that the Vienna-based organizations should establish an ICT joint working group to explore the possibilities of sharing experience and opportunities.

## **C. Human resources management services**

104. In the area of human resources management (HRM), common services which had existed at Vienna for staff counselling, housing and language training have effectively been dismantled. The full-time staff counsellor professional post attached to IAEA's Joint Medical Service has been abolished, and each organization now has separate contractual arrangements to provide this service on a part-time basis. IAEA's housing service has also ceased to function as a common service. There appeared to be some interest among the concerned officials, however, in reinstating common provision for these services.

105. Likewise, during the interviews for this report there was support for the notion – though sometimes qualified – that there was scope for common services in the area of recruitment. Examples cited included a common testing service for General Services recruitment to eliminate duplication, ensure consistency in testing and evaluation and

facilitate the establishment of a centralized roster, as well as a common job classification service for GS and, possibly, professional posts.

106. There should also be scope for a common medical insurance. At present there are three separate policies held by UNIDO/UNOV, IAEA and CTBTO with the same company. The Inspector was informed that a comparative study had shown that there were slight differences in the benefits of the three policies, but more significant differences in the premium structure. This situation should be reviewed with the objective of moving to a single medical insurance policy administered by a central unit that would advise all VIC-based staff.

107. The reservations expressed concerning the feasibility of providing common recruitment and staff administration services generally related to differences in the staff regulations, rules and procedures between the organizations. Although each was following the guidelines of the International Civil Service Commission (ICSC), differences in HRM policy and procedures would make common administration of these services more complex and require a degree of specialization among personnel officers, possibly offsetting the potential benefits. In the view of the Inspector, however, this is not a major problem since such specialization and division of labour is already common practice in human resources management. As with any common services initiative, success depends to a large extent on the firm commitment and determination of the senior managers involved. The Inspector would encourage the heads of the HRM services of the VIC-based organizations to review the requirements for developing common services in the areas noted above, and to bring proposals before the CCCS for further discussion with a view to early implementation.

#### **D. Financial services**

108. While the Finance and Budget Section of UNOV provides some financial services to the United Nations programmes and other units, common financial services have not been established by the main occupants of the VIC. When CTBTO moved to the VIC in 1997, IAEA provided financial services for a short period, and there were also discussions with UNOV but it was not possible to make satisfactory arrangements. Apart from specific problems, such as quality control, differences in the financial rules and regulations of the organizations were cited as the reasons for lack of progress in this area, as well as the different financial management information systems.

109. There appears, however, to be good interaction on areas of common interest between the senior financial managers of the VIC-based organizations, particularly in respect of the cost-sharing and billing arrangements for the existing common services, which are often quoted as examples of good practice. This cooperative working relationship should facilitate further collaboration, possibly in the area of treasury operations, where preparatory work has already been done by one of the working groups of the Secretary-General's Task Force on Common Services (the Technical Working Group on Financial Services) to establish common policies and guidelines as a step towards common treasury operations.<sup>73</sup> Drawing on this initiative, a similar working group could be set up in Vienna.

#### **E. Public information services**

110. The United Nations Information Service (UNIS) in Vienna provides information services to the public on behalf of all the VBOs, and in that respect it can already be considered to be a common service. Its main activities include the Visitors Service and services to the press such as accreditation and press briefings. However, the costs of the UNIS in Vienna are not shared among the VBOs as is the case with other common services; it is currently funded from the budget of the United Nations Department of Public Information. The level of service provided is not as comprehensive as that of UNIS in Geneva, being constrained by the resources available, and at the present time UNIS is not able to cover all of the meetings of the VBOs or operate its television studio facilities. The Inspector understands that a cost-sharing arrangement for information services was discussed in the past by the CCCS but that no agreement was reached.

<sup>73</sup> A/55/461, 9 October 2000, paras. 33-35; A/57/176, 2 July 2002, para. 24.

111. Both UNIDO and IAEA also undertake public information activities on their own behalf. In UNIDO, the Office of the Director-General includes a small group dealing with communication and public information headed by a special adviser. In IAEA, public information is a programme in its own right, covering, *inter alia*, media relations, outreach to civil society, and publications and audio-visual materials. Under the relationship agreement, the United Nations and IAEA are required to “co-operate in the field of public information with a view to avoiding overlapping or uneconomical services and, where necessary or appropriate, to establishing common or joint services in this field” (resolution 1145 (XII), article XVII). The Inspector is of the view that there may opportunities to use resources more efficiently for public information purposes in Vienna and would suggest that a working group be set up by the VBOs to examine present arrangements with the objective of identifying existing overlaps in both facilities and services, as well as potential synergies for implementing a more fully common public information service.



## V. DEMISE OF A COMMON SERVICE: CASE STUDY OF THE VIC LIBRARY

### A. The common library service

112. The 1977 MOU assigned to IAEA the “general direction” of the Library Service. It envisaged a common acquisition and technical processing unit, a common education and training unit for library personnel from the Member States of both Organizations, and three separate Reader Service Units (one each for IAEA and UNIDO and a common unit for United Nations material).<sup>74</sup>

113. The objective for library services, as set out in the IAEA budget document for 1999-2000, was “[t]o operate as a common service to provide information services to the VIC based organizations, the staff of permanent missions in Vienna and registered participants in meetings held at the VIC, through a book and journal collection, reference services, commercial databases, inter-library loans, audio-visual materials and customized information services; and as a service exclusively for Member States of the Agency, to lend audio-visual materials to any institution within a Member State”.<sup>75</sup> Key trends identified for the biennium included increased availability of electronic publications, re-engineering of library processes to bring them in line with the electronic media environment, and improvements in information retrieval to “meet user information needs in the most cost effective way”.

