



UNDP/ADM/97/68

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To: All UNDP staff

From: Rafeeuddin Ahmed
Associate Administrator

Subject: **Reform of Employment Contracts in UNDP**

Reforms to the approach to contracting personnel in UNDP are announced. These include improving and extending the appointment for Activities of Limited Duration (ALD) and creating more possibilities for service contracts, with approval authority delegated, under specific conditions, to country offices and other UNDP offices outside New York. The work grows out of the first pilot phase of the ALD contract and the reforms to the SSA modality. It responds in particular to the expressed needs of country offices. Very importantly, this work is fully in line with the changes called for in the UNDP 2001 reform plans.

This is an important area of policy reform - to facilitate the work of all offices in their hiring of personnel, both for UNDP and on behalf of other agencies. A framework for contracting personnel is set out. It keeps the array of contracting options to a minimum (four), while offering maximum flexibility for their use, within what is legal and feasible. The approach is logical, simple and cost-effective - safeguarding fairness and non-arbitrariness while ensuring monitoring and accountability.

Background

1. Contracting of personnel to carry out UNDP's work is a main activity of the organization. The effectiveness of UNDP's efforts is closely linked to: quality and timeliness of the hiring; success in managing and motivating personnel for optimum results through individual and team efforts; and efficiency in the range of human resource functions, wherever performed (selection, recruitment, work definition, compensation, performance management, etc.).

(**Note:** The terms "hiring", "employing" and "contracting" of personnel are used interchangeably in this and in accompanying documents. The term "contract" or "contracting" used in relation to hiring of individuals refers to employment contracts - as opposed to the contracting of firms or contracting for services by outside businesses. "Contracting out" or "outsourcing" is with a firm, and follows the rules for procurement. Employment contracts directly with individuals - whether as "employees" or "independent contractors", based on local custom or law - follow the guidelines presented here and in related circulars from OHR.)

2. It is time to modernize and streamline UNDP's approaches to contracting personnel. Our change process demands it; our offices demand it. Over many months, OHR has been listening to the needs of offices as expressed by staff and managers from a number of offices. The recommendations of UNDP 2001 call for the type of reforms that are described here. Traditionally, UNDP has largely used tools that are as old as the UN system itself, with the addition of newer ones over the years as circumstances required. The tools for contracting of personnel are now being updated and improved in an integrated and comprehensive way.

3. The centerpiece of UNDP's efforts remains its core staff working as a career service. This provides UNDP with the independent, impartial international civil service, that is noted for its high quality, experience and adaptability to the great variety of situations in which UNDP works. Career staff provide the continuity; they work in core functions that have an ongoing place in UNDP.

4. UNDP must also contract for shorter term activities. While not new, this growing phenomenon which reflects the evolution of UNDP's work. It requires the appropriate tools for contracting individuals for limited periods and for time-limited activities, complementing the staff who work in the longer term continuing activities.

5. There is also a need to hire individuals who perform functions that are not at the center of UNDP's regular work but who, through their services in the UNDP office or their work on programmes or projects, contribute in one way or another to UNDP's activities. These are individuals on service contracts, a growing group for whom UNDP is the hiring agent.

6. UNDP can not manage with a single approach to hiring; it requires greater flexibility. The creation of a framework for hiring of personnel, and the revision of existing contracts are part of the policy change being announced at this time. The number of contractual tools is kept to a minimum - essentially four, each with a set of guiding principles and an implementation framework, responsive to the needs of today and the foreseeable future.

7. This reform confirms the place of the 100 series staff, at the cornerstone of UNDP's hiring strategy and the foundation of UNDP's core and continuing functions. This reform does not alter the Special Service Agreement - as the simplest tool for contracting individuals for a whole range of activities of brief duration. The key changes being introduced are:

- expanded use of the ALD (appointment for Activities of Limited Duration), as an extension of the pilot underway since 1994; and
- the availability of a generic service contract, for a variety of specific situations, and for periods longer than allowed for by the SSA.

