**Government Contributions to Local Office Costs (GLOC) from Low- and Middle-Income Countries (LIC and MIC)**

**Legal Framework**

1. In accordance with the provisions of the Standard Basic Assistance Agreement (SBAA) that governs UNDP operations in programme countries, host governments are expected to contribute towards the local cost of country offices. As per Article VI – Paragraphs 4 and 5 of the [SBAA](https://intranet.undp.org/unit/bom/lso/SBAA%20Documents/Forms/AllItems.aspx):

*“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)).
2. GLOC contributions are a major funding source for country offices’ core institutional budget and their utilization is subject to [UNDP Financial Regulations and Rules](https://popp.undp.org/node/18916). All GLOC contributions received from the host governments are allocated fully back to the Country Offices. Country Offices retain and use the GLOC contributions collected for local office expenses, including locally recruited staff and operating expenses. Any short-fall in the collection of GLOC will have a negative impact on the total available institutional resources for a Country Office.

**Scope**

1. This policy is **only** applicable to the countries classified as low and middle-income categories for a reporting period. It does not apply to the Net Contributing Countries (NCC) and high-middle income countries that are regulated as per the EB decision ([2013/30](https://www.undp.org/sites/g/files/zskgke326/files/undp/library/corporate/Executive%20Board/2013/Annual-session/English/dp2013-30.doc)) on Funding of differentiated physical presence ([DP/2013/45](https://popp.undp.org/node/4146)).

**The GLOC Waiver System**

1. In its decision [84/9](http://web.undp.org/execbrd/archives/gcdecisions/GC%20Dec%20Org-Mt-Feb84%2031stSessJun84.pdf), the UNDP Governing Council recognized that local economic conditions may impact the ability of programme countries to meet their obligation to cover local office costs. As a result, it authorized the Administrator to waive the obligation, in part, when economic conditions so warranted. In this connection a system of waivers based on per capita Gross National Product (thereafter replaced by per capita Gross National Income (GNI)) was developed. Even so, host country governments are encouraged to pay as much of the total cost of the office as possible. The waiver system is adjusted during each programme cycle considering the relevant base-year per capita GNI.
2. The Executive Board established in decision 2012/28 that there would be a system of biennial updates. In this regard, a four-year approach for GNI per capita averaging will be applied, with the average GNI per capita of the years 2016-2019 applied to the first two years of the Integrated Budget, 2022-2023, and the average GNI per capita of the years 2018-2021 applied to the last two years of the Integrated Budget, 2024-2025. The waiver system for 2023 GLOC target calculations is therefore based on 2016-2019 average GNI per capita as per UNDP Integrated Resources Plan and Integrated Budget Estimates for 2022-2025, [Annex I](http://web.undp.org/execbrd/archives/gcdecisions/GC%20Dec%20Org-Mt-Feb84%2031stSessJun84.pdf), table 4c.ii – Government contributions to local office costs waivers for 2022-2023, [DP/2021/29](https://undocs.org/Home/Mobile?FinalSymbol=DP%2F2021%2F29&Language=E&DeviceType=Desktop&LangRequested=False)).

|  |  |  |
| --- | --- | --- |
| 2016-2019  Average per capita GNI, US$ | Programme Country Waiver Percentage | Income Category  of programme country |
| $1,286 and below | 75% | Low-Income Country |
| $1,287 to $2,150 | 50% | Middle-Income Country |
| $2,151 to $6,692 | 25% | Middle-Income Country |

The biennial update of host government income categorization, which coincides with the mid-term review of the UNDP integrated budget, may result in changes in the applicable waiver percentages. The GLOC waiver percentage applied to each host government’s obligation is shown in each year’s GLOC target. The changes in the average GNI could lead to a change in the waiver of GLOC from host countries in middle income categories.

**Target Setting and Payment Mechanism**

1. The annual GLOC cash targets for Low and Middle-Income countries are calculated annually by BMS/OFM based on the annual local office costs funded from the Core Institutional Budget, as follows:
   1. Local Staff Costs – Estimated actual annual costs for locally recruited or national staff expenses;
   2. General Operating Expenses – Estimated actual annual costs incurred for the 12 months.
2. Alternatively, Country Offices are encouraged to negotiate multi-year GLOC targets with the host government, by integrating such commitments into national multi-year planning dialogue (see paragraph 15 below). Rather than being based solely on past local office costs funded from the Core Institutional Budget, GLOC targets can be adjusted upwards beyond the GLOC cash targets, if agreed with the host Governments in order to meet their development aspirations.
3. GLOC targets do not include expenses related to international staff nor expenses funded by cost recovery income or programme funds. The GLOC targets established annually by BMS/OFM are based on actual spending for **local** staff and operating expenses, therefore, the annual targets reflect the changes in local office funding and its spending. Any increases in the allocation and spending for local staff and operating expense will result in an increase in annual GLOC targets. Similarly, if there was a reduction in the allocation and spending from core institutional budget for local staff and operating expenses, annual targets will be reduced.
4. Government in-kind contributions are considered as a part of the total local office cost. The value of in-kind contributions for setting GLOC targets are based on the annual rental value of the Government provided premises as certified and reported by the country offices at the end of a fiscal year and reported in UNDP’s financial statements. These values are based on fair market rental value of comparable premises. Any change in the value of the donated premises, either due to changes in usable office space or its market price, should be reported through the year-end annual certification. The share of the in-kind contributions used by other funding units such as UNDP project staff, UN Agencies, Common Services and extra budgetary funded staff are excluded from the total in-kind contributions applied for the GLOC targets. For more information, please refer to POPP [Government Local Office Cost (GLOC) Valuation of the In-Kind Contribution from the Host Government](https://popp.undp.org/node/2981).
5. Waiver percentages for each host government are applied to the total annual local office costs to compute the annual GLOC target. The cash target is the net amount remaining after the in-kind GLOC contributions are considered in the calculations.
6. Annual GLOC cash targets are calculated as follows and explained in the annual GLOC calculation methodology