114. The IAEA regular budget for 2000 – the last in which the VIC library was operating as a full common service – estimated library services at some USD 3.7 million and a staffing requirement of 14 (4 Professional and 10 GS).<sup>76</sup> The costs of the library service as allocated to the users comprised three components: a portion of the shared budget; the direct costs attributable to each user for specific materials; and a share of the data processing costs. The shared budget (shared fixed costs), covering staff, equipment, common library materials and general operating expenses, was allocated to the participating organizations according to the respective number of Vienna-based Professional staff as at 31 December of the preceding year.

115. As for management guidance, provision had been made by IAEA in 1980 for the establishment of a Library Advisory Committee, but it appears not to have been active. Following a recommendation of an IAEA internal audit report of April 1995, a Joint Management Consultative Committee (JMCC) on VIC Library Services was established in October 1998 by IAEA, UNIDO, UNOV and CTBTO to “ensure co-ordination at the senior management level...and to provide advice and recommendations to help assure that the Library services are in line with the organizations’ strategies and objectives”.<sup>77</sup> Although the terms of reference provided for a minimum of two meetings per year of the JMCC, the minutes show that fewer meetings actually took place, with one meeting in 1999, none in 2000, and one in 2001.

### B. Evaluating the VIC common library

116. An early warning that the common library service was experiencing problems can be found in the 1984 report by the JIU on common services at the VIC. This report identified a range of problems, including dissatisfaction with the library service by the smaller specialized United Nations units which had been obliged to acquire their own individual collections, doubts about the substantive quality of library acquisitions, and concerns about inadequate participation by all the users in major management decisions. There was also a perception among some users that the service provided was not commensurate with the costs they incurred.<sup>78</sup>

117. The 1984 JIU report also considered that the cost-sharing formula, which apportioned common library costs on the basis of the number of professional staff, was not objective, since usage of the facility was not restricted to professional staff.<sup>79</sup> The consultancy study of 1996, while recognizing that a cost-sharing methodology based on professional staff numbers was commonly used in comparable organizations, recommended that the VIC library should “examine the feasibility of collecting data on actual use of the facility and its services beginning in 1996”.<sup>80</sup> Such data would be useful for planning purposes and might form the basis of the cost-sharing methodology at some future date.

<sup>74</sup> “Memorandum of Understanding ...”, op. cit., sect. 12.

<sup>75</sup> “The Agency’s Budget for 1999-2000”, GC(42)/7, August 1998, sect. 2.4.

<sup>76</sup> “The Agency’s Budget for 2000”, GC(43)/6, August 1999, tables 66 and 76.

<sup>77</sup> “Terms of reference for the Joint Management Consultative Committee on the VIC Library Services”, 2 November 1999.

<sup>78</sup> JIU/REP/84/10, paras. 35-36.

<sup>79</sup> Ibid., para. 38.

<sup>80</sup> “Vienna International Centre ...”, op. cit., paras. 25-28.

118. There has been intensive scrutiny of the VIC library service in recent years, with a 1995 internal audit followed by a user needs survey conducted in 1996 and a cost-benefit analysis in 1997/98, the latter two carried out by external consultancies. The survey results from the cost-benefit study “[did] not suggest any serious level of dissatisfaction with the services of the VIC Library overall”, while at the same time the accessibility of an information service was seen as a key requirement by those surveyed, “with the Internet already playing a major role”.<sup>81</sup> As for the costs and benefits, the study found that “compared with the normative data, VIC Library services [were] expensive by a factor of at least 1.6:1”, a major cause being high United Nations salaries.<sup>82</sup> However, the normative data also suggested that the ratio of the costs of the provision and use of VIC common library services to the benefits may have been in the order of 1:5.

119. Following the cost-benefit study, IAEA’s Programme Performance Assessment System recommended certain efficiency measures, including a significant reduction in journal routing in paper form, a reduction in the number of journal subscriptions, improvements in electronic access to information, and annual monitoring of user satisfaction with the current awareness services provided. In addition, Library Expert Advisory Groups were established in IAEA, UNOV and CTBTO with a view to improving efficiency in the use of funds. Notwithstanding these measures, nor the commitment of the participating organizations in 1999 to undertake a comprehensive joint audit of the service, a progressive disengagement from the common library service started at the end of 2000.

