

**THE OPTION OF A LUMP-SUM PAYMENT AS AN
ALTERNATIVE TO THE TRADITIONAL SHIPMENT
ENTITLEMENTS OF STAFF: AN OVERVIEW OF
SELECTED UNITED NATIONS SYSTEM ORGANIZATIONS**

Prepared by

Wolfgang Münch

Joint Inspection Unit



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ACRONYMS and ABBREVIATIONS

CCAQ	Consultative Committee on Administrative Questions (now HLCM)
CEB	United Nations System Chief Executives Board for Coordination
FAO	Food and Agriculture Organization of the United Nations
HLCM	High Level Committee on Management
IAEA	International Atomic Energy Agency
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
JIU	Joint Inspection Unit
JPO	Junior Professional Officer (UNDP)
OECD	Organisation for Economic Co-operation and Development
OIOS	Office of Internal Oversight Services
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
VAT	value added tax
WFP	World Food Programme
WHO	World Health Organization

EXECUTIVE SUMMARY: OBJECTIVE, CONCLUSIONS AND RECOMMENDATIONS

OBJECTIVE

To examine the various shipment entitlement schemes comprising the institution of lump-sum payments as adopted by United Nations system organizations that aim at improving administrative efficiency to reduce costs and facilitate and promote staff mobility.

EXECUTIVE SUMMARY

In recent years, the United Nations system organizations have undertaken concrete measures to simplify the administration of entitlements for shipment of personal effects of staff members and their dependants during the initial appointment, transfer and repatriation processes. A number of possible alternatives and solutions have been considered for simplifying existing procedures and arrangements, with the ultimate aim of reducing administrative overhead costs, further empowering managers and facilitating staff mobility. However, although attempts by organizations to come up with better alternatives have been on-going, only a few of these attempts have actually been implemented. The organizations which have taken concrete measures to this effect and are currently advanced in the search, are the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the Office of the United Nations High Commissioner for Refugees (UNHCR), as well as the World Food Programme (WFP). The common ground for these organizations is that they are mainly field-oriented, with a significant number of family and non-family duty stations which require the continuous movement of staff, sometimes at very short notice. The organizations mentioned above are currently working with pilot projects to test the viability of a lump-sum payment alternative to the traditional shipment entitlement scheme.

The principal arguments advanced to promote a lump-sum option include: that it will free staff resources for other duties; reduce administrative costs; and, as a result, simplify rules and regulations governing shipment entitlements. Those organizations in favour of the lump-sum option payment alternative are convinced that the current system of entitlement is unnecessarily labour-intensive and stress-inducing for the staff, and that the proposed lump-sum option, in addition to reducing administrative costs to the organizations, can reduce the existing stress as well

as provide staff members and their families with more control over the removal and shipment of their personal effects. Thus, in their view, it could also encourage staff mobility.

The views of the organizations on the lump-sum payment option are multiple. There is one group of organizations which supports the idea of a lump-sum option and encourages staff to use it as an alternative to the standard shipment entitlement. There is another group of organizations which chooses the maintenance of "getting the best service" as a priority, and prefers that the issue be looked at in terms of quality versus savings. In addition, a number of organizations question the cost-efficiency of the new approach, since in any form, the lump sum would still require monitoring by the Removals Unit. In addition, there is also a difference among those organizations promoting the idea of a lump sum. Which type of lump sum should be offered: a global one? Or a more differentiated pattern of lump sums?

Organizations such as UNDP, UNHCR and UNICEF believe that the scheme should be introduced globally, with an inter-agency approach. Their argument for taking this position is that a multilevel lump-sum system, which would consist of different amounts for different regions, would be cumbersome, and would certainly trigger additional administrative costs in order to update and average the regional lump sums. Other organizations advocate that a system should be introduced based on geography, which in any case, necessitates that whatever amount is to be decided should be well justified.

The Inspector has, however, discovered that, in spite of the different opinions on the methods of introducing a new scheme, the agencies seem to acknowledge the necessary trend towards more flexibility and efficiency. There is also evidence that agencies would prefer that current rules and practices in the United Nations system, with regard

to shipment entitlements of staff, be reviewed with a view to make them more responsive to current situations.

After reviewing the positions of the different organizations, the Inspector is of the opinion that a global lump-sum scheme has the potential to promote both cost-efficiency and convenience. It does, however, appear to lead to **inequities** among staff members, and could even lead to increased costs relating to shipment (see paragraph 45). In this regard, organizations considering the adoption of global lump-sum schemes should remain sensitive to the delicate but complex balance associated with achieving equity and administrative simplicity. This concern, therefore, makes it necessary to elaborate on more finely tuned concepts to simplify administrative procedures, such as, inter alia, establishing geographical zones to which a limited number of corresponding lump-sum amounts are attributed. Such an alternative could go a long way towards more accurately assessing basic cost factors relating to relocations within and among differing geographical zones, thus promoting a more equitable approach to staff relocations in general. In addition, a second corrective coefficient should be fixed which would take into consideration individual circumstances relating to shipments, concerning for example the transportation of goods by air, or the difficult road conditions in certain regions.

In chapter I, the Inspector analyses the trend towards the simplification of shipment entitlements of personal effects and household goods by reviewing the existing rules and regulations, the lump-sum option already implemented, and the work of the Task Force on Common Services established by the Secretary-General of the United Nations to review the effectiveness of the lump-sum option which is being practised by several organizations. In chapter II, he reviews the approaches towards the new lump-sum option and looks at the pilot projects being exercised by UNDP, UNHCR and UNICEF, as well as the initial steps taken by WFP, which has instituted a lump-sum option for certain shipments. Chapter III includes the analysis of the arguments in favour of, as well as against, this option and in chapter IV, he proposes the possibility of achieving a third avenue as a viable alternative.

CONCLUSIONS AND RECOMMENDATIONS

A. Organizations which have in fact instituted the lump-sum option as pilot projects are urged to share their experiences with others. It would, in particular, be most useful to know the extent of cost savings achieved, and to what extent staff members have in fact made use of the option, as well as whether its use represents a viable alternative to staff members in meeting their needs.