|  |  |
| --- | --- |
| 1. Estimated Local Office Costs | Based on local staff only and GOE costs in core institutional budget fund codes such as 02300/02301/02550/02551/02990 |
| 1. In-Kind Contribution | Based on annual certification of the donated rights to use premises |
| 1. Total Local Office Cost (C = A + B) |  |
| 1. Waiver % (100% - % Waiver) | Based on the waiver system as approved by EB and its biennial update |
| 1. Total GLOC Target (E = C x D) |  |
| 1. In-Kind Contribution (F = B) |  |
| 1. GLOC Cash Target (E - F) |  |

1. The computation of GLOC cash targets for multi-country offices follows the above formula, except that the total local cost of the office is assessed individually for each country covered by the GLOC. In this regard, 25% of the total local cost is applied to the host country, with the remaining 75% distributed among all countries (including the host) based on the individual country’s TRAC shares vis-a-vis the total TRAC accruing to the countries covered by the multi-country office. For example, if an MCO covers four additional countries and it incurred $250,000 for local staff in the 5 countries and related operating expenses, no in-kind contributions are provided by the host governments, the cash targets for each country will be calculated as follows:



1. As an alternative to relying solely on the corporately computed annual GLOC targets, Country Offices may agree multi-year targets with host governments, by integrating such commitments into national multi-year planning dialogue. These targets may be higher than the computed corporate baseline GLOC cash targets, if agreed by the host Governments in order to meet their development aspirations and cover sufficiently the planned local office expenses.
2. Multi-year GLOC cash targets could be negotiated based on the following:
   1. **Mutually agreed GLOC targets aligned with CPD cycle:** During the formulation of Country Programme Document (CPD), the country offices jointly with the national government can determine the annual and multi-year cash targets taking into consideration of the country office capacity required to support the National Government for the planned CPD period. Multi-year targets can be reviewed annual basis or could be integral part of mid-term review and any other discussions on CPD. COs can increase or decrease GLOC targets, in line with the proposed size of their office, to better align the office size to the development priorities and workplan for the planning period.
   2. **Mutually agreed GLOC targets based on past local expenses:** As an interim, until formulation of next CPD, the country offices jointly with the national governments can determine the annual and multi-year targets (at least for 2 years). These targets can be negotiated based on average local expenses for the last two years or can be negotiated based on estimated local costs for the planning period.
3. The above flexibilities are in accordance with the UNDP Executive Board [(EB decision 2020/14](https://popp.undp.org/node/4151)) where it *recognized “the importance of contributions made by programme country**Governments to UNDP for local office costs, both cash and in kind, and encourages UNDP to work with respective Governments with a view to agreeing, where possible, on annual or multi-year contributions to fulfil such commitments, taking into account national budgetary planning processes*. It is crucial therefore for country offices to actively engage the host governments in their dialogue for the host government’s obligation towards the local office costs.

1. Whenever multi-year or higher than baseline annual cash GLOC targets are agreed with the host governments, the country offices need to inform BMS/OFM and their respective bureau. This will ensure this information is reported in future corporate reports, including to the EB through the Annual Review of Financial Situation (ARFS).

**Communicating GLOC targets to host Governments**

1. GLOC annual targets are issued from BMS/ OFM to the Regional Bureaux by end of September each year along with a joint inter-office memorandum (Regional Bureau and OFM) for the country offices. Annual cash targets are accompanied by the GLOC calculation methodology to provide additional clarity and processes applicable in a given year. These targets can be revised to reflect a final certification of in-kind contribution for the year, early February each year, if there were significant change due to a space or a value of a premise provided from a host government.
2. Country offices are responsible to formally inform the host governments of annual GLOC targets and outstanding arrears (if applicable) and request for payments.
3. When discussing the annual GLOC cash targets with host governments, it is important to raise the issue of pending payment of prior years’ GLOC cash obligations.
4. Additionally, non-collections of GLOC may constitute a basis for auditors to report adverse observations and issue less than satisfactory CO audit rating, thus affecting credibility of the region’s accountability and financial systems. Therefore, the offices should put in place a system to document and monitor their follow-up efforts to collect outstanding GLOC obligations.
5. Upon receipt of the GLOC contribution, a recommended best practice is to promptly send a letter of appreciation to the host government from the Country Office. In order to appreciate the importance of GLOC payments to local office funding and to encourage timely payments, UNDP senior management has been sending an annual letter of appreciation to the permanent missions of the member states for paying its GLOC obligations in cash or in-kind, since 2019.