### C. Progressive withdrawal

#### (i) UNIDO

120. UNIDO was the first participating organization to withdraw from the VIC Library. Faced with acute financial constraints, as well as an apparently marginal use of the library by UNIDO staff members, the Director-General decided towards the end of 1998 that UNIDO would discontinue its participation unless satisfactory arrangements could be agreed upon. This decision derived in part from the findings of an analysis of the use of the VIC Library by UNIDO staff conducted in March 1998 by UNIDO’s evaluation unit, which concluded that the ratio of costs to benefits was too high, particularly in respect of the shared fixed costs. While immediate measures could be – and were – implemented to reduce the size of UNIDO’s direct library costs, largely through a sharp reduction in the number of its journal subscriptions, the Organization could not in the short term influence either the total fixed costs, or its own share of those costs which derived from the agreed cost-sharing formula.

121. As the timing of the two studies overlapped, UNIDO’s internal study was necessarily prepared without reference to the analysis and conclusions of the cost-benefit study referred to above which had been commissioned by IAEA. Subsequently, IAEA attempted to refute some of the statistical data and cost estimates of the UNIDO study, as well as some of its conclusions and recommendations, drawing on the analysis of the cost-benefit study for support. UNIDO, however, was firm in defence of its position. What is clear from a review of the studies in question is that on certain crucial issues different methodologies led to different conclusions. For example, UNIDO’s estimate that its share of the 1997 fixed costs averaged out at about USD 3,000 per UNIDO staff user was based on its findings of **actual staff use** (both Professional and GS) over a period of at least four years, whereas in its rebuttal IAEA used **actual staff numbers** in the total user community (Professional plus G6 and above of all the participating organizations) to arrive at a roughly equivalent measure which gave an estimate of only some USD 1,100 per member of the user community.<sup>83</sup> These differences stem from different perceptions about what constitutes a library user.

122. It should be noted that in 2000, in response to an audit observation, UNIDO quoted a figure of USD 3,000 as “the average annual cost of the [Joint] Library per Professional staff for UNIDO” (rather than per UNIDO staff user, as above), and compared this figure to an estimate of USD 1,660 as the average annual cost of the [UNIDO] library per Professional staff in the period 2001-2003. If this figure of USD 3,000 was derived from UNIDO’s March 1998 analysis, it would seem to have been used incorrectly in the reply to the audit observation. Since this cost comparison was one of the main justifications for the decision of UNIDO to withdraw from the common library service, the

<sup>81</sup> “A cost-benefit analysis of the Library Services at the Vienna International Centre”, Library Research Center, University of Illinois, May 1998, Executive Summary, p. 3.

<sup>82</sup> The normative data were derived from 23 surveys of users of special libraries in government agencies and large corporations in the United States. *Ibid.*, p. 4.

<sup>83</sup> UNIDO used a figure of 202 UNIDO library users and a share of library costs in 1997 of USD 652,700 which gives a user average of USD 3,231; IAEA used a figure of 2,733 users and a total shared budget of USD 3,117,000, which gives a user average of USD 1,141.

methodology used should have been rigorous and unambiguous.<sup>84</sup> In this regard, the presentation of a library cost comparison for the period 1992-2003 in terms of annual totals rather than annual averages was less than helpful.<sup>85</sup>

123. UNIDO's internal study acknowledged that it was essential that the Organization should continue to have access to a library, either by continuing with the present service or by adopting an alternative. One recommendation was to examine the feasibility of a "UNIDO stand alone state of the art virtual library", an option which was eventually chosen. Apart from the somewhat dubious cost justifications already reviewed above, it was argued that improved accessibility of locating library and information services in the UNIDO building, as well as enhanced delivery of information by electronic means, would increase usage and hence raise staff productivity. UNIDO gave formal notice to IAEA of its withdrawal from the common library service effective 1 January 2001 and, with the cooperation and assistance of the VIC Library staff, set about establishing its own Library and Knowledge Management Centre.

124. While an assessment of the overall costs and benefits of UNIDO's decision to set up its own library is beyond the scope of the present study, certain questions need to be raised about cost-effectiveness. One concern is the probable duplication of reference and on-line services, which may increase over time. Another relates to the decision by UNIDO to run the library service with a skeleton staff, which may not be sustainable. Yet another arises in respect of the transparency of library costs since certain of its functions (budgeting, acquisition and contracts) were to be performed by another service.

125. On the basis of public documents, it is not possible to assess the direct financial impact on UNIDO of the decision to establish its own library service. While the withdrawal from the VIC common library took place during the 2000-2001 biennium, there is no mention of this change in the programme and budgets for 2002-2003, either in terms of a budget reduction in the contribution to shared services or in terms of the budgetary requirements to establish separate UNIDO library facilities.<sup>86</sup> Indeed, the term "library" does not appear in this budget document at all. It is disquieting that this decision, which has implications for the underlying commitment of the organizations of the United Nations system to the advancement of common services provision in the context of the reform programme, as outlined in chapter I above, as well as financial implications for the VIC-based organizations, was not presented to the legislative organs of UNIDO as a budget proposal for consideration.

## **(ii) CTBTO**

126. Faced with UNIDO's imminent withdrawal, discussions were initiated during 2000 between IAEA, UNOV and CTBTO with a view to better focusing the future activities of the VIC Library to meet the needs of the latter two organizations in a cost-effective manner. However, in early 2001, CTBTO also gave notice of its intention to withdraw, effective 9 February 2002, since its dialogue with IAEA had failed to identify an acceptable alternative, i.e., services tailor-made to its needs at a price it felt it could afford. CTBTO planned instead to use a consultant to set up its own on-line library which would give access to the scientific and technical journals required by its staff.