RECOMMENDATION 1

(a) To support and promote a better understanding of an alternative to the present entitlement system governing shipments, the lessons learned from the ongoing pilot projects by UNDP and UNICEF should be used for exploring new alternatives. The two organizations jointly are therefore invited to report through the Chief Executives Board for Coordination (CEB) at the appropriate level, on the tentative results, in particular, the cost savings achieved (if any) as a result of the introduction of the lump-sum option during the spring session of CEB in 2003;

(b) Organizations currently applying the lump-sum option (UNDP, UNHCR, UNICEF) should make a comparative review of the results of the exercise to determine to what extent staff members have made use of the option of accepting a lump-sum payment, and share their findings (including the degree of satisfaction of staff) with other organizations through the CEB at the appropriate level.

B. A number of organizations interviewed have indicated the use of varying accounting methods to determine the appropriate amount of the global lump sum. In order to promote a more harmonized base for calculating a global lump sum, UNDP is encouraged to provide more detailed information on all factors that have been taken into account in formulating the basis for the calculation of the global lump sum currently practised by UNDP.

RECOMMENDATION 2

In order to facilitate a better understanding of alternatives, UNDP is requested to elaborate in detail on the calculation methods employed in devising global lump sum amounts (US\$ 25,000 for resident coordinators, US\$ 18,000 for staff members with dependants, and US\$ 12,000 for staff members without dependants) and report to CEB at the appropriate level.

C. Staff that have traditionally been charged with the administration of removal and shipment have acquired significant technical knowledge, skill and experience in this area of work. These skills and the business relationships developed over time between United Nations system organizations with private companies operating in this area of trade, represent a valuable asset to the United Nations which should be preserved. In this connection, organizations are urged to retain these technical competencies and skills within a specialized, and perhaps small group of professional and support staff that is able to offer the necessary support and technical services to staff members who do not opt for the lump sum or to those who do, but nevertheless may require such support for reasons beyond their control.

RECOMMENDATION 3

In order to ensure that the lump-sum entitlement remains a genuine alternative, organizations that offer such an option should retain a nucleus of staff members specialized in removal management. Such staff members could either be solely responsible for the removal task or combine it with other responsibilities, depending on the size of the organization. The grade and level of such staff members should be decided by each organization according to need.

D. A scheme for a small number of geographical zones should be devised. An individual lump sum would then have to be fixed for all possibilities of moves either within one geographical zone or from each zone to any other zone. Thus, organizations would have a reasonable number of lump sums at their disposal and thereby avoid the difficulties outlined in paragraph 44. Since geographical distance is not the only factor that determines the cost of shipment, it would be necessary to fine-tune the concept of lump sums by establishing a corrective coefficient. Such a coefficient would provide for the necessary corrections that arise from individual circumstances of a move (such as the distance and the degree of difficulty of transport by truck from seaport to the final destination, or the need for transport by air).

RECOMMENDATION 4

Organizations which offer or intend to offer the lump-sum option are encouraged to revisit the concept by considering the following action:

- **To devise a scheme comprising the establishment of a geographical zone matrix which could replace the current global lump sum in all removal situations;**
- **To take into account the family status of staff members;**
- **To reserve a corrective coefficient to balance the range of transport costs arising from individual circumstances requiring long-distance transport by air or surface.**

E. Organizations that remain sceptical about the viability of the lump-sum method for shipment entitlements as applied by UNDP, UNHCR and UNICEF should, nevertheless, reflect on ways and means of bringing the scheme of shipment entitlements in line with the requirements of our times, i.e.:

- Better meeting the needs of staff;
- Avoiding the unnecessary shipment of household effects of lower value;
- Not making the transfer of staff more costly when compared to conventional entitlements;
- Not further complicating the process.

It is worth examining further whether it is possible to achieve cost savings by reducing the shipment weight entitlement of staff members and, thus, to reduce the overall volume of household effects shipped. Eventual savings could be used to offer staff a limited lump-sum payment for personal use.

RECOMMENDATION 5

Organizations opposing the concept of a lump-sum option are invited to elaborate on possibilities in order to offer staff members shipment-related incentives aimed at achieving greater economy by avoiding the unnecessary transport of household effects of lower value. A "reduced weight" entitlement might pave the way towards achieving cost savings, and such savings could be used to offer a limited lump-sum payment to staff members that could be utilized for special personal needs and purposes.

INTRODUCTION

1. The present Note was prepared in response to a proposal made by WFP to examine the scheme for shipment entitlements in the United Nations system and the lump-sum option payment for initial appointments, change of duty station and separation from service (repatriation). These entitlements are managed based on the staff rules and regulations of the different United Nations system organizations. The Joint Inspection Unit (JIU), taking into account the positive outcome of the lump-sum exercise for home leave, education grant and family visit travel that has proved to be beneficial both to the organizations and to staff members (more than 90 per cent of the staff use the lump-sum option), had included in its work programme for the year 2000 a note addressed to the heads of organizations on the option of a lump-sum payment as an alternative to the traditional shipment entitlements of staff. However, during and immediately following that period, a number of organizations had also undertaken a review of the traditional United Nations system scheme for removal and shipment. In the interim, some organizations also tested several options to the traditional system, including the institution of a lump-sum payment in place of the former removal and shipment system. Because of the ongoing search by the organizations for a better alternative, the Inspector decided that a certain period of time should be taken to observe these developments with a view to producing a Note that would be both timely and comprehensive in terms of providing as much information as possible, from a comparative perspective.

