**Government Local Office Cost (GLOC) Valuation of the In-Kind Contribution from the Host Government**

**Standard Basic Assistance Agreement**

1. In accordance with provisions of the Standard Basic Assistance Agreement (SBAA) that govern UNDP operations in programme countries, host governments are expected to contribute towards the local cost of UNDP country offices, per Article VI – Paragraphs 4 and 5:

*“4. The Government shall also contribute towards the expenses of maintaining the UNDP mission in the country by paying annually to the UNDP a lump sum mutually agreed between the parties to assist in  covering the following expenditures:*

1. *An appropriate office with equipment and supplies, adequate to serve as local headquarters for the UNDP in the country;*
2. *Appropriate local secretarial and clerical help, interpreters, translators, and related assistance;*
3. *Transportation of the resident representative and his staff for official purposes within the country;*
4. *Postage and telecommunications for official purposes; and*
5. *Subsistence for the resident representative and his staff while in official travel status within the country.*

*“5. The Government shall have the option of providing* ***in kind*** *the facilities referred to in paragraph 4 above, with the exception of items (b) and (e).”*

1. Where there is no SBAA (i.e. the Special Fund or Technical Assistance Agreements are still in use), a standard annex (Supplemental Provisions) to the project document must be used ([Standard Annex to Project Document](https://popp.undp.org/node/2691)).

**International Public Sector Accounting Standards**

1. The International Public Sector Accounting Standards (IPSAS 23 - Revenue from Non-Exchange Transactions) require UNDP to record in-kind contributions in its annual financial statements.  To be considered in-kind contributions, the costs must be paid by the host Governments directly, with no cash provided to UNDP. Transferred assets are measured at their fair value as at the date of acquisition. Where UNDP is acting as an agent on behalf of participating UN Agencies, it values and records the amount of its share of the donated items.

1. Government in-kind contributions are mainly made in the form of donated right to use (free of charge to UNDP) premises, land, buildings, parking lots/space, where the title/ownership of the premises remains with the Government. These contributions are recorded by UNDP as an expense and corresponding revenue.

1. Where there is transfer of title/ownership (currently occurs rarely), IPSAS requires UNDP to value and record the donated items as an asset and corresponding revenue. An annual depreciation of the building and equipment will be counted towards the annual GLOC computation. Further details are set out in the [Plant and Property Acquisition and Maintenance](https://popp.undp.org/node/10371) section of the POPP.

1. IPSAS 17 (Investment Property) and IPSAS 16 (Property, Plant and Equipment) specify the policies to be followed by UNDP in the determination of fair value for in-kind contributions. In particular, paragraphs 42 – 64 of IPSAS 16 detail the Fair Value Model.  Fair value is defined as the price at which the property could be exchanged between knowledgeable, willing parties in an arm’s length transaction, specifically excluding an estimated price inflated or deflated by special terms or circumstances. These policies are reflected in the valuation procedures reflected below.

**GLOC In-Kind Contribution Valuation**

1. The value of the in-kind contributions is calculated for the following purposes:

1. Government in-kind contributions form part of the total local office cost, and are included in the calculation of the total GLOC target; and
2. UNDP must recognize the value of the in-kind contributions within its financial statements.

1. For the purpose of GLOC targets computation, the value of the donated right to use assets provided by the host Government (e.g. office rent, utilities, communications, supplies and travel etc.) are treated as other contributions.

1. UNDP will recognize only in-kind contributions to UNDP, so if common premises are shared with other UN agencies, UNDP's percentage share of the premises must be calculated using a reliable cost allocation methodology (e.g. square meters/footage of areas occupied by UNDP).

Structure Element - Procedures

1. ​In preparation for the annual year-end certification exercise, the Country Office should determine its approach for assessing the fair value of in-kind contributions, and assess whether there is a need to have an independent property valuation for the government provided office premises. Usually the independent valuation would be required under the following circumstances:
2. Where a significant difference exists between an annual rental value as determined by either the Government or UNDP from the average market value as gathered by the country offices;
3. Where the evidence obtained from the market suggest that the fair market annual rental value has increased or decreased materially from the prior valuation;
4. Where no evidence is available either from the host Government  or from an active market to determine the fair market value of the property and/or fair market rental value;
5. Where the Government has performed major renovations/rehabilitations works that increased the rental value of the premises and hence the potential rental amount; and
6. Recommended best practice is that an independent professional valuation be conducted at least every 5 years, and UNDP Country Offices are encouraged to undertake this process for all donated rights to use premises.

1. Host Governments should understand the valuation process as it forms part of their contribution to their GLOC obligations.  Country Offices should discuss with the Government counterparts the valuation requirements and to determine the appropriate process.

