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FINANCIAL, BUDGETARY, AND ADMINISTRATIVE MATTERS

OTHER MATTERS

SUPPORT COSTS AND RELATED QUESTIONS

Report by the Administrator

Summary

Executing Agencies whose total annual project implementation amounts to less than \$10 million may submit a request to the Administrator for the reimbursement of additional support costs under the flexibility provision. The Administrator, in this report, informs the Council of support costs approved and paid to Agencies covered under the flexibility in 1978 and 1979, as well as amounts requested by those Agencies for 1980. The Council is requested to take note of this report.

1. At its nineteenth session, the Governing Council authorized the Administrator to negotiate additional lump sum support cost reimbursements to the smaller Agencies whose programmes do not exceed \$10 million.¹ The criteria for such reimbursement were submitted to the Governing Council in DP/200 and noted by the Council at its twenty-second session.² Since then, the Administrator has been reporting regularly to the Council on all such arrangements as authorized.

2. The amounts of support cost payments, including flexibility, paid to smaller Agencies for 1978, are shown in table 1. These vary only slightly from the 1978 provisional figures included in the Administrator's report to the twenty-sixth session (DP/379).

Table 1

<u>Agency</u>	<u>Project Expenditure</u> \$	<u>Support cost</u> 14 per cent \$	<u>Flexibility</u> \$	<u>Total support cost</u> \$	<u>Per cent of support cost to project expenditure</u> %
UNCTAD	9 458 500	1 324 100	185 900	1 510 000	16.0
UPU	1 503 600	210 600	199 400	410 000	27.3
WMO	7 758 800	1 086 300	545 700	1 632 000	21.0
IMCO	1 988 100	278 300	155 700	434 000	21.8
IAEA	3 204 600	448 700	418 700	867 400	27.1
WIPO	46 000	6 400	4 300	10 700	23.2
Total	23 959 600	3 354 400	1 509 700	4 864 100	20.3

1/ See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2, (E/5646), para. 353.

2/ Ibid., Sixty-first Session, Supplement No. 2A, (E/5846/Rev.1), para. 434.

3. On the basis of detailed support cost flexibility requests received from Agencies for 1979, the Administrator approved a total amount of \$1,995,770. The breakdown of the requests and initial approval was as follows:

Table 2

<u>Agency</u>	<u>Project expenditure forecast</u> \$	<u>Support cost 14 per cent</u> \$	<u>Flexibility</u> \$	<u>Total support cost</u> \$	<u>Per cent of support cost to project expenditure</u> %
UNCTAD	9 000 000	1 260 000	400 000	1 660 000	18.4
UPU	2 200 000	308 000	192 000	500 000	22.7
WMO	7 500 000	1 050 000	848 000	1 898 000	25.3
IMCO	2 400 000	336 000	145 100	481 100	20.0
IAEA	4 000 000	560 000	389 400	949 400	23.7
WIPO	233 800	32 700	21 300	54 000	23.1
Total	25 333 800	3 546 700	1 995 800	5 542 500	21.9

4. However, the initial estimates by the Agencies of project expenditure for 1979, on the basis of which their support cost flexibility has been authorized, were exceeded by most Agencies. As a result of these higher support cost earnings on project delivery, their support cost flexibility has been reduced, as their total support cost earnings for the year (14 per cent plus flexibility) is not normally to exceed the estimate approved at the beginning of the year. Table 3 provides the provisional expenditure figures for these Agencies in 1979 and the resulting support cost. As can be seen from this table, while the total support cost paid to these Agencies somewhat exceeded the original estimates due to higher delivery, the support cost flexibility paid to them has been reduced from the originally approved amount of \$1,995,800 to \$1,198,300 - a net reduction of \$797,500 or about 40 per cent of the authorized support cost flexibility. The total support cost paid in 1979 to these Agencies represents 17.7 per cent of their delivery, as compared to 21.9 per cent in the original estimates.