## **(iii) UNOV**

127. Following CTBTO's notification, UNOV requested, in a memorandum to IAEA of 23 February 2001, that a small joint working group be set up to examine VIC Library services to UNOV for 2001 and beyond. UNOV was concerned in particular with IAEA's proposed VIC Library budget for 2001, which it considered did not fully reflect agreed services reductions, actual staff reductions or shifts in exchange rates. Furthermore, UNOV pointed out that IAEA's charges for library services in 2001 had increased sharply, whereas UNOV's own budget for library services had been reduced by 22 per cent by UNHQ to offset an increase in the value of the dollar. UNOV estimated that it faced a shortfall of some USD 250,000 for charges for joint library services for 2001, and a biennium shortfall of almost USD 30,000 for its share of library data processing costs. In its subsequent response to UNOV of 31 May 2001, IAEA indicated that its own analysis had drawn the opposite conclusion, i.e., that library charges in dollar terms

<sup>84</sup> "Audit observation CF/2000-08, UNIDO Library", UNIDO Interoffice Memorandum, 21 December 2000.

<sup>85</sup> Ibid., annex I.

<sup>86</sup> The programme and budget document for 2002-2003 presents contributions to the shared services as a separate major programme (H: Indirect Costs) for the first time; while significant changes are noted for other shared services, there is no mention of the withdrawal from the common library service. "Programme and Budgets, 2002-2003", IDB.24/3, PBC.17/3, 16 March 2001, pp. 74-75.

to UNOV for 2001 would actually be some USD 43,000 lower than in 2000. One reason put forward by IAEA for these contrary outcomes was that the two organizations were using different exchange rates for budgeting purposes.<sup>87</sup>

128. In April 2001, UNOV came to the conclusion that it too might have to withdraw from the common library service. Meanwhile, IAEA's analysis had led it to the conclusion that it was no longer in a position to continue operating the Library as a common service with only two subscribers, and in its memorandum of May 2001 it requested that UNOV submit a formal notification of its intention to withdraw. UNOV gave notice on 23 July 2001 and a joint IAEA/UNOV working group was set up to oversee the transition and transfer of assets.

129. UNOV is implementing a decentralized approach to in-house library provision, building on the existing satellite collections in the substantive offices in UNOV and ODCCP, and making extensive use of web-based information. It is envisaged that these small libraries will support one another by providing loans and sharing electronic catalogues, while acquisitions and subscriptions would be handled by existing staff. By adopting this new approach, decisions on the utilization of library funds would be made by the users and overheads reduced. It is foreseen that about 30 per cent of the budget for library services would be used centrally for licences for electronic journals and databases, as well as inter-library loans, with the remaining funds divided between the substantive programmes.

130. It should be noted here that in considering alternatives to the VIC Library, the 1998 cost-benefit study concluded that the option of decentralization to specialized collections within divisions/departments, while feasible, "would be extremely undesirable economically", citing the library of UNCITRAL as evidence to support its contention. This option, however, in varying degrees, is being implemented by UNOV, UNIDO and CTBTO.

#### **D. Demise of a common service: lessons learned**

131. In dismantling the common library service, the VIC-based organizations have moved from a single library service provider to four separate library services. This contravenes the spirit, and arguably the letter, of the relationship agreements on administrative cooperation, as quoted in paragraph 2 above. And it is a retrograde step in terms of cost-effectiveness, certainly in the longer term. If there is any benefit to be gained at this late stage, it is in lessons learned which might be applied elsewhere, and these are summarized below.

##### *Cost factors*

132. It can be seen from the analytical account above that cost factors played a major role in the justifications for withdrawal from the common library service. Prime among these was the level of the fixed budget for the shared services, and a lack of transparency with respect to certain components of that fixed budget. IAEA set the level of the Library budget on its own each year and informed the participating organizations accordingly. Dissatisfaction with this process was stressed to the Inspector in his interviews with the participating organizations, particularly the loss of budgetary control and the attendant issue of accountability. Prior consultations and greater sharing of information should have been an integral part of this process.

133. The appropriateness of the cost-sharing formula was raised by the JIU as early as 1984, and by the consultancy study on the cost-sharing of common services in 1996. As noted above, the latter study recommended that data be collected on actual library use with a view to eventually reconsidering the basis of the cost-sharing formula for this service, but no action was taken and an opportunity was missed.

134. Recent reform programmes in the organizations of the United Nations system have focused on efficiency and cost-effectiveness and all areas of the budget have been subject to intense scrutiny. This has been particularly so in UNIDO, which, faced with a severe financial crisis, was forced into immediate and substantial budget reductions in 1996-1997 and 1998-1999, and a major restructuring. The budget documents show that the cost savings were relatively more heavy for administrative services, including common and joint services.<sup>88</sup> In such circumstances, it is perhaps not surprising that library and information services became targets for effecting cost savings. However, while UNIDO was subject to a particularly severe external shock, there is no doubt that organizations facing cost-cutting

<sup>87</sup> IAEA noted that UNOV's library budget for 2001 was based on ATS 16.30 to USD 1, while IAEA's budget was based on ATS 12.70 to USD 1.