8. The framework is as straightforward and streamlined as circumstances allow. With the user's needs uppermost in mind, it allows cost-effective hiring of personnel, with simple, clear tools and with a minimum of bureaucratic procedures. It is highly decentralized, and calls for the proper regard to principles of fairness, non-arbitrariness, monitoring and accountability. This formula encourages a flexible approach by the country offices, avoiding excessive regulation and monitoring, and permits a maximum degree of

adaptation by the field - if required - and within acceptable norms and standards.

9. The execution will be in the field, with a minimum of Headquarters involvement. The country offices need to develop their own capacity to be agile and responsive - and effective - in their hiring activities. Headquarters will be a source of policy advice and general guidelines, and will review country office use of contracts on the basis of yearly reporting by offices. The use of contracts will also be a standard item for audit review.

10. The framework provides for a high degree of delegated authority for approving contracts once the conditions for this delegation have been satisfied and explicit authority has been given by the Director, OHR. It is expected that country offices, in particular, and other offices away from Headquarters, will find that most of their hiring needs (apart from the hiring of international personnel) can now be addressed locally without referral to Headquarters other than through the normal budgeting process. (See also paragraph 35 below, regarding the hiring of national personnel for projects.)

11. This policy reform sets out the following key elements:

- a hiring framework - this framework is intended to provide the overall structure and to guide all offices as to which type of contract should be used for which hiring situation;
- a set of principles - in an effort to avoid over-regulation and excessive instructions, guiding principles are set out instead; offices will develop their specific procedures and internal steps to implement the principles;
- a set of tools - the necessary contractual tools are provided in two user's handbooks, avoiding the necessity of each office developing its own set of legal contractual instruments; guidelines for their use and examples are provided, to assist offices.

12. This reform also covers UNDP's hiring on behalf of others. In the future it is UNDP's intention to ensure greater clarity with agencies, government entities and others to ensure that this responsibility does not represent any additional liability for UNDP. (See para. 34 below.) UNOPS, UNFPA and WFP intend to communicate separately regarding their intentions to use some or all of the contractual instruments described herein, and their timetable for implementation.

Hiring framework

13. As a global organization, UNDP requires a mix of contract types to cover all individuals employed either for UNDP or on behalf of others. To facilitate a flexible and transparent operation, with so many diverse needs, UNDP's approach to employment contracts must fit into a straightforward, logical pattern. Variations in contracting mechanisms and in conditions of service, where they exist, must be logical and non-arbitrary, and easy to manage and explain.

14. The hiring framework is meant to be simple and clear enough so that there is no doubt as to when to use which type of contract, yet comprehensive enough to cover almost every type of hiring situation. The framework shown and described below identifies four types of contracts. This is the guiding operational structure for UNDP's hiring of

personnel.

SSA	Service contract (SC)
ALD (300 series)	100 series (or 200 series)

Framework for determining the appropriate contract type

15. All offices and hiring units must select the appropriate contract type to fit each hiring situation. These four types of contracts are intended to be all-inclusive for the type of personnel contracting that UNDP undertakes (for itself or on behalf of others). Offices are to use the appropriate tool from among the four contracts available. (Other types of contracts for hiring personnel have not been authorized.) A simple process to assist hiring units to select the appropriate contract is depicted by the following "decision tree":

Duration					
Context	Type of hiring		Very brief	Limited	Continuing
Non-project	Local	Outsourceable	SSA	SC	SC
		Integral	SSA	ALD	100 series
	International		SSA	ALD	100/200 series
Project	Local		SSA	SC	----
	International		SSA	ALD	200 series

16. Pre-requisites for selecting the appropriate form of contract are a clear definition of the functions to be carried out; and an assurance of adequate funding and appropriate budgetary authority. The process that then follows is to review certain key elements which, taken together, determine the contract type:

- context of the work (project or non-project);
- type of hiring (international or locally-recruited);
- duration (very brief; limited; or continuing).

Context of the work (project or non-project)

17. The context of the work (project or non-project) is a fundamental factor. It is also reflected in the source of financing, that is, the biennial budget (core and extra-budgetary) or programme funds. UNDP makes distinctions in contract type, depending on whether the work is carried out in a project or non-project setting (that is, usually the UNDP office). As this determination is generally straight-forward and fundamental, it is recommended as the first step.