2. The Note deals mainly with those United Nations organizations that have a large representation at the field level and allocate a significant portion of their budget for staff movement. These include the United Nations Secretariat, the Food and Agriculture Organization (FAO), the International Labour Organization (ILO), UNDP, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Population Fund (UNFPA), UNICEF, WFP and the World Health Organization (WHO). However, the Inspector is convinced that this Note could also benefit those organizations which have a limited field presence, such as the International Atomic Energy Agency (IAEA), the International Civil Aviation Organization (ICAO),

the International Maritime Organization (IMO) and the International Telecommunication Union (ITU), as well as those organizations that function mainly from their headquarters, such as the Universal Postal Union (UPU) and the World Intellectual Property Organization (WIPO), that still need to recruit and repatriate staff worldwide.

3. This is not the first time that the system has dealt with the scheme for a lump-sum option. In 1990, the United Nations introduced, on an experimental basis, the option of a lump-sum payment for travel by air in lieu of provision by the Organization of travel tickets and related entitlements on home leave, education grant and family visit travel (ST/IC/1990/13). In the same information circular, it was stated, "On the basis of experience gained ... the application of the option may be continued and extended to other duty station and other types of travel, with any necessary modifications ...". The 1990 option was first limited to staff members stationed at United Nations Headquarters in New York, but was extended in 1993 to include other United Nations duty stations and programmes, including peacekeeping operations (ST/IC/1990/13/Amend. 3). In 1995, the application for the lump-sum payment option had been extended without change, until such time as the General Assembly should take a final decision on the matter. Although the United Nations Secretariat initiated the lump-sum option payment, the practice received support from other United Nations system organizations and most of them have now introduced lump-sum schemes for home leave, education grant and family visit travel (JIU/REP/95/10, para. 86).

4. The methods used in the preparation of this Note include interviews with the secretariats at the headquarters of FAO, the International Fund for Agricultural Development (IFAD) and WFP, as well as with the United Nations (New York), UNDP, UNESCO, UNICEF and the United Nations Office for Project Services (UNOPS) and visits to ILO, UNHCR, and WHO in Geneva. A questionnaire was also distributed, and interviews were held with staff members responsible for managing shipment entitlements. The Inspector also met with representatives of organizations outside the United Nations system, including the European Union and the Organisation for Economic Co-operation and Development

(OECD), with delegates from Permanent Missions to the United Nations as well as with some private-sector enterprises which are required to move large numbers of their staff worldwide.

5. The attempt to simplify staff members' entitlements upon appointment, transfer and repatriation is part of a major undertaking to simplify existing staff rules in general. The Secretary-General's priority target of reducing administrative workloads and costs can thus be supported. Furthermore, the option of a lump-sum payment could contribute to staff members' readiness for mobility, provided that transfers are rendered less complicated and that undue personal efforts on the part of staff members are not imposed.

6. The aim of lump-sum payments is to establish a compromise between two conflicting objectives: the optimum of fairness on the one hand, and maximum economic efficiency on the other. The application of methods of calculation for lump sums to determine costs, which are often difficult to compute, can facilitate administrative procedures and promote efficiency. In the absence of such methods, administrations could be constrained by rigid rules that conflict with actual and evolving situations and conditions. This can occur both within national administrations as well as within international organizations. The secretariats of the United Nations system organizations therefore employ the lump-sum concept to resolve a variety of administrative issues and problems. These include:

- Installation and repatriation grants;
- Daily subsistence allowance for staff members on mission;
- Coverage of terminal expenses;
- Hospitality allowance;
- Lump sum for home leave; and

- Textbooks as part of the education grant entitlement.

7. The JIU report "Travel in the United Nations: issues of efficiency and cost savings" (JIU/REP/95/10) examined the lump-sum practice in the United Nations Secretariat and recommended that, inter alia, "the Secretary-General continues at all duty stations the application of the lump-sum option for the home leave, education and family visit travel" (recommendation 4 (3) (a)). The Secretary-General agreed with this recommendation (A/50/692/Add. 1, para. 25). Furthermore, in paragraph 92, the report invited the Secretary-General to cautiously explore the viability of a lump-sum approach for the payment of consultants' services and for the removal of personal belongings upon appointment and separation. The Inspector takes note with appreciation that the idea launched in the JIU report has been favourably considered and adopted into action by a number of organizations of the United Nations system, and is in the progress of being further developed.

8. The following chapters demonstrate that the various lump-sum schemes offer many opportunities to streamline administrative procedures, but also create risks of jeopardizing fairness to all staff members as well as the financial interests of the organizations. This Note attempts to develop a compromise in the area of shipment costs related to the recruitment, transfer and repatriation of staff members, with a view to establishing a reasonable balance between conflicting managerial objectives.

9. The Inspector wishes to extend his appreciation to all those who assisted him in preparing this Note. This acknowledgement comprises, in particular, the very detailed and precise comments the participating organizations made on the draft Note.

I. THE CONTEXT: THE TREND TOWARDS THE SIMPLIFICATION OF SHIPMENT ENTITLEMENTS

A. Current shipment entitlements of personal effects

10. The current procedures for administering shipment entitlements of personal effects are based on the staff rules and regulations of the different United Nations system organizations. Although the procedures for implementing the rules differ from one organization to another, the basic entitlements are, by and large, the same for the whole common system. United Nations staff regulation 7.1 on travel and removal expenses states: "Subject to conditions and definitions prescribed by the Secretary-General, the United Nations shall in appropriate cases pay the travel expenses of staff members, their spouses and dependent children." Regulation 7.2 further states: "Subject to conditions and definitions prescribed by the

Secretary-General, the United Nations shall pay removal costs for staff members." Similar entitlements are being offered by all United Nations system organizations, with some differences in the amount of weight offered and the period of appointments. Some organizations offer this benefit when they recruit staff members for a period of two years, while others give the same benefit for a recruitment period of one year with possibility of extension. The following table gives an indication of the current shipment entitlements of organizations that have large programmes in the field and often need to move their personnel. It also shows the amounts payable under the lump-sum options of the ongoing pilot projects of UNDP, UNHCR and UNICEF.