<sup>88</sup> The revised budget proposal for 1996-1997 shows a 24.6 per cent real reduction in operational support services/administration compared with 1994-1995, and a 27.6 per cent real reduction for common and joint services. This compares with a 14.6 per cent real reduction for the total budget (regular and operational combined). IDB/S.6/2, PBC/AS.2/2, 4 December 1995, para. 11, table.

exercises will seek savings in administrative services first in order to protect their substantive programmes, and the more so if the budget for these services is being set by another organization as a common services provider. Perversely, the drive for reform may be contributing to the demise of common services provision.

#### *Service-level factors*

135. Although survey data from the studies of 1996 and 1997/98, as noted above, did not show any serious level of dissatisfaction with the services provided, there were indications that the VIC Library was experiencing problems in adapting its approach to information and knowledge management, particularly in respect of electronic means of dissemination. These were generally technical problems related to interconnectivity and access which required a coordinated, longer-term approach by all participants, but there was a perceived need for more immediate solutions.<sup>89</sup> UNIDO, for example, considered that its new programmatic requirements following its reform process demanded a new approach to information management, including the creation of a “cyber library”. Electronic-based information services have been a core component of the alternative arrangements adopted individually by the participating organizations.

136. Transparency in respect of the services provided under the shared fixed budget of the VIC Library was another issue of contention, with the participating organizations uneasy about the proportionate allocation of the funds to different uses. These reservations, expressed in discussions on the use of the shared library funds at the second meeting of the JMCC in May 1999, suggested not only a lack of trust in the way the funds were being used, but also perhaps a lack of commitment to the basic premise of central provision of information services of common interest to all organizations.

#### *Managerial factors*

137. For most of its existence, the common library service lacked a joint management advisory committee at which the problems outlined above could have been discussed and possibly resolved. While the VIC Library appeared from time to time as an agenda item of the CCCS, it could not command sufficient attention in this joint forum to compensate for its lack of a dedicated joint committee. Though a joint management advisory committee was eventually established in 1998, it failed to function effectively beyond its second meeting in May 1999 at which a range of issues and problems was openly discussed. More than three years elapsed between the IAEA’s internal audit report of April 1995, which recommended the establishment of the JMCC, and its creation, a fatal delay which should have been avoided.

138. A further factor – and one faced by other common services – is rooted in the apparent reluctance of some senior managers in individual organizations to relinquish control over a given service and its budget. While admittedly more difficult to document, there appeared to be a firm conviction in some quarters that library and information services would be better focused to individual needs and managed more effectively if provided in-house by each organization. It is possible also that such reluctance reflects a deeper resistance on the part of some managers to the principle of common services provision.

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<sup>89</sup> Problems in the use of electronic library resources were discussed at the 2nd meeting of the JMCC, 10 May 1999, under agenda item 2.

## VI. RETHINKING ADMINISTRATIVE ARRANGEMENTS

139. The system of allocated administration for common services at the VIC was originally planned on the basis of dual occupancy by UNIDO and IAEA. As noted in paragraph 10 above, both organizations were projecting staffing levels of more than 2,000 for 1981, and the notion of an “overall balance of responsibilities” for common services was predicated on the basis that those responsibilities would be equitably divided between two organizations of roughly equal size. In the event, it was necessary to adapt the plans to accommodate occupancy by three organizations.

140. From the documentation available, it is not possible to ascertain if the allocation envisaged in the 1977 MOU was based on quantifiable criteria establishing the relative sizes of the three organizations and the relative responsibilities of managing each common service, in order to achieve an equitable allocation, as recommended, or whether it was more ad hoc, with the pre-existing arrangements being the overriding factor (see paragraph 12 above). Twenty-five years later, however, the original allocation still dominates.

141. Comparing the sizes of the organizations located at Vienna is not entirely straightforward because of the differences in their mandates, operational activities and programme funding modalities. A further complication is that UNOV is neither homogeneous nor autonomous, and there are limitations on the authority delegated to its various parts by United Nations Headquarters. This raises the question of whether the United Nations rather than a part of it (UNOV) should be used to determine relative size, an issue which should be borne in mind when considering the “overall balance of responsibilities” for common services at Vienna. For the purposes of the present analysis, however, UNOV remains the unit for comparison.

142. Some indicators of size drawn from the proposed programme budgets for the 2000-2001 biennium are presented in the table in annex II, and ratios derived from this data showing the relative sizes of the three Vienna-based organizations are summarized below.

	<b>IAEA</b>	<b>UNIDO</b>	<b>UNOV</b>
Regular budget posts	2.9	1.0	0.6
Regular budget financial resources	3.3	1.0	0.5
Total posts	2.5	1.0	0.9
Total financial resources	1.7	1.0	0.7

Using the simplest of these indicators – regular budget posts – IAEA is three times the size of UNIDO which in turn is almost twice the size of UNOV, ratios which are more or less echoed, not surprisingly, in the regular budget financial resources data. The size differentials are narrower if total posts (regular and extrabudgetary) are considered: IAEA is two and a half times the size UNIDO, while the latter is only marginally bigger than UNOV. The alignment of UNIDO and UNOV by this measure reflects the high proportion of extrabudgetary funding in the United Nations International Drug Control Programme. Similarly, there is a further narrowing between IAEA and UNIDO using the measure of total financial resources, since technical cooperation activities are a more important component of the budgetary estimates in the latter than in the former. However, given the uncertainties surrounding the actual funding of technical cooperation activities and other voluntary contributions, comparisons may be more meaningful at the regular budget level.