Type of hiring (international or locally-recruited)

18. It is an indispensable step to decide whether an activity is to be carried out through international or local recruitment. UNDP, as a matter of policy, generally prefers that national personnel are employed to carry out its activities and to implement programmes and projects, when appropriate for the given circumstances. The type of hiring impacts significantly on the type of contract, the conditions of service and the status of the individual.

19. In some instances, when non-project functions are to be carried out for the UNDP office and the hiring is local, "outsourcing" can be considered for many of the activities. Particularly for unskilled or semi-skilled functions (functions that are not "integral" to the office's central work and objectives), it is often preferable to outsource the service - contracting the services through an outside company rather than through direct hire. However, when not possible or desirable to outsource (when outside companies may not be available, reliable or cost-effective) UNDP can employ individuals directly under a service contract to deliver such services (or, if the duration is very brief, under an SSA). This is referred to as an "outsourcable" (or "non-integral") activity, one for which UNDP undertakes direct employment of the individual(s) concerned.

20. In other instances of local hiring for the UNDP office (non-project), where the activities are considered "integral" to UNDP's regular work and objectives the appropriate contract is determined by the duration and continuity of the services: SSA, ALD or 100 series contract.

Duration and continuity of the work (very brief, limited or continuing)

21. Once the context of the work (project or non-project) and type of hiring (local or international) are determined, then the appropriate contract type is selected on the basis of the duration and continuity of the activities. The policy on contract duration is governed by the following rules. These rules on duration are mandatory. Offices do not have a delegated authority to deviate from them (nor in the case of hiring on behalf of other agencies).

SSA - Very brief duration; not to exceed 11 months;

ALD (300 series) - Limited duration; 6 months minimum; one-year increments; 3 years maximum duration (exceptionally, up to 4 years);

Service Contract - Limited or continuing duration; 11 months minimum, normally; one-year increments; maximum duration based on activities;

100 series (or 200 series, in some cases) - Continuing; 1 or 2 year increments, without maximum time limitation.

22. Duration is also linked to simplicity and flexibility in conditions of service, and ease of administration. The shorter duration contracts are intended to be simpler, more agile instruments, to facilitate a quicker response to the hiring need, and offer more flexibility in the overall compensation. Longer duration contracts imply, among other things, a greater

responsibility of the employer for the social security of the individual employed. They involve a larger set of management considerations, and are less agile and flexible. (Further guidelines on the meaning and intent of "limited duration" for the purpose of using the appointment for Activities of Limited Duration are provided by OHR in its circular on this subject and in the ALD User's Handbook.)

Summarizing the framework

23. The preceding paragraphs describe a relatively streamlined process to determine the appropriate contract type, and they outline the key conditions for use of each contract. This is summarized in the following table:

Project or non-project Local or international Outsourceable or integral	Project or outsourceable non-project Local hire only (for country offices and HQ locations outside of NY)
SSA	Service Contract
Duration: very brief up to 11 months	Duration: Limited or continuing 11 mos. min.; one-year increments; maximum - based on activities' needs
International: project or non- project Local: Non-project (integral) only	Non-project only: local (integral) or international (200 series: project or non-project international)
ALD	100 series/200 series
6 mos. min. - one year increments; 3 years maximum (exceptionally, 4)	Duration: continuing 1 or 2 year increments, without maximum time limitation

When to use what

24. Annex 1 ("Summary of typical jobs performed under each type of contract") provides a compact guide as to which contract should be used in which hiring situation. It is expected that this guide should cover the near totality of hiring situations. Contract types are not interchangeable. Offices must use the appropriate mechanism. In case of doubt, OHR should be consulted. To assist offices to visualize the key differences among these four standard types of contracts, a summary table is provided as Annex 2 ("Summary comparison of contract types and conditions of service").

Key principles

25. The following fundamental employment principles are the basis for all hiring by UNDP and for the management of personnel. Offices must comply with these principles and set up the necessary procedures for their implementation. Further clarification on any aspect of these principles is available from OHR.