Table 1. Current shipment entitlements of personal effects on initial appointment, change of duty station and separation from services

<i>Organization</i>	<i>Entitlement of staff members</i>	<i>Maximum entitlements (inclusive of packing and crating)</i>	<i>Amounts payable under the lump-sum option in United States dollars</i>
UNITED NATIONS	Single staff member	4 890 kg or 30.58 m ³ , including packaging but excluding crating and lift vans	--
	Staff member with a spouse or dependent child	8 150 kg or 50.97 m ³ (staff rule 107.27)	--
UNDP	Staff member	1 000 kg	\$12 000 (without dependants)
	First eligible family member	500 kg	\$18 000 (with dependants)
	Additional family member	300 kg each (the amounts double for resident representatives (RRs)/resident coordinators (RCs)	\$25 000 (resident coordinators)
UNICEF	Staff member	Same as United Nations	\$12 000 (without dependants)
	First eligible family member		\$18 000 (with dependants)
	Additional family members		\$18 000 (heads of offices). No different treatment given to heads of offices
UNFPA	Staff member	Same as United Nations	--
	First eligible family member		--
	Additional family members		--
UNHCR	Staff member (except Junior Professional Officers (JPOs))	Same as United Nations	\$10 000 (without dependants)
	First eligible family member		\$15 000 (with dependants)
	Each additional family member		--
	Representatives/chiefs of mission (both incoming and outgoing)	Same as United Nations	\$15 000 (with or without dependants)

<i>Organization</i>	<i>Entitlement of staff members</i>	<i>Maximum entitlements (inclusive of packing and crating)</i>	<i>Amounts payable under the lump-sum option in United States dollars</i>	
UNESCO	Staff member	3 750 kg (or 30 m ³)	--	
	First member of the family	5 000 kg (or 40 m ³)	--	
	Any other member of the family	--	--	
WFP	Staff member	1 000 kg (10 m ³)	80% of the actual shipping cost only in cases of transfer to hardship duty stations (categories D and E)	
	First dependant	500 kg (5 m ³)		
	For each other dependants	300 kg (3 m ³)		
FAO	Single staff member	4 500 kg	--	
	Staff member with dependants	7 250 kg	--	
ILO	Single staff member	1 000 kg (10 m ³)	<i>Note:</i> These amounts apply to staff with no limited time (WLT)– No removal entitlement or entitlement not opted for. For complete removal 150 m ³ for officials above D-1 and 60 m ³ for other officials. (ILO circular No. 20).	--
	Staff member with dependants	500 kg (5 m ³)		--
	For each additional dependant	300 kg		--
WHO	Single staff member	3 750 kg	--	
	Staff member with dependants	5 000 kg	--	

B. Towards the simplification of entitlements and the introduction of a lump sum

11. Three major United Nations system organizations, namely, UNDP, UNHCR and UNICEF are trying, through various pilot projects, to test the lump-sum option payment for shipments of personal effects and to come up with an acceptable procedure which might be used by other organizations. The results of the pilot projects could be regarded as successful if administrative costs are reduced and if fairness to all staff members—as well as the overall cost effectiveness of the organizations—are safeguarded. It would not be beneficial to organizations if administrative costs were lowered while the total lump-sum entitlements increased the overall costs to the organization related to transfer of staff. In addition to the three organizations mentioned above, WFP has also produced a draft procedure with the aim of introducing the lump sum as an option to the existing shipping entitlements, but only in cases of transfer to certain hardship duty stations. In February 2000, the Consultative Committee on Administrative Questions (CCAQ) (now the High Level Committee on Management (HLCM)) produced a note on the simplification of

entitlements based on a review of efforts to streamline the administration of entitlements and other processes in the area of human resources. A questionnaire was sent to organizations (ACC/2000/PER/R.2) to gather information about their simplification efforts and the degree to which the administration of entitlements was to be centralized.

12. The information gathered demonstrates the emergence of a number of trends, as recalled in document ACC/2000/5:

- (a) The new role of human resources management which requires that organizations:
- (i) Direct resources to upstream activities and divest themselves of low-value labour-intensive processing activities;
 - (ii) Enhance flexibility in the services provided to staff members;
- (b) The increasing empowerment of managers and the decentralization away from central human resources management of tasks that require simpler systems;
- (c) The need to reduce administrative costs.

13. As stated in an addendum to the note by UNDP on the simplification of entitlements,

The current shipping entitlement is another example of an individualized entitlement requiring an extensive and complex administrative apparatus. The weight/volume entitlement, converted into a specific cost based on actual shipment costs at the time of a reassignment, may be adjusted by a variety of factors, ... it has led to policy refinements that attempt to capture and accommodate the myriad of possible scenarios.

(ACC/2000/PER/R.2. Add. 1, para. 12.)

14. Under current shipping rules and procedures, the relocation of a staff member encompasses significant exchanges of correspondence and transactions between the staff member, his/her administration/ organization and the designated United Nations shipment service provider.

15. The review of existing staff rules covering shipment entitlements has exposed inconsistencies in the regulations of the organizations of the United Nations system in this area. In addition, the application and interpretation of rules in some cases differ from one duty station to another within the same organization.

C. Lump-sum schemes for home leave

16. The simplification of entitlements and benefits was raised by the International Civil Service Commission (ICSC) as early as 1976, as mentioned in ACC/2000/PER/INF.3.

17. As explained above (para. 3), staff members can opt for a lump sum when taking home leave. If they decide to exercise this option, they are responsible for their own travel arrangements. They receive a lump-sum amount equivalent to 75 per cent of the cost of the full economy class fare by the least costly scheduled air carrier between their duty station and the closest airport, to the established place of home leave (or to the educational institution in the case of education grant travel).¹

18. In its resolution 49/216 (part A, para. 9), the General Assembly requested the Secretary-General

to continue to monitor closely the costs and benefits to the Organization of the lump-sum arrangements, including an analysis of the level

of cash incentive provided to staff by the current 75 per cent procedure, and to make any necessary adjustments to ensure that the arrangements do not offer scope for abuse.