143. It is not a simple matter to measure the relative responsibilities of each organization in managing their respective allocated common services. One problem is that there is no single model for the management of the services in question, with some managed in-house and others fully or partially outsourced. Similarly, differences in financing modalities, with some subject to cost sharing and others self-financing, make it less easy to draw meaningful comparisons. More difficult still is the assessment of the relative burden of administrative support costs, which are omitted from the cost-sharing calculations altogether. Furthermore, using published budget data gives only a partial view since self-financing services (e.g., commissary, catering) are not covered, and some services are not

budgeted separately (e.g., travel documents, interpretation).<sup>90</sup> Available budget data for the 2000-2001 biennium for certain common services are presented below.

	<b>Gross resource requirements</b>		<b>Posts</b>	
	(USD '000, at 2000-2001 costs)	(P	GS	Total)
<b>IAEA:</b>				
Medical	3 194.0	3	16	19
Printing	9 308.0	2	49	51
<i>Library</i> <sup>91</sup>	7 233.0	4	10	14
<b>UNIDO:</b>				
Buildings Management	41 658.0	4	106	110
<b>United Nations/UNOV:</b>				
Security and Safety	11 578.0	2	83	85

On the basis of this data, buildings management is the largest of the common services, followed by security and safety service. Measured by post requirements, the differential is not particularly large, but the gross resource requirement for buildings management exceeds that of security and safety by a very wide margin.

144. As for the self-financing services, in the 2000-2001 biennium, the Commissary (IAEA) had gross sales of some USD 52.9 million; the catering service (UNIDO), gross sales of some USD 7.4 million; and garage operations (UNOV), estimated gross revenues of USD 0.57 million.

145. The ratios in paragraph 142 above provide a benchmark against which to assess if there is an “equitable allocation” and an “overall balance of responsibilities”. By each measure there is a consistent ranking indicating that IAEA should be carrying a greater responsibility than either UNIDO or UNOV. However, the data presented above suggest that this is not the case. While the basis for making such comparisons is not ideal – as already noted – the evidence is sufficiently convincing that UNIDO is carrying a disproportionately large responsibility for common services by virtue of its management of the VIC buildings complex. This might not be a major concern if it were not for the fact that administrative support costs for each common service are not shared among the participants on the assumption that these costs would balance out between the organizations concerned.

146. Beyond the arguments that the responsibilities for common services are neither balanced nor equitable between the three organizations, the rationale for the present allocation is seriously open to question in terms of its efficiency and cost effectiveness. The main justification, which dates from the mid-1970s, was that the organization responsible for a given service prior to the move to the VIC would continue to exercise that responsibility. While it may be argued that there was an associated comparative advantage at the time, the outcome was a fragmentation of responsibility for services that might have been more logically clustered together. One such cluster would include buildings management, garage operations, and security and safety services; a second would group the welfare services (catering, medical, commissary, child care); a third, library and conference services including documentation services (editorial, translation, printing and reproduction), meetings and interpretation.

147. Grouping services as far as possible according to their respective synergies would seem to offer efficiencies in terms of managerial and operational expertise, as well as associated cost savings. But re-allocating the common services to achieve more logical groupings does not appear to be a realistic option, not least because of the difficulties

<sup>90</sup> A similar problem arises with the data presented to the ACABQ in response to its request for “information on the estimated shares of the organizations located at the United Nations Office at Vienna in common and joint administrative services ...”. The data provided are limited to four common services (safety and security, travel documents, buildings management and medical) and one joint service (communications), which gives a somewhat unbalanced perspective since the self-financing services are omitted, as well as other services such as printing. ACABQ, “First report on the proposed programme budget for the biennium 2002-2003”, A/56/7, para. VIII.113 and table VIII.2; ACABQ, “First report on the proposed programme budget for the biennium 2000-2001”, A/54/7, para. VIII.94 and table.

<sup>91</sup> It should be noted that while a common library service was included in IAEA’s budget proposals for 2000-2001, this common service was progressively dismantled in 2001/02 with the withdrawal first of UNIDO and then CTBTO and UNOV (see chapter V above).

of balancing out the responsibilities among organizations of differing sizes and varying fortunes. Indeed, the experience with allocated administration at Vienna suggests that it is not sufficiently flexible to accommodate the changing circumstances of individual organizations.

148. During the interviews for this report, there appeared to be little support among senior managers for the present system of allocated administration, and several expressed the view that managing common services was not within the mandates of specialized agencies such as IAEA or UNIDO. As noted in paragraph 12 above, the Joint Working Group considered three organizational structures and concluded that allocated administration gave rise to fewer difficulties than independent administration or joint administration. The study assumed, however, that only two organizations – IAEA and UNIDO – would occupy the VIC.