- UNDP expects the highest standards of competence and integrity; UNDP's independence and objectivity must be safeguarded;

- UNDP must be a good and fair employer, in all types of hiring; high standards of employment are applied, whether reflecting UNDP's internal set of rules, or the standards of the local environment;
 - Selection of personnel must be competitive and focused on merit;
 - Conditions of service must be set in a non-arbitrary way, must meet reasonable standards and, in the case of non-staff, have due regard for prevailing local practices and labour legislation;
 - The basis for setting pay for individuals hired locally is the local labour market;
 - Conditions of service may vary according to the type of contract, when this is justified by the type of activities to be performed and the circumstances under which they are performed;
 - Personnel should be informed of their rights and obligations, at the time of hire; they should have clear expectations in terms of their employment;
 - Employees are entitled to clear and regular feedback and recognition for the work performed;
 - Employees are entitled to due process;
 - Work should be planned in advance; jobs and terms of reference should be well designed and form an integral part of the employment contract;
 - Managers are accountable for their decisions regarding hiring, conditions of service and for the sound and effective management of personnel.

Action by country offices and other UNDP offices

26. Offices will now be able to proceed to carry out their hiring in accordance with the four types of contracts described in this reform. The objective is to provide further tools and flexibility to country offices (and other offices away from New York) for their hiring needs, particularly with the local ALD and the expanded use of the service contract. Headquarters will also have additional flexibility with the expansion of the ALD. With three types of contracts available for limited and very brief periods of service, UNDP is underlining the growing importance of short duration and specialized work.

Legal status

27. Offices are reminded to pay close attention to the proper legal and contractual status of each contract. The legal framework of each is as follows:

Staff member under the 100 (or 200) series: "traditional" staff member contract, with terms and conditions governed by the relevant series of the Staff Rules;

ALD: personnel contracted for limited duration, with conditions governed by the 300 series of the Staff Rules;

Special Service Agreement (SSA) - personnel contracted with conditions governed explicitly by the specific terms of the contract (not by the Staff Rules);

Service Contract - personnel contracted with conditions governed explicitly by the

specific terms of the contract (not by the Staff Rules).

28. Changes are not being made at this time to the "traditional" staff member contract (100/200 series). Existing policies and contract tools and conditions remain in force. Nor are changes being introduced to the SSA guidelines, which have been issued in the recent past.

29. A clarification on the use of the 200 series appointment is appropriate, as part of this policy reform. The 200 series appointment is used for staff who are funded from project or other non-core resources and whose appointment is non-career in nature and limited to the specific activity funded by the non-core resources. While not having a maximum duration like the ALD, a 200 series contract is always linked to the duration of the project or the non-core funding. Staff under the 200 series may move from project to project. As such, it is the appropriate contract for the long-term expert, as compared to the ALD which is used for a maximum of three years (exceptionally, four). The 200 series is also used currently for Junior Professional Officers. It is not used for support staff, either on a project or in the office. The benefits and entitlements under the 200 series are similar to those of the 100 series. Selection must be on a competitive basis, as for all UNDP hiring. Hiring authority is not delegated by OHR in the case of the 200 series.

30. OHR is simultaneously issuing two circulars and user's handbooks:

- a circular and handbook on the ALD, which announces some policy changes in the existing ALD terms and procedures; and introduces the local ALD, providing comprehensive policies, guidance and materials for this purpose;
- a circular and handbook on the Service Contract, providing overall policies, guidance and model instruments.

Budget and financial considerations

31. The provisions set out in this policy framework for contracting of personnel do not alter in any way the overall budget and financial requirements of offices. Heads of offices must still ensure that proper budget authority exists before entering into financial commitments. Furthermore, the approval of an employment contract which commits the organization's funds (or the funds of another organization) constitutes a financial transaction for which UNDP's Financial Rules and Regulations are fully applicable, including the requirements for proper certification and approval authority. More specific financial and budgetary issues are dealt with in the two circulars being issued simultaneously, and in their accompanying users' handbooks.

