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**Industrial Development Board**

Third Session

Vienna, 24 April - 15 May 1969

Agenda item 6(e)

**REPORT ON THE PAYMENT OF LOCAL COSTS**  
**IN RESPECT OF THE SPECIAL INDUSTRIAL SERVICES PROGRAMME**

Submitted by the Executive Director

id.69-570

**We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.**

1. The Industrial Development Board at its second session adopted resolution 7(II) which noted "the widespread feeling in the Board that the payment of local costs in respect of the Special Industrial Services should be completely waived", and requested the Executive Director to have this question "examined jointly with the United Nations Development Programme as a matter of urgency and to inform the Board at its third session of the results".


2. Having sought the opinion of the Legal Counsel of the United Nations in this matter, the Executive Director was informed that "as a general rule, the administrators of the SIS Trust Fund (the Executive Director of UNIDO and the Administrator of UNDP, upon delegation by the Secretary-General) are required to conform to the pertinent rules, policies and practices of the UNDP". The Legal Counsel added, however, that "in exceptional circumstances, the administrators may depart from these rules, policies and practices, if such departure is necessary to achieve the purpose for which the SIS programme was established, and is consistent with the other terms and conditions regulating the use of the Trust Fund".

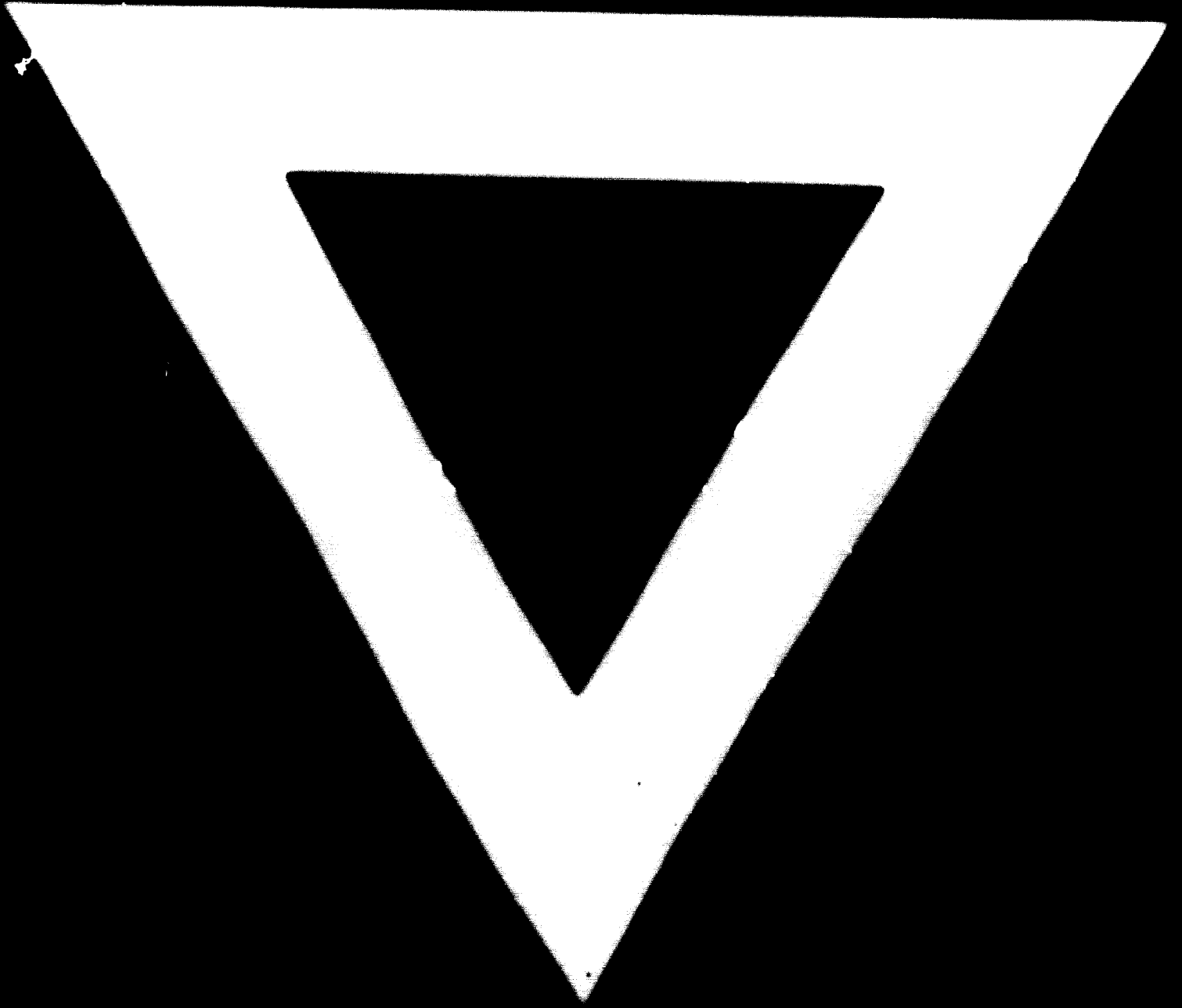
3. The Executive Director conveyed the above opinion of the Legal Counsel to the Administrator of UNDP and requested his views on the proposal made by the Industrial Development Board regarding local costs. In doing so, the Executive Director stated that, in his opinion, since the SIS Trust Fund was established with a view to making available to member states a broader range of technical assistance services under accelerated and simplified procedures more adapted to the particular requirements of industrial projects,<sup>1/</sup> the required flexibility could be best served by exempting from the payment of local costs at least the short-term missions under the SIS programme, namely those with a duration of up to four months. Such missions are often of an exploratory and fact finding nature which, under the procedures of UNDP, are generally financed out of administrative funds without any costs to the Governments involved. The Executive Director agreed that payment of local costs should apply to missions of longer duration.

<sup>1/</sup> See resolution A/CONF/100.1.

4. In a later communication, the Administrator of UNDP informed UNIDO that he could not agree to the proposed exemption from local costs of SIS projects of a duration up to four months; that in his opinion all SIS projects should continue to be administered under regular UNDP procedures; and that the UNDP Governing Council would be advised of this matter at its forthcoming session in January 1969.

5. Following the above communication, the Administrator of UNDP was informed that the Executive Director still maintained the viewpoint which he had expressed in his previous communication and that he would report to the third session of the Industrial Development Board the respective positions of UNIDO and UNDP in this matter. He also felt that the Governing Council of the UNDP had no responsibility for deciding or recommending the way in which the SIS funds would be utilized, SIS being a trust fund administered under the authority of the Secretary-General by the Executive Director of UNIDO and the Administrator of UNDP. However, should the matter of payment of local costs be reported to the UNDP Governing Council, he requested that the latter also be advised of the position of UNIDO.





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