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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Other matters
Agency support costsRequest by the International Telecommunication Union
for additional support cost reimbursement for 1979Note by the AdministratorSummary

The International Telecommunication Union (ITU) is one of the Executing Agencies which does not benefit from support cost flexibility arrangements, as its annual project expenditures exceed \$10 million. Due mainly to currency fluctuations, ITU incurred deficits during the last years on support costs and the Governing Council approved several times, and on an ad hoc basis, the reimbursement to ITU of such support costs deficits, which were attributed to the Agency's implementation of UNDP-supported projects.

ITU submitted a request for the reimbursement of support cost deficit incurred in 1979 as a result of currency fluctuations. The UNDP-related portion of the deficit is Swiss Francs 1,051,493, which is equivalent to \$629,637 at the prevailing United Nations exchange rate in May 1980.

The Administrator is seeking the guidance of the Council on the present request of ITU.

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1. The Administrator has been requested by ITU to bring to the Governing Council's attention a request for additional support cost reimbursement to ITU, covering the financial year 1979, in an amount of 1,051,493 Swiss Francs, which, at the May 1980 official United Nations rate of exchange of SFL.67 to the US\$1.00 would equal \$629,637. Annexed to this report is the text of the ITU letter in support of this request.
2. The Council will recall that on five previous occasions it has dealt with the question of an additional support cost reimbursement to ITU:
 - (a) At its twenty-first session, in January 1976, the Council authorized the Administrator to make a special overhead reimbursement of \$232,194 to the International Telecommunication Union in respect of the request relating to 1973 (E/5779, paragraph 354);
 - (b) At its twenty-second session, in June 1976, the Council authorized the Administrator to reimburse an amount of \$136,733 to ITU representing a special overhead reimbursement in respect of the year 1974 (E/5846/Rev.1, paragraph 434);
 - (c) At its twenty-fourth session, in June 1977, the Council authorized the Administrator to reimburse an amount of \$157,168 to the ITU representing a special overhead reimbursement in respect of the year 1976, as an exceptional measure and without making it a precedent for overhead payments to smaller Agencies in the future (E/6013/Rev.1, paragraph 348);
 - (d) At its twenty-fifth session, in June 1978, the Council authorized the Administrator to reimburse an amount of \$270,466 to the ITU representing a special overhead reimbursement in respect of the year 1977, as an exceptional measure and without making it a precedent for overhead payments to smaller Agencies in future (E/1978/53/Rev.1, decision 25/27, p.198);
 - (e) At its twenty-sixth session, in June 1979, the Council authorized the Administrator to reimburse up to an amount of \$498,580, subject to such exchange rate adjustments as may be determined by the Administrator, to the ITU representing a special support cost reimbursement in respect of the year 1978, as an exceptional measure and without making it a precedent for agency support cost payments in the future (E/1979/40, decision 79/39, p. 160).
3. The Administrator would appreciate the guidance of the Council with respect to the request of ITU for a special support cost reimbursement for the year 1979.

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Annex

Communication dated 23 April 1980 from the Secretary-General
of ITU to the Administrator of UNDP

I am glad to inform you that the ITU implementation of UNDP programmes for 1979 has again shown a sizable increase as compared with prior years. The total expenditures under UNDP, including Sectoral Support, reached the level of US Dollars 20,694,300. This represents an increase of 29 per cent over the 1978 expenditures. In real terms, the increase of the various components of the UNDP programme was as follows:

		<u>Increase</u>
<u>Experts</u>	Number of experts	+ 20%
	Number of man-months delivered	+ 17%
<u>Fellows</u>	Number of fellowships	+ 3%
	Number of man-months delivered	+ 13%
<u>Equipment</u>	Value of equipment delivered	+ 22%

As I mentioned in last year's submission, the increased volume of delivery necessitated the recruitment in 1979 of a limited number of staff to cope with this additional workload. The cost of the supplementary staff was within the limits of the 1979 Budget for the Technical Co-operation Department (TCD) as approved by the ITU Administrative Council in May 1978.

May I remind you that the Technical Co-operation Department's Budget is kept separate from the ITU regular budget and that, according to Resolution 16 of the ITU Plenipotentiary Conference (1973 Malaga-Torremolinos), expenditures resulting from ITU's participation in UNDP have to be compensated by the incomes from the Support Costs.

The fluctuation of the US Dollar exchange rate has once again affected the incomes which the ITU derived from Support Costs, and the TCD Budget at 31 December 1979 showed a deficit of Swiss Francs 1,361,727. After the compensation of the proportionate deficit pertaining to the Trust Funds Programme, which amounted to Swiss Francs 310,234 or 20.6 per cent of the total ITU programme delivery, the accounts show a deficit of Swiss Francs 1,051,493 in connexion with the ITU implementation of UNDP projects.

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The adverse effect of the US Dollar exchange rate fluctuation versus the Swiss Franc which continues to affect the ITU TCD Budget is illustrated in the annexed tables. The graphs clearly demonstrate that the programme delivery figures and the Support Costs incomes, in US Dollars, have increased considerably since 1977. However, the Support Cost incomes have not increased in terms of Swiss Francs.

A further illustration of the anomalies resulting from the currency fluctuation in the present system of reimbursement of Support Costs to the ITU can be shown by comparing the 1974 and 1979 Support Costs incomes in Swiss Francs which the ITU received for these two years:

<u>Year</u>	<u>Total Programme delivery</u>	<u>Support Cost income in Swiss Francs</u>
1974	12.7 million US \$	5,716,488
1979	26.1 million US \$	6,109,120
Increase:	13.4 million US \$ or 105%	Increase: 392,632 or 6.9%

For reasons beyond its control, the ITU is once again compelled to request you to kindly submit to the UNDP Governing Council its application for additional compensation of the 1979 deficit resulting from the ITU participation in UNDP, which amounts to Swiss Francs 1,051,493.

Since the beginning of 1980, the fluctuation of the exchange rate has been moving in the opposite direction and the exchange rate in April has risen to 1.85 F. per 1 Dollar as compared to 1.60 F. per 1 Dollar in December 1979. The immediate effect of this improved exchange rate is that the compensation of Swiss Francs 1,051,493 which the ITU is claiming from UNDP would amount to US Dollars 568,375 instead of US Dollars 657,183 at the exchange rate applicable on 31 December 1979.

I am confident that the Governing Council will once again favourably examine our request for the compensation of the above-mentioned deficit. I am ready to provide further information on this issue if so required, and thank you in advance for your assistance in this matter of great importance to the ITU.

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