19. The Secretary-General's Task Force on Common Services is a working group established to evaluate, inter alia, the present travel scheme. It consists of representatives from the United Nations, UNDP, UNFPA, UNICEF and UNOPS. The Task Force is charged with reviewing experiences gained from the lump-sum option scheme and with then making recommendations on whether the application of this option should remain, be modified, be extended or be discontinued. To test its initial findings, the group conducted a survey, soliciting the views of staff members on the lump-sum option. Questionnaires were distributed in Bangkok, Beirut, Geneva, New York, Santiago and Vienna, and, to regional offices in Africa, the Arab States, Asia, Europe and Latin America. The overwhelming majority of respondents, particularly those with dependants, favoured the continuation of the lump sum in view of the flexibility it offered for more simplified administrative procedures compared to those of regular travel. The findings indicated that the present rate of the lump sum allowed for particularly efficient margins for cost flexibility with regard to travel for staff members stationed in North America and Europe, and for those whose destination was to those locations or to other major cities.

20. Most respondents viewed the option as a win-win situation for both staff members and the organizations. It was further concluded that the organizations' savings were directly proportional to the number of staff members who selected the option. Based on these findings, the group recommended:

- To continue the lump-sum scheme at the rate of 75 per cent;
- To ensure that all staff members were informed about the option;
- To harmonize home-leave travel practices among the organizations;
- To explore possibilities of expanding the option to other types of travel (assignment and repatriation) in order to further maximize savings from travel and overhead costs.

¹ ST/IC/1990/13, para. 2.

II. TOWARDS A LUMP-SUM OPTION FOR SHIPMENT ENTITLEMENTS

A. The UNDP pilot project

(a) *Shortcomings of the current shipment entitlement scheme*

21. UNDP presented to the ninety-second session of CCAQ a proposal whereby organizations could implement simplified approaches to administer expatriate entitlements.² CCAQ endorsed the proposal that organizations should pursue entitlement simplification through the development of pilot approaches.³ UNDP introduced a pilot project to transform the shipment entitlement into a lump sum. This approach was part of an overall strategy to use lump sums as a tool to achieve decentralization and a reduction of labour-intensive functions.

22. As stated in paragraph 13, the current shipment entitlement is an “example of an individualized entitlement requiring an extensive and complex administrative apparatus”. Relocation of staff is “an unnecessarily burdensome aspect of expatriate service”.⁴ In the context of reduced administrative capacity, the current process will become less and less sustainable. In this regard, the present entitlement system reveals several shortcomings that will be elaborated on below.

23. **Administering removal and shipment.** Shipment and removal processing is a labour-intensive issue. According to the information received:

- UNDP: two working days by a staff member are required;
- IFAD: up to two and a half working days by one General Service staff member;
- WFP: it is, on average, 0.2 working day by a G-6, 1.0 working day by a G-4 and 0.5 working day by a G-3, totalling 1.7 working days per shipment;
- UNICEF: up to five working days by one General Service staff member;

- UNESCO: one working day by one General Service staff member plus one working day by a Professional category staff member.

24. **There is a “negative incentive” for staff members to maximize the entitlement.** The bulk of resources associated with relocations is manifested in shipping costs. The present scheme of allocating a set volume for shipment creates a “negative incentive” for staff members to maximize the total shipment entitlement. Typically, staff members move the same household items from one duty station to another even if the value and utility of shipped household assets are clearly limited. This practice breeds inefficiency in the use of allocated resources and discourages staff from looking into other possible alternatives, such as buying basic household items at each new duty station from their predecessor, or possibly storing belongings which are not immediately needed.

25. **Cost-increasing impact in cases of air freight.** Conversion costs to the air-freight entitlement can become exorbitant—as much as twice to three times the surface amount—with shipping costs to certain locations (Africa, island countries, landlocked countries, the Middle East, etc.) exceeding the average.

26. **Inflexibility of rules.** Staff members are obliged to follow established rules which are somewhat rigid and do not allow for more efficient alternatives which may be more appropriate and convenient for the staff member, and more cost-efficient for the Organization, such as partial storage, replacement, etc.

(b) *UNDP alternative: the lump-sum approach*

27. UNDP considers that the current system drives resources away from their objective purpose and stresses that the goal of lump-sum arrangements is not only to administer shipping arrangements, but also to facilitate staff mobility. Thus, UNDP has developed a lump-sum approach to encourage the selection of options that help to discourage the maximization of the attributed volume limits relating to the shipment entitlement. The UNDP lump-sum pilot project was instituted on 15 January 2001. According to UNDP,

Lump-sum arrangements accomplish two important objectives. They place a single

² ACC/2000/PER/R.2. Add. 1.

³ ACC/2000/PER/R.12.

⁴ Ibid. para. 2.

monetary value on an organizational obligation, while at the same time providing staff with the personal choice on how to best meet their individual requirements.⁵

28. A thorough review of shipping costs and current United Nations entitlements estimates that the average removal and shipment costs for a single staff member are US\$ 6,000, and US\$ 12,000 for a family.⁶ Under the newly adopted scheme, UNDP proposes a lump sum on a voluntary basis in the amount of US\$ 12,000 for single staff members and US\$ 18,000 for staff members with dependants. The lump sum for resident representatives is set at US\$ 25,000. Under the pilot project, staff members are expected to manage their own relocation arrangements largely without direct administrative assistance from the organization. However, UNDP makes available to staff members a database of reputable international vendors which can be consulted and from which relocation-related services may be procured. The implementation of the lump sum for the shipment of personal effects and the removal of household effects at UNDP is expected to be a major factor in its cost reduction programme. Furthermore, UNDP favours the lump sum not only for its potential to reduce costs, but the organization views it as corresponding to the broader issue of removing the organization away from making personal decisions on behalf of staff members. UNDP conducted extensive consultations with staff members to test its hypothesis regarding the lump sum, and it became apparent that staff members supported the introduction of the project.

B. The UNICEF/UNHCR approach

29. UNICEF views on lump-sum arrangements are largely identical to those of UNDP. It believes that the lump sum will be a driving force toward facilitating staff mobility and reducing overhead costs.