Accountability framework

32. With the approval of contracts delegated to heads of offices goes the requirement for the proper management of this responsibility. The following brief framework specifies the critical areas for which Resident Representatives and other heads of offices will be accountable in terms of employment contracts:

- a. ensuring availability of funds and consequent budgetary authority;
- b. defining terms of reference and work plans and, for limited duration contracts, determining that activities are non-continuing in nature;
- c. selecting a fully qualified candidate, without favouritism, through a sound and competitive selection process;
- d. selecting the appropriate rate of pay, resulting in a level which is fair and not excessive for the job to be performed;
- e. ensuring sound management of the induction process and the smooth payment of salaries and other operational requirements; this includes ensuring that the terms and conditions are understandable and clearly communicated to candidates and personnel, and that there are realistic expectations regarding the duration and nature of the work;
- f. managing the performance of individual hired, including decisions on pay increases and contract extension, in relation to expected results;
- g. reporting on the use of the different contractual instruments.

Reporting requirements

33. Offices are required to report on a periodic basis on their use of the different types of contracts (for UNDP and on behalf of others). For the local ALD and the service contracts, reporting is yearly. The respective user's handbooks describe the specific requirements. Reporting will eventually be integrated with other HR reporting, particularly the FOST system, with the aim of achieving a single, comprehensive picture of all personnel employed by UNDP in each country.

Contracting on behalf of other agencies

34. UNDP offices are often called upon to issue and administer contracts on behalf of other agencies, and this service entails additional work (primarily in the personnel and finance areas). This responsibility does not represent an additional liability for UNDP - legal, financial or otherwise. Claims and costs resulting from such hiring arrangements must be the responsibility of the requesting agency, not UNDP. It is also our policy that such contract and personnel administration work on behalf of other agencies (for activities not financed by UNDP) be compensated financially by the requesting agency. While no specific, new guidelines are being introduced at this time, the policy of appropriate reimbursement for services remains and offices are expected, for the time being, to follow existing arrangements for the charging for services. Offices are reminded that any charges for services rendered are to be agreed in advance with the agency concerned, before finalizing an employment contract.

Contracting for projects

35. While the service contract is intended to be the contracting mechanism for hiring locally for programmes and projects, it is noted that important programme policy issues related to National Execution are currently under review in UNDP. Decisions resulting from this review will have implications on the policies and procedures for contracting of project personnel for NEX. It has therefore been agreed to issue this circular, and the related circular and user's handbook on service contracts, without specific procedures and guidance for hiring project personnel for NEX, so as not to prejudice the policy decisions expected shortly. It should thus be understood that this issuance on contracts does not modify current arrangements regarding NEX. Recognizing that offices require more clarification and guidance in this area at an early stage, it is our intention to issue additional information on appropriate policies and procedures as soon as possible.

36. The measures introduced with this new policy take effect immediately.

Annex 1

Summary of typical jobs performed under each type of employment contract

100 series contract (also 200 series)	ALD contract (300 series)	Service contract (SC)	Special Service Agreement (SSA)
Employed on core activities of continuing nature, within the office; activities not likely to be concluded within 3 years. For career staff, UNDP invests in individual's training and career development. Staff to perform a highest levels, high integrity, dedication, commitment, innovation. (200 series: international personnel for project and other non-core activities)	Work is linked to office's work for given planning period; by reasonable assessment, activities deemed of limited duration (not to exceed 3, or exceptionally 4, years); tend to be for temporary or emergency activity; international personnel for project activities	Work is not part of UNDP's central work nor part of UNDP's integrated team effort; is within project context (NEX, agency, direct execution, etc.) or in UNDP office on work that could be outsourced, but which is not feasible or desirable under current circumstances	Whole range of short duration activities, whether in project context or within UNDP office; can be for temporary assistance, consultancies of various levels; also used for short hiring period prior to regularizing financial and administrative arrangements for longer term contract
<u>Examples:</u> office	<u>Examples:</u> computer	<u>Examples:</u> cleaning	<u>Examples:</u> auditing