**Recording of cash contributions**

1. GLOC cash targets are set in the U.S. Dollar. The host government can pay its obligation either in USD or local currency using the most recent prevailing UN operational rate of exchange.
2. Where a host government provides cash contributions to country offices to pay specifically rent and utilities (in lieu of free premises and utilities), offices are advised to include such contributions in their annual GLOC payment projections in the annual Integrated Work Plan/ Annual Resource Planning. Such contributions will be applied as GLOC payment along with any other payments received against GLOC cash targets.
3. GSSC will create a master contract based on the GLOC Annual targets from OFM and the annual GLOC payments should be applied through the Quantum Accounts Receivable (AR) module. Upon receiving the GLOC payments, GSSC will recognize the revenue via Revenue Event in the Contracts module and generate the Receivable via the Billing Event. The receipt is then applied against the Receivable via AR module. Revenue and Receivables are recorded via the Contracts module; receipts are applied through the AR module.
4. As per the UNDP Financial Regulations and Rules (Rule 126.05), “… *the host Government cash contributions towards the cost of UNDP country offices shall be credited as revenue in the gross institutional budget of UNDP. If received in local currency, credit in United States dollars will be at the United Nations operational rate of exchange in effect on the date of payment*. *Gains or losses resulting from exchange adjustments arising from payment of voluntary contributions shall be recorded separately as an offset to these contributions.”* (Rule 126.06). For example, if a payment of GLOC was received in local currency on 15 January, it will be applied to GLOC targets using the effective UN rate of exchange for the month of January.
5. The annual GLOC payments should be applied through the Accounts Receivable module using the following COA (refer to the Procedures section on how to submit requests in UNDP Service Request Portal):

Type of Contribution Income Category Year Fund Account

GLOC LIC or MIC Current 00200 51015

GLOC LIC or MIC Arrears 00200 51014

1. In some cases, host governments may settle their cash targets in advance, especially when a multi-year target is successfully negotiated. When the country offices receive such advance payments for a single or multiple years before a commencement of a GLOC target year, the offices should request the GSSC revenue team **within 1 week** of receipt of these payments, to record the payments to the below COA:

Type of Contribution Year Fund Account

GLOC – Gov contr Locl Cost Future YYYY 00200 51017

1. At the beginning of each fiscal year, the UNDP offices should request GSSC to transfer the annual portion of the advance payment from account 51017 to the current year GLOC payment account 51015. These transfers should be performed through GLJEs.
2. GLOC contributions from host governments should not be applied to any other fund or accounts other than as provided above without prior approval from OFM and Regional Bureaux.
3. At the end of every year, the Head of Office will be required to certify in the annual assertion that all signed agreements/amendments to agreements have been submitted to GSSC on a timely basis prior to the closure of the financial ledgers. This will help ensure that UNDP revenue is captured in a timely manner as any late submission of these documents poses a significant management reporting risk and audit risk as revenue will not be reported accurately in the UNDP financial statements, including quarterly financial statements.

**GLOC accounting linkage**

1. At its thirty-first session in 1984 (84/9), the Governing Council authorized “*the Administrator establish from 1 January 1985 an accounting linkage of voluntary contributions, … ,contributions to voluntary programme costs and contributions to local office costs in such a manner that contributions are first accounted against the local office costs*” ([Refer to page 738, paragraph 8, the Governing Council decision 84/9](http://web.undp.org/execbrd/archives/gcdecisions/GC%20Dec%20Org-Mt-Feb84%2031stSessJun84.pdf)).
2. At the end of each fiscal year, GSSC and OFM review any shortfalls for GLOC contributions from host governments. Available voluntary contributions from host governments are transferred to the GLOC fund (fund 00200 and account 51025) to offset the outstanding GLOC contributions for the reporting year. Such accounting linkages are reported separately in the annual GLOC performance reports.

**Reporting – Periodic and annual (payments) performance reports**

1. GLOC performance report is available for the offices to track current year GLOC target payments and the outstanding balances of GLOC for prior years. The offices are advised to review these reports regularly to follow up with host governments to settle their unpaid contributions to local office costs.
2. UNDP routinely reports to the Executive Board on the progress achieved in settlement of GLOC targets for the current year and GLOC arrears in the following official documents:

* UNDP financial report and audited financial statements
* Annual Review of the Financial Situation
* UNDP Integrated Budget

**UNDP Revenue Recognition policy paper**

* [IPSAS 23 Policy paper](https://popp.undp.org/node/2931)