30. UNICEF, like UNDP, is mainly a field-oriented organization (there are only approximately 600 staff members based in New

York) that maintains a significant number of non-family duty stations.

31. UNICEF is currently experimenting with a pilot project relating to removal and shipment. The transfer of the UNICEF regional office from Colombia to Panama offered a good opportunity to test the lump-sum project:

- UNICEF promotes a relocation grant similar to that of UNDP (US\$ 12,000 and US\$ 18,000, but not US\$ 25,000 for heads of offices). The alternative of instituting a multilevel lump-sum system comprising different amounts for each region was not favoured because it entailed the possibility of being cumbersome and could trigger administrative costs associated with updating the regional lump-sum schemes;
- During the first two years of the implementation of the relocation grant, the system will be carefully monitored and governed by clear guidelines. A help desk and an information package are expected to be made available to staff members;
- The new arrangement requires that staff members manage all logistical matters relating to the move. However, the responsibility to secure customs clearance will remain with the organization;
- The relocation grant will result in making resources available to fulfil other (substantive) responsibilities of the organization;
- The relocation grant creates a family-friendly environment. Staff members will be more satisfied with retaining control over the removal and shipment of their goods. (This was confirmed by the positive experience of UNICEF as regards the move of the Bogotá office to Panama).

32. The positive experience of the move of the Bogotá Office to Panama seems to go beyond that single case. UNICEF reports that 95 per cent of the staff have opted in favour of the relocation grant since its inception over a year ago.

33. UNHCR recognizes that the lump sum may not be valid for all organizations, especially those that have only one or a few duty stations. However, staff of large funds and programmes that are scattered throughout the world require an

⁵ UNDP internal memorandum (UNDP/ADM/01/4 of 19 January 2001), prepared by the Director of the Office of Human Resources, Bureau of Management, para. 21.

⁶ Ibid. section II.

alternative option to the present entitlement scheme.

34. Thus, UNHCR is strongly in favour of the lump-sum approach. However, as is the case with UNDP, the organization continues to retain the lump-sum approach as a genuine option, as mandated by existing staff rules and regulations. UNHCR considers the current entitlement concepts as being outdated and unnecessarily labour-intensive. It advocates the lump-sum approach at the inter-agency level. The organization's new pilot programme, or the "Relocation grant", took effect on 1 October 2001 and essentially comprises the following elements:

(a) UNHCR has instituted the relocation grant as an option. It has not replaced the traditional United Nations system removal and shipment scheme. Staff who do not wish to exercise this option may resort to the existing shipment arrangements, which remain fully applicable. The relocation grant may be paid upon initial appointment, reassignment (except within-country reassignment), or upon separation from service;⁷

(b) The lump-sum amounts payable under the relocation grant are as follows:

- All eligible staff (except representatives/chiefs of mission and JPOs) without a spouse or dependent child are entitled to US\$ 10,000. Staff members with a spouse or dependent child are entitled to US\$ 15,000;
- Representatives and chiefs of mission with or without spouse and/or child(ren) are entitled to US\$ 15,000.

(c) If the lump sum is selected and a shipment is made, it is deemed to cover all shipping and related costs, including insurance for loss of, or damage to, personal effects, customs charges or fees;

(d) UNHCR will provide assistance to staff regarding customs clearance and import and export formalities, such as issuing attestations and other required documentation. The advantageous rates and the full range of services offered by companies used by the organization will continue to be offered to staff making their own arrangements. In addition, the Human Resources Service, through

administrative channels, will provide a checklist and practical information to assist relocating staff;

(e) The lump-sum amounts were calculated by using higher than global averages of actual costs under the existing shipment entitlement scheme, and weighted to take into account other elements such as frequency of moves, air-freight conversions and duty-station locations.

C. World Food Programme

35. According to WFP, the present shipment entitlement scheme (instituted in the 1950s and based on weight and volume) should be reviewed to reflect the evolution of staff members' needs and requirements. It should take into consideration the specific conditions of the duty station to which she/he will be appointed or transferred.

36. A well-reflected lump-sum option could contribute to cost-effectiveness and to more satisfaction among the staff. On the other hand, WFP does not intend to make a "blind jump into the lump-sum option". It envisages simplifying procedures by applying a lump-sum option under the following parameters:

- Reduction of administrative costs;
- Fairness to staff (staff cannot in each and every case—for subjective or objective reasons—manage all issues of moving, in particular, the processing of household effects through customs);
- Safeguarding the overall cost-effectiveness (i.e. it would not make sense to have lower administrative costs if the total lump-sum entitlements increased the overall costs of the organization related to the transfer of staff).

37. Taking into account the above, WFP instituted a lump-sum option based on 80 per cent of the actual costs (for example, an individual rather than a global lump sum), but only for a very limited number of transfers, i.e. to hardship duty stations of category D and E. The option was instituted to provide greater flexibility to staff members in meeting their personal needs on the occasion of recruitment, transfer or repatriation. The new lump-sum option took effect as of October 2000.

⁷ UNHCR inter-office memorandum No. 84/2001 of 24 October 2001, subject: "Relocation grant".

III. ARGUMENTS IN FAVOUR AND AGAINST THE LUMP-SUM OPTION

A. Arguments in favour of the lump-sum option

38. The arguments in favour of a lump sum may be summarized as follows:

(a) *Reduction of administrative overhead and shipping costs*

Administering the shipment is an onerous task for the following reasons:

- There is a lack of unitary practice. The Inspector's review of existing specific staff rules governing shipment entitlements has revealed a lack of consistency of such rules and their application among the organizations of the United Nations system. Cases have been observed where such inconsistencies occur even within different units or services of the same organization;
- The lump sum would eliminate the tendency to maximize shipment entitlement (which leads to the unnecessary shipment of goods). Conversion costs to the air-freight entitlement can become exorbitant compared to shipping costs to certain locations (Africa, island countries, land-locked countries, the Middle East, etc.);
- The lump sum introduces more simplicity in the administration of shipment and removal services and allows a significant reduction of administrative overhead costs as expressed by CCAQ.⁸

While it is true that engaging a global contractor could also reduce administrative overhead costs, UNHCR has pointed out that experience with a global contractor could be mixed. Such an enterprise may be good at shipments from headquarters to other duty stations in the field and back, but not necessarily at all the multiple variations of transfers within an organization's field presence.