149. It was foreseen by the Secretary-General at the time that a tripartite occupancy of the VIC by IAEA, UNIDO and the United Nations would require different administrative and management arrangements than had previously been planned. It would be necessary for the United Nations to establish an administrative servicing capability of its own, including, probably, the establishment of a permanent conference/meetings servicing infrastructure. The following services were listed as being “very closely related to the servicing of conferences”: security, communications, catering, visitors services and – crucially – buildings management and operation. The Secretary-General stated that “the effective co-ordination of these operations suggests that they should have the same over-all management and direction”.<sup>92</sup>

150. From the review of conference services in chapter III above, the Inspector has concluded that the Vienna-based organizations should establish, no later than the 2006-2007 budget cycle, a fully unified conference servicing facility at Vienna, to be managed by the United Nations. Since the services listed in the previous paragraph as being closely related to the servicing of conferences make up the bulk of the common services, it would also seem rational to move to a single administrative unit for common services within the same timeframe. The Inspector is of the view that there would be significant managerial and operational efficiency gains from ending the current fragmentation. And a single common services administrative unit might also be more dynamic in furthering the development of common services in areas such as procurement, human resources management and ICT, as discussed in chapter IV above.

151. The United Nations, and the Secretary-General in particular, as Chairman of the Chief Executives Board (CEB), have institutional responsibility for implementing the relationship agreements, as well as General Assembly resolutions relating to common services. The United Nations additionally has extensive experience in buildings and facilities management and the servicing of conferences, which could be brought to bear on VIC common services. A single common services entity under the management of UNOV would signify transforming the UNOV Division of Administrative and Common Services into a VIC Division of Common Services applying United Nations rules and regulations, but accountable to the Executive Heads of the Vienna-based organizations. While UNOV/DACS would need to be strengthened, there would be a concomitant scaling back in the equivalent units in the specialized agencies, particularly in the area of general support services.

152. As with any major organizational change, the transition would entail short-run costs. In the case of the self-financing services (catering, commissary and child care centre) these costs would be limited since it would probably not be necessary to transfer staff to UNOV from UNIDO or IAEA. But the transfer of buildings management from UNIDO, and printing services (and possibly medical services) from IAEA would require a relocation of staff, which could give rise to problems relating to contractual status, staff welfare etc. The proposal also has implications for the United Nations programme and budget since the additional staff in the common services administrative unit would sharply increase UNOV’s total resource requirements and breach current budgetary guidelines. As the total budget for common services would be cost shared among the VIC-based organizations on the basis of agreed formulae, it would be necessary to present the resource requirements for common services on both a net and a gross basis, with supporting explanation, as is already the case for the cost-shared security and safety services provided by UNOV.

153. Some basic conditions would also need to be fulfilled for a single common services administrative unit to function effectively. Most importantly, UNOV would require comprehensive delegation of authority from UNHQ for its administration of these services, both to ensure smooth operations and to reassure the participating organizations that decisions would be taken locally. It would also be necessary for the organizations to move to a common environment by adopting common standards in respect of administrative items such as space allocation and technical items such as the local area network.

<sup>92</sup> “Inclusion of Vienna in the pattern of conferences”, Report of the Secretary-General, A/10348, 17 November 1975, para. 42.



154. In the event that the current system of allocated administration of common services is retained by the Vienna-based organizations, it would be necessary to renegotiate the Memorandum of Understanding to reflect the current realities, removing in the process any vagueness and ambiguities which arose from uncertainties at the time the MOU was originally drawn up, and, where required, revise the rules of each common service to ensure their consistency with the terms of the MOU. The organizations would also have to acknowledge that an equitable balance of responsibilities for common services has become an increasingly evasive objective and, hence, to accept the incorporation of administrative support costs in the cost-sharing methodologies.

## VII. THE OVERSIGHT ROLE OF MEMBER STATES

155. The Inspector acknowledges that the Vienna-based organizations have achieved considerable success in operating common services at the VIC for more than two decades. Any discussion in preceding chapters of the problems encountered should not detract from that success nor from the cooperative endeavours of those who have achieved and sustained it. There is no doubt that the management of common services has occupied – and continues to occupy – considerable amounts of the time of managers at all levels in each organization. Given the importance of common services in the reform strategy of the United Nations, the progress achieved at Vienna should now be consolidated and, where possible, strengthened further.

156. The further development of common services at Vienna, as at other duty stations, depends crucially on the support of Member States. The General Assembly resolutions on the recent JIU reports on common services in Geneva is a clear statement of that support.<sup>93</sup> It would be timely, therefore, if support for the principle of common services were to be restated by the legislative bodies of IAEA and UNIDO, in line with the terms of their relationship agreements with the United Nations (see paragraph 2 above). The Inspector is concerned that the recent demise of the common library service at Vienna might lead the Executive Heads to consider disengagement from other common services. A strong statement of support by the legislative bodies would help to counteract such a tendency.

157. It is also of grave concern that the common library service was dismantled without the proposal being considered by the legislative bodies of UNIDO and the United Nations. Given that common services provision is a major administrative policy objective and an important component of the reform strategy, the oversight role of the legislative bodies appears to have failed in this case.