1. Where the Government has not conducted an appraisal of the provided premises in the current financial year, and where there is no active real estate market, the Country Office should discuss with the Government the need for an independent appraisal. If parties agree that there is no significant change in the fair market value since the prior valuation, the fair value from the latest valuation report could be used (if less than 5 years old).

**Independent Appraisal**

1. Where an independent appraisal is determined necessary, the Country Office is advised to contact the host Government early in the year to find out if they have conducted or intend to conduct an independent appraisal of the value of the provided donated right to use property in the current financial year. Agreement should also be reached on how the independent valuation assessment will be paid for.
2. When an independent appraiser is invited to perform premises valuation, the Terms of Reference (a sample TOR is provided in [Annex 1](https://popp.undp.org/node/2706)) for the Appraiser should include the following:

* The appraiser will need to assess the current tenantable condition of each of the properties and determine a fair and reasonable open market rental value based on its current conditions;
* The report shall clearly describe the condition of the property (including but not limited to type, locality, level of maintenance, locational advantages, etc.), valuation approach, evidence of rental values for similar properties, basis of valuation, any assumptions, qualification of the appraiser and other pertinent information.
1. The appraiser should be a member of the valuation profession, who holds a recognized and relevant professional qualification, and has an active license or is otherwise certified by local authorities.

1. Technical meetings with the appraiser should be held to ensure that their methodology is sound prior to selection/awarding a contract.  Sample reports from other offices can be shared with them so that the level of detail and quality of report expected is well understood.

**Government Appraisal**

1. In some jurisdictions, Governments might conduct such independent valuations on a regular basis to comply with their own financial reporting standards, and if so Country Offices may use those valuation reports, but an independent valuation is still encouraged at least once every five years.

1. If the Government has conducted an independent appraisal in the current financial year, the Country Office should request a copy of the appraisal report. This report should be reviewed to confirm its suitability (the steps in the following paragraphs can form a guide for this review). If the Government has not conducted an independent evaluation but prefers to proceed with this valuation, it should cover the total cost of the appraisal. UNDP may assist with preparation of TOR for the appraisal services.

**UNDP Appraisal**

1. For many assets, where an active real estate market exists, the fair value will be readily ascertainable by reference to quoted prices for similar properties. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles, many types of plant and equipment and related operating expenses. In that case, where the Government has not conducted an independent appraisal of the provided premises in the current financial year, the valuation exercise may be performed by the UNDP Country Office, provided the results are fully documented, vetted and agreed by the Resident Representative and Deputy Resident Representative for Operations.

1. The Country Office should set up a review team to collect market-based evidences of the market value.  The review team should consist of at least three people, and may include a representative from the Government as an observer. The review team should collect market rental values and related operating expenses for no less than 3 similar properties (see [Annex 3](https://popp.undp.org/node/2696)). When selecting premises for comparison, Country Offices should select properties that are comparable in terms of style, building location, amenities, building size (square footage), property dimensions, condition and features such as heritage or architectural design.

1. The results of the review should be documented in the form of a report (see [Annex 2](https://popp.undp.org/node/2686) for the template) that is signed by each member of the team. The report should be discussed with the Government, and should be the basis of the Country Office‘s certification letter and be attached to the report with other supporting documents. COs that choose to perform a UNDP Appraisal are still encouraged to ensure an independent valuation is performed at least once every five years.

1. All valuation inputs and amounts should be in local currency. For purposes of [Annexes 3](https://popp.undp.org/node/2696) and [2](https://popp.undp.org/node/2686), conversion to USD should be made at the UNORE as of the date of survey ([Annex 3](https://popp.undp.org/node/2696)) and year end certification ([Annex 2](https://popp.undp.org/node/2686)). The effective date of the UNORE should be reflected in the Annex.

**Annual Certification**

1. All UNDP Offices are required to certify donated right to use premises for each year end. The Office should prepare the annual certification letter and submit it to HQ with a copy of the appraisal report (Independent Appraiser, Government or UNDP). See [Annex 4](https://popp.undp.org/node/2701) for the certification letter. The Office will also need to minute any discussions with the Government, and attach them to the annual certification.  The certification should also clearly show the breakdown of the space occupied by the Local Office and space occupied by UNDP Projects and Common Premises shared with other UN Agencies, if any. All valuation amounts should be in local currency, with conversion to USD made at the UNORE as of the date of certification. The effective date of the UNORE should be reflected in the certification.

1. BMS/OFM will review and validate the annual certifications and make necessary updates in financial statements and GLOC targets. Any discrepancies or issues identified will be raised with Country Offices.

1. The final value of the in-kind contributions recognized in UNDP financial statements will be published in BMS/OFM share point clearly reflecting the portion of in-kind contributions attributed towards GLOC.