(b) *Enhanced human resources management*

39. As mentioned by UNHCR officials, the objective is to facilitate and enhance staff mobility. UNDP considers that the current system tends to

syphon staff resources away from its intended purpose. UNDP stresses that the goal of lump-sum arrangements is not only to administer shipping arrangements, but also to facilitate staff mobility. The study carried out by the Task Force on Common Services as outlined in paragraph 19 demonstrates that staff favour the lump-sum approach.

(c) *Lump sum can prevent fraudulent activities*

40. Another advantage of a lump sum in general is that it can help, to some extent, to prevent fraudulent activities. The Office of Internal Oversight Services (OIOS) of the United Nations Secretariat carried out a proactive investigation of the education grant entitlement (A/55/352). The conclusions of the OIOS report indicate that "[i]n its current form, the administration of the education grant benefit is cumbersome and, therefore, prone to error". OIOS claims that the lump-sum approach would be more appropriate because it would save the Organization financial resources by reducing current administrative costs and "it would also allow staff more time to spot check for fraud".

B. Arguments against the lump-sum option

(a) *Significance of administrative cost reduction*

41. Some host countries (customs authorities in particular) are not willing to deal with individuals and only accept the Organization as an interlocutor. Thus, the need for support staff to administer shipments would still be necessary. This concern has been stressed, in particular, by the United Nations Secretariat and by ILO.

42. The United Nations Secretariat and a number of agencies remain doubtful about the amount of savings potentially associated with the implementation of the lump sum. The projected savings envisaged by UNDP assume that almost all the administrative costs will be phased out due to the implementation of the lump sum and the extensive use of the Integrated Management Information System (IMIS).

43. Moreover, as long as a lump sum remains an option for staff members, organizations have to maintain the manpower to administer the process of staff relocations. It is likely that staff members would opt for a lump sum when it is more attractive in financial terms rather than receiving a

⁸ ACC/2000/13

reimbursement of exact costs. ILO estimates that the organization might have to pay twice as much for staff movements, if lump-sum arrangements as applied by UNDP were to be introduced. FAO and IAEA likewise express scepticism about the possibility of obtaining cost savings.

44. In the case of an **individual lump sum**, the following concerns arise: if an organization has N duty stations, the overall number of moves theoretically possible is $N \times (N - 1)$. First, it is difficult to imagine the feasibility of establishing a market rate for all those different possibilities. In the absence of an ascertainable market rate, the establishment of a yardstick to determine an appropriate lump-sum amount would be difficult. Secondly, it is also difficult to envisage administrative gains and efficiency in such a case.

45. In the case of a **global lump sum** for each and every transfer, the range of transfer costs varies so much that the application of this method would result in unfair treatment to some staff members while creating a windfall benefit for others. This would reflect a particular imbalance in cases where a staff member is transferred only two or three times in her/his career, as compared to others who may be transferred 10 times (special missions, secondments, transfers, etc.). The balancing of negative and positive financial costs would, in such cases, be achieved only if staff members remained in service for a requisite number of years. The Inspector fully shares the sceptical assessment of FAO and WFP with regard to a global lump sum.

46. The loss of expertise owing to the implementation of a lump sum could have counter-effects in the long run. The Organization may lose on the positive externalities associated with economies of scale; for example, the United Nations has secured attractive insurance and freight fares based on the volume of business it generates. The lump sum may thus decrease the bargaining power of the United Nations to negotiate preferential fares. Nevertheless, UNICEF questions the validity of the United Nations economies of scale argument, as it may be relevant for major duty stations such as Geneva or New York, but not for other duty stations.

47. The United Nations Secretariat acknowledges that a pilot project approach could be a useful way to explore new options. The UNDP lump-sum pilot project should be assessed

after a certain period of time to learn from its experience.

48. Centralizing, streamlining and the increased use of common services may be a better option to reduce costs. The Organization would retain the same level of bargaining power to negotiate competitive rates, and centralized expertise would be available to staff.

49. The United Nations Secretariat is currently exploring a new option; notably, a common service approach for the next global contract cycle, making use of e-commerce. The Organization would contract, on a worldwide basis, with a single agent that would offer a network of reliable and competitive shipping companies to any organization in any location. Staff members would be given an access number to enable them to check the status of their shipment and the quality of the insurance included in the contract.

(b) *The complexity of system-wide rules and regulations*

50. The United Nations Secretariat believes that there is room for manoeuvre, as organizations seem to have different interpretations of the rules. For example, at the United Nations Secretariat, staff members can already take advantage of a "split shipment" to two different destinations. Further, the United Nations Secretariat already offers coverage of storage costs for staff other than on short-term assignment as spelled out in staff rule 107.27 (f). These related rules could be more fine-tuned to allow for increased flexibility.

(c) *The concern for equity and welfare among staff*

51. A number of organizations feel it is important to consider carefully aspects of the lump-sum alternative, particularly owing to the risk of resulting in unfair treatment to some staff members. An observation was made by some organizations that the lump sum might represent an unfair practice to the experienced traveller and/or to staff posted in hardship duty stations where there is no market for freight and where difficulties may arise when dealing with local authorities.

52. Organizing a transfer could be disruptive vis-à-vis a staff member's professional obligations, and it can affect her/his work. Furthermore, the burden of assuming all logistical arrangements relating to a move could also distract staff members away from work matters by directing

their attention towards extensive personal telephone calls, Internet research, etc. It may also prejudice single staff members, who would face the personal challenge of having to organize and administer a move alone. Thus, there is an increased risk that this factor may have an impact on the staff member's professional obligations, hence resulting in lower productivity.