158. Common services items appear from time to time on the agendas of UNIDO's legislative bodies, and in the various performance reports that they consider, while the annual reports of both the Director-General of UNIDO and the Director General of IAEA make brief reference to the subject. However, in neither organization can the reporting by the Executive Head to the legislative bodies on the subject of common services be considered comprehensive or systematic. By contrast, the Secretary-General has presented detailed reports on common services to the United Nations General Assembly in recent years (see paragraphs 6 and 7 above), and the matter is considered biennially by the ACABQ in the context of its review of the proposed programme budget.<sup>94</sup>

159. The Inspector is of the view that the Industrial Development Board of UNIDO and the Board of Governors of IAEA should include common and joint services as an agenda item every two years and that the respective Executive Heads should be required to report in a comprehensive manner on their provision and use of common and joint services.

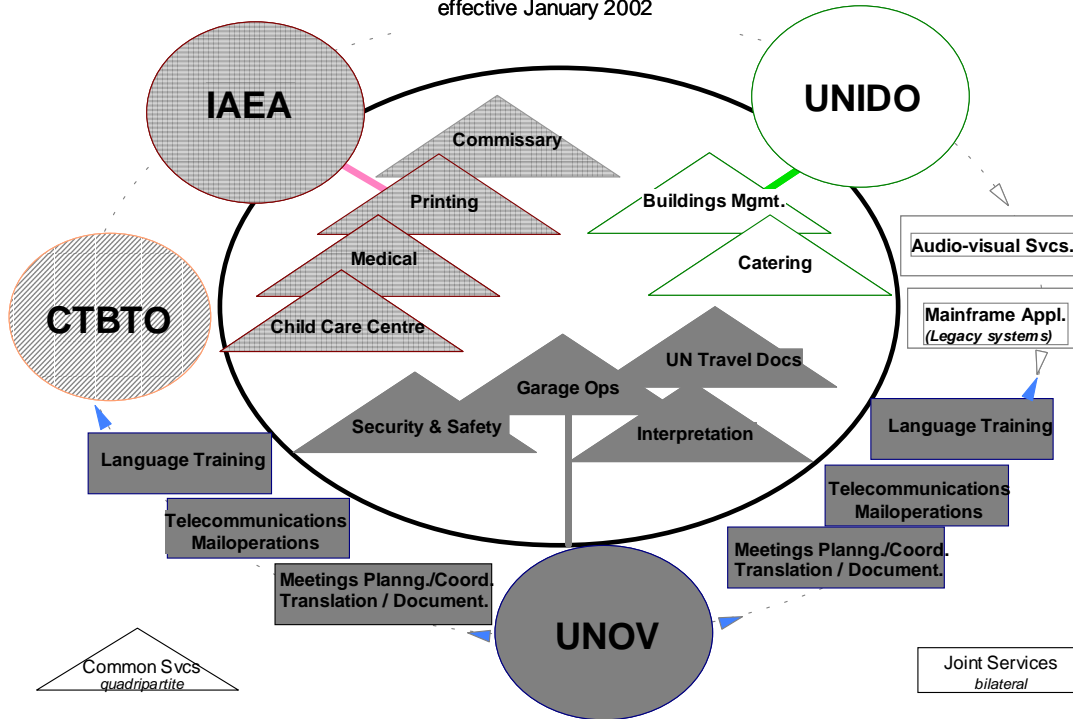
<sup>93</sup> A/RES/54/255, 7 April 2000; A/RES/56/279, 27 March 2002.

<sup>94</sup> For 2000-2001, "Administration, Vienna" is reviewed in A/54/7, sect. 27F; for 2002-2003 in A/56/7, sect. 27F, including table VIII.2.

## Annex I

# The Common and Joint Services at the V.I.C.

managed by UNOV, UNIDO or IAEA  
effective January 2002



Source: UNOV/DACS

## Annex II

**Indicators of size of the organizations at Vienna, 2000-2001**

	<u>Financial resources (estimates)<sup>(a)</sup></u> (USD '000s)			<u>Human resources<sup>(b)</sup></u> (posts)		
	Regular budget	Extra- budgetary	Total	Regular budget	Extra- budgetary	Total
United Nations Office at Vienna	63,648.30	220,085.60	283,733.90	313.0	344.0	657.0
UNIDO	133,264.10	246,256.30 <sup>(c)</sup>	379,520.40	556.5	170.0	726.5
IAEA	446,811.00	188,987.00 <sup>(d)</sup>	635,798.00	1,629.0	172.0	1,801.0

Source: United Nations, "Proposed programme budget for the biennium 2000-2001", vols. II and III, A/54/6/Rev.1; UNIDO, "Programme and budgets, 2000-2001", IDB.21/7; IAEA, "The Agency's budget for 2000", GC(43)/6; "The Agency's programme and budget for 2001", GC(44)/6, IAEA website.

Notes:

- (a) Estimated financial resources on a net basis in respect of the common services listed in Note<sup>(b)</sup> below.
- (b) Human resources total includes 85 posts for UNOV's Safety and Security Service, 110 posts for UNIDO's Buildings Management Service, and 84 posts for IAEA'S Common Services (Medical (19), Library (14), Printing (51)).
- (c) Includes Operational Budget and technical cooperation.
- (d) Includes estimates for voluntary contributions to the Technical Cooperation Fund.