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Table 3

<u>Agency</u>	<u>Project expenditure in 1979</u> \$	<u>Support cost 14 per cent</u> \$	<u>Flexibility</u> \$	<u>Total support cost</u> \$	<u>Per cent of support cost to project expenditure</u> %
UNCTAD	13 209 000	1 849 300		1 849 300	14.0
UPU	2 138 000	299 300	192 000	491 300	23.0
WMO	8 173 000	1 144 200	753 800	1 898 000	23.2
IMCO	2 572 000	360 000	121 000	481 000	18.7
IAEA	5 994 000	839 200	110 200	949 400	15.8
WIPO	217 000	30 400	21 300	51 700	23.8
Total	32 303 000	4 522 400	1 198 300	5 720 700	17.7

5. The support cost flexibility requests submitted to the Administrator by the smaller Agencies in respect to 1980 are included in table 4.

Table 4

<u>Agency</u>	<u>Project expenditure forecast in 1980</u> \$	<u>Support cost 14 per cent</u> \$	<u>Flexibility</u> \$	<u>Total support cost</u> \$	<u>Per cent of support cost to project expenditure</u> %
UPU	2 400 000	336 000	200 000	536 000	22.3
WMO	9 000 000	1 260 000	992 000	2 252 000	25.0
IMCO	3 000 000	420 000	145 000	565 000	18.8
IAEA	5 000 000	700 000	410 000	1 110 000	22.2
WIPO	513 000	72 000	46 000	118 000	23.0
Total	19 913 000	2 788 000	1 793 000	4 581 000	23.0

6. At the time of the preparation of this report, the Administrator had not yet granted approval to all the requests and was still in the process of negotiating the particular amounts requested. It should be noted that one Agency, UNCTAD, did not utilize the authorized 1979 support cost flexibility in view of the substantially increased delivery. In 1980, the Agency forecasts a delivery of \$13 million and therefore does not qualify for support cost flexibility. The Agency requested that attention be drawn to the difficulties resulting from the reduction of the value of the dollar and the increasing costs at its headquarters located in Geneva, and requested the Administrator's assistance in alleviating this problem. Further discussions will be held with the Agency on this matter and, should the Council's further attention be necessary, the Administrator will raise the issue during the twenty-seventh session.

7. The details provided by the Executing Agencies on their estimated support cost requirements for 1980 are summarized in table 5. These include requirements in respect of trust funds operations.

Table 5

	<u>UPU</u> \$	<u>WMO</u> \$	<u>IMCO</u> \$	<u>IAEA</u> \$	<u>WIPO</u> \$
Salaries and wages	817 300)	2 132 400	568 400	753 300	116 200
Common staff costs		567 800	130 300	203 600	7 700
Travel costs	60 400	52 000	30 000	14 300	15 000
General expenses	194 400	99 200	82 800	138 800	11 100
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Total	1 072 100	2 851 400	811 500	1 110 000	150 000
Excess support cost to be absorbed by Agency ^{a/}	536 100		78 500	315 000 ^{b/}	32 000

^{a/} These figures are provided by the Executing Agencies and are derived after application of total support cost requirements, less anticipated support cost earnings from UNDP activities (including support cost flexibility), as well as from Trust Fund activities.

^{b/} IAEA estimates that an additional amount of about \$315,000 in salary and common staff costs will be absorbed by the Agency's regular budget.

8. The staff covered under the support cost provision is as follows:

Table 6

<u>Staffing table by grade</u>	<u>UPU</u>	<u>WMO</u>	<u>IMCO</u>	<u>IAEA^{a/}</u>	<u>WIPO</u>
D-2		-	1		
D-1)	1	1		
P-5)2	4	3	N.A.	
P-4)	5	1		
P-3	1	9	-		
P-2/1	5	1	1		
Subtotal	9	20	7		15 m/m
General Service	5	27	19		12 m/m
Total	14	47	26	N.A.	27 m/m

a/ IAEA has only one staff member who devotes full time to UNDP activities. The staff costs related to UNDP are therefore based on the best estimate of the percentage of time devoted by staff members to UNDP activities.

9. The Administrator recommends that the Governing Council take note of these arrangements, the principles of which have been authorized by the Council. The Administrator plans to continue to apply the same principles in respect of support cost flexibility, including compensation for currency instability effects, until such time that a new formula on payment of support costs to Agencies becomes applicable.