53. The concerns mentioned above were, inter alia, highlighted by FAO and ILO. WHO intends to continue to handle customs facilities for its staff if a lump-sum arrangement is introduced.

54. During his exploration, the Inspector observed that the private sector seems to be reluctant to provide a lump sum to staff, but instead prefers to offer the maximum assistance required to facilitate the relocation of employees.

IV. ACHIEVING “A THIRD AVENUE” AS A VIABLE ALTERNATIVE

55. Based on the information gathered as summarized at the end of chapter II, the Inspector acknowledges the advantages that lump-sum arrangements could offer in terms of financial savings as well as staff satisfaction. It is self-evident that it would be highly desirable to arrive at harmonized inter-agency standards with regard to shipment entitlements as underlined by UNICEF and WFP. However, the Inspector doubts whether this target could be reached in the near future. The number of moves resulting from appointment, transfer or repatriation and overall circumstances differ greatly among the organizations of the United Nations system. Therefore, it appears very ambitious to offer a single solution which would be equally valid for each member of the United Nations family. The Inspector tends to hold the view that each organization has to find its own solution tailored to its specific needs.

56. An option worth noting could be to further develop the system designed by OECD in an attempt to maximize the advantages of the lump-sum and shipment entitlements, and to promote greater flexibility. This system is based on:

- **Family status:** A volume entitlement is determined: 35 cubic metres for families and 25 cubic metres for staff members without dependants;
- **Destinations:** The human resources department estimates the average price to move to/from Europe and several other geographical clusters, based on the market prices from several moving companies;
- **The average price per cubic metre multiplied by the volume allowance.** This gives the amount to which a given staff member is entitled. The entitlement is paid to the staff member based on the invoice of the shipping company of his/her choice. Indeed, staff members have total freedom to choose any shipping company, and can opt for partial storage provided that the cost falls within the limit of the entitlement amount. The contract is signed between OECD and the staff member. Thus, value added tax (VAT) is due, but only for shipments to or from (or within) European Union member States; other shipments are exempt from VAT. Staff members are free to choose an

insurance company or to accept the insurance provided by the shipping company. The staff member therefore has an incentive to stay within the entitlement limit, and to choose a competitive company (principle of “best value for money”). OECD provides its staff members with a list of companies that operate under certain standards of quality, though OECD handles customs clearance. OECD also maintains a database of shipping costs and every three years will benchmark fees charged by these companies to ensure that they have access to the most competitive services and prices.

57. Inspired by the system outlined in paragraph 56, as well as by internal discussions at the secretariat of WHO, the Inspector holds the view that it is worth giving more thought to the possibility of a compromise between conventional shipment entitlements and the approach of UNDP to establish the option (for how long?) of a global lump sum.

58. As described in the present Note, the United Nations Secretariat and the specialized agencies have undertaken remarkable efforts to explore methods and possibilities to simplify the administration of entitlements to reduce administrative costs. While only a few such methods have actually led to the implementation of simplified processes or arrangements, those that have been adopted have made a significant impact on shipment management. The present Note should serve as a basis for serious consideration of the methods adopted, and, over time, enable an appropriate assessment of their true viability. In this regard, the issue of achieving cost savings, important as it is, cannot remain the sole criterion for such an assessment. Other important factors, such as equity, convenience to both staff members and secretariats, and the moral impact on staff of methods being tested (in particular the perspective of increased staff mobility) and those already adopted, must be given adequate consideration. The long-term goal is to arrive at a sustainable programme for the administration of shipment entitlements.

59. It has been well demonstrated that while the global lump-sum scheme has the potential to promote both efficiency and convenience, it does

carry the risk of leading to **unjustified inequities** and increased costs relating to the transfer of staff in certain cases. It is, therefore, necessary for organizations to remain sensitive to its impact in all areas concerned, whether they be administrative, financial or social. The Inspector recommends promoting a more equitable approach that takes into consideration the individual and often unique circumstances relating to shipment arrangements. In the light of the above, the following is proposed for consideration by United Nations system organizations in respect of the lump-sum option.

60. Efforts should be made once again to devise a scheme for a **small** number of geographical zones. An individual lump sum would then have to be fixed for all possibilities of moves either within one geographical zone or from each one to any other geographical zone and be oriented to a staff member's family status. Thus, organizations would have a reasonable number of lump sums at their disposal and would avoid the difficulties outlined in paragraph 44. Since geographical distance is not the only factor which determines the cost of shipment, it would be necessary to fine-tune the concept of lump sums by establishing an additional corrective coefficient. Such a coefficient would provide for necessary corrections which would arise from individual circumstances of a move (such as the distance and the degree of difficulty of transport by truck from the nearest seaport to the final destination, or the need for transport by air). The Inspector is aware that the concept of a matrix

of geographical zones may not be implemented easily and will somehow go against the target of streamlining administrative procedures. However, in view of equity and the need for a fair treatment of staff, the Inspector is of the opinion that this would have to be accepted. The Inspector strongly encourages the WHO secretariat to finalize its reflections on establishing a lump-sum scheme based on geographical zones, and to implement them during a test phase as soon as possible. It is the Inspector's impression that other organizations, e.g. UNFPA, are in favour of exploring such a concept.

61. In general it appears to be appropriate to consider a gradual and moderate reduction of the current weight entitlements of staff as happens in the diplomatic services of some of the United Nations Member States. Special cases, such as those involving staff with a physical handicap, or a transfer to a hardship duty station with few opportunities to purchase household equipment for example, would have to be given specific consideration. A reduced volume of shipments might enable organizations to achieve cost savings. These savings could be used to offer staff a limited lump sum which could be utilized for individual personal needs (for example, special care for musical instruments or for valuable/irreplaceable furniture). For clarification, it should be mentioned that a lump sum as proposed here would not affect other entitlements of staff, such as installation or repatriation grant.