<p>staff - continuing functions (such as - finance, programme, and administrative staff; continuing secretarial functions); - secretary to Resident Representative and other senior managers; - senior staff in programme, operations or accounts; sector portfolio manager; RR, DRR, Operations Manager; - other staff in established and fundamental units, depending on continuity of functions in relation to the programme; - field security officer; - dispensary staff (continuing functions expected) 200 series: international personnel for projects and other non-core functions, without maximum duration but linked to duration of project or of non-core funding; project experts, CTAs; JPOs</p>	<p>personnel in office (finite activities; systems analyst/programmers); - office support activities - time bound functions (more than 11 months but not continuing); - communications or legal or resource mobilization adviser; - special thematic and programmatic advisers (eg. environment, microcredit; HIV/AIDS; emergencies, post-conflict resolution); - security adviser (not expected to be continuing); - emergency response or humanitarian activities; (support and professional); - secretarial/administrative support to short term activities; - first time initiatives (eg. computer or reference area); - international personnel for specific project/programme activities of finite nature; experts; CTAs</p>	<p>and office maintenance; watchmen, driver, messenger service; gardeners; housing maintenance; - equipment repair personnel; - computer technicians; data entry personnel; - travel services (ticketing, etc.); shipping and customs clearance personnel; - managerial level personnel to supervise the lower level service contract personnel (in functions that otherwise would be contracted out); - transport and warehouse personnel, for food programme; - NEX and other national project personnel - administrative support or professional personnel (NPPP), 11 months or more; - national project personnel on behalf of other UN system agencies</p>	<p>service; language teachers; - lecturers - limited number of days; - peak workload- additional office temporary personnel and short replacements of regular staff (temporary assistance); - initial activities in office prior to precise determination of funding and post definition; - translation/interpretation services; - consultants (national or international) up to 11 months, for office activities (eg. Development Support Services) and for project/programme activities</p>
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Annex 2

Summary comparison of contract types and conditions of service

	Fixed-term or permanent (100 series) - similar for 200 series	Activities of Limited Duration (ALD)	Service Contracts (SC)	Special Services Agreement (SSA)
Legal basis	Traditional staff member, contracted under 100 series Staff Rules	Personnel governed by the 300 Series Staff Rules	Personnel governed by explicit terms of service contract	Personnel governed by explicit terms of service agreement
Duration	Indefinite	6 mo. to 3 years exceptionally 4 years	Over 11 months	Up to 11 months
Salary basis	Local scales based on best prevailing local conditions; International scale based on best comparator civil service	Broad local salary bands established by reference to local scales; Higher levels set by reference to international scale	Local market conditions for specific job (local UN scales as a reference point)	Market conditions for the job
Taxability of salaries	Tax-exempt (or subject to reimbursement)	Tax-exempt (or subject to reimbursement)	Not exempt; no tax reimbursement	Not exempt; no tax reimbursement
Recruitment Procedures	Reviewed by A&P Panel/board	Reviewed by appropriate panel/board	Reviewed by ad hoc committee;	SSA review committee for contracts over \$30,000
Medical clearance	UN Medical Service	Own physician (to begin work) and UN Medical Service	UN Examining Physician	Over 3 mos: own physician
Performance review	Full PAR	Simplified PAR	Abbreviated evaluation	Abbreviated evaluation
Annual leave	30 days/year	18 days/year (local ALD); 30 days (international ALD)	Local law (w. minimum of 12 days/year)	1 day/month for contracts of 6 months or more
Social security Pension/old-age	UN Pension Fund	UN Pension Fund	Nat'l social security or private local scheme or cash compensation for own scheme	None

Sickness Sick leave	65 days full pay (fixed-term) plus 65 days half pay, in 4 years	24 days full pay per year (maximum accumulation to 65 days)	Local law (w. minimum of 12 days per year)	1 day per month (contracts of 6 months or more)
Maternity	16 weeks	16 weeks	Local law (16 weeks minimum)	None
Medical Benefits	Local office staff-UNDP sponsored scheme MIP; others-Van Breda, etc.	Local ALDs-MIP; International ALDs-UN plan or cash	National social security or private scheme or cash compensation for own scheme	None
Eligibility	S/M and recognized dependants	MIP: Appointee and recognized deps; Other plans: appointee only	Contract holder only	-
Subsidy	S/M and recognized dependants	Appointee only	Contract holder	-
Medical evacuation	S/M and recognized dependants	Appointee (recognized deps. for international)	None	None
Death and disability	Coverage for service-incurred injury, illness or death (App. "D" of Staff Rules)	Local ALD in country offices-insur. for death and disability (any cause) Internat'l ALD-App. D of Staff Rules	Group plan (non-contributory) for death and disability (any cause)	Group plan (non-contributory) for death and disability (any cause)