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POLICY

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

AGENCY SUPPORT COSTS

Ex-post-facto reporting on agency support costs

Report of the Administrator

## Summary

The Administrator, in this report, informs the Council of the actions he has taken, and the progress he has made, in implementing paragraph 2(g), of decision 80/44 calling for the submission of ex-post facto reports on agency support costs. Following extensive consultations with agencies over a two-year period, agreement has been reached on an ex-post facto report, the details of which are explained herein. The Administrator draws the Council's attention to his recommendations contained in paragraph 16.

## INTRODUCTION

1. In dealing with the overall question of support costs in decision 80/44 adopted at its twenty-seventh<sup>h</sup> session in June 1980, the Governing Council set out in paragraph 2(g) the information it wished to receive in respect of agency support costs:

"To assist the Governing Council to carry out its responsibilities, each executing agency is requested to provide to the Council, through the Administrator, on an ex-post facto basis, a detailed report showing the elements of support costs incurred in the preceding year in executing operational activities for development; the report should include details on objects of expenditure and the number and grades of staff or staff years involved in the different support activities (recruitment, procurement, placement of fellows, other backstopping); the Administrator, in consultation with the agencies, shall develop a suitable format for the annual report to the Governing Council."

2. To implement the Council's decision, the Administrator considered that, in consultation with agencies, the following action was called for: a) to ascertain what information may already be available in each agency on the basis of their financial management, audit or other ad-hoc reports which could meet some or all of the information requested by the Governing Council on support cost; b) to determine the common denominators in the reporting bases of agencies; and finally, as requested by the Council, c) to develop a suitable format for reporting on agency support costs to the Governing Council.

### I. CONSULTATION WITH AGENCIES

3. The Administrator subsequently held extensive consultations with agencies during the sessions of the Consultative Committee on Administrative Questions (CCAQ/FB) held in September 1980, and in March and September 1981; during the Inter-agency Consultative Meeting convened by the Administrator in December 1980; and, finally, during the CCAQ Working Party on Extrabudgetary Activities held in Geneva in December 1981. A number of informal consultations on the subject have also been held over the last two years.

4. At the September 1980 session of CCAQ, the Committee took the following position in respect of ex post facto reports:

"The Committee recognized that while the provision [on ex-post facto reporting] had not been intended to require the operation of cost-measurement systems - which, as the organizations had indicated in the Governing Council, would not

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be justified in terms of costs and benefits - it could lead to complications, difficulties and unreasonable expense unless the reports were prepared in a simple and practical manner. Accordingly, the Committee hoped that means could be found through which the organizations could produce the substance of the information requested on the basis of reports otherwise required for management purposes and for reporting to their governing bodies. The development of the necessary format, which would involve close co-operation between UNDP and the executing agencies, would take time. The Committee decided to include this matter in its agenda until a satisfactory solution was found. It believed that the time schedule involved by the Governing Council's decision was that the first report would cover the biennium 1982-1983. It would accordingly be due in 1984 for organizations operating biennial budgets and in 1983 for organizations having an annual budget cycle ...."

5. At the Inter-agency consultative meeting in December 1980, the Administrator requested agencies to indicate the kinds of financial and statistical data currently available in their data bases which would help produce the substance of the information requested by the Council in order to allow him to extract the common denominators from this information, and to develop a common format for the ex-post facto report. Based on subsequent information received from agencies, the Administrator prepared for the March 1981 session of the CCAQ an analytical summary reflecting the different bases on which available cost data from agencies might be used for the report, and requested agencies to verify it for completeness and accuracy. On the basis of additional comments received from agencies, the Administrator presented an updated analytical summary at the September 1981 session of CCAQ, and proposed that a working party be established which would address the question of a format for the ex-post facto report. As noted in the report of that session, the participants:

"...reaffirmed their organizations' desire to co-operate with UNDP in developing a format for a report that would be agreeable to the Governing Council. Having examined organizations' replies, the Committee considered that it would be impracticable to produce meaningful figures in the form requested by the Governing Council without re-introducing cost-measurement systems - a step that the Governing Council had itself ruled out. They were also doubtful about having recourse to sampling techniques. Some organizations suggested that the ex-post facto reports could be submitted in narrative form... The Committee agreed to a proposal of UNDP that the question of a format for the reports should be referred to a working party open to all organizations...."

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## II. ANALYSIS OF AGENCY DATA

6. An analysis of data gathered during the preceding meetings, as well as of information contained in other detailed exchanges of communication with agencies, pointed to the disparity in the level of support cost information readily available to them, owing to differences in accounting and management information systems, reporting requirements, as well as budgetary and organizational structures. Agencies indicated that support cost income and related expenditures were not identified in their systems by source of regular or extrabudgetary funds, nor were these expenditures traceable as they related to the different technical and non-technical support activities comprising such elements of support costs as recruitment, procurement, placement of fellows, and other backstopping costs for technical activities, and financial, personnel and other administrative costs for non-technical activities. Agencies noted that this constraint was particularly true for those among them for whom support activities for technical co-operation programmes funded from the regular budget and extrabudgetary resources were commonly administered out of the same organizational units in an integrated manner. Thus, costs by source and component were no longer distinguishable. On the other hand, the few agencies which have established separate technical co-operation units operating under their own budgets appeared to be in a better position to break down costs by source, although not segregated at the level of cost detail prescribed by the Council in its decision 80/44. With respect to detailed information on staff grade and man-months involved in the different support activities, the same aforementioned constraints were cited, and most agencies suggested that an extensive time-reporting system would be required to capture the proportion of staff time devoted to the different activities related to the various funding sources since different levels of staff provided different types of support services, and of varying duration.

## III. REVIEW OF WORKING PARTY ON EXTRABUDGETARY ACTIVITIES

7. At the Working Party on Extrabudgetary Activities convened in Geneva in December 1981, participants reviewed the information and agency comments that had been gathered at the March and September 1981 sessions of CCAQ and analytically summarized by UNDP.

8. In its review of materials before it, the Working Party observed in paragraph 8 of its report (ACC/1981/FB/59) that:

"...the availability of information on support costs in individual organizations depended to a large extent on their programme, budget and organizational structures. In some organizations activities financed by UNDP and from other extrabudgetary sources were handled by units operated under

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separate budgets, so that the related costs could be readily identified, while in others, on the contrary, such activities formed part of an integrated programme where the component costs were no longer distinguished. In a number of cases the same staff members were concerned with activities financed from several sources of funds and might perform support tasks falling under more than one functional heading. In these circumstances, it appeared to the Working Party that each organization would need to rely on its own definitions, systems, and methods in endeavouring to provide information of a kind that might satisfy the Governing Council's request...."

#### IV. DEVELOPMENT OF EX-POST FACTO REPORT

9. In its search for common bases of information from which to develop the ex-post facto report, the Working Party, in paragraph 9 of its report, noted that:

"...on the basis of management information at their disposal, the organizations were now providing estimates of the contributions made by their regular budgets to technical co-operation activities to the Advisory Committee on Administrative and Budgetary Questions for its reports on administrative and budgetary co-ordination of the United Nations with the specialized agencies and the International Atomic Energy Agency. It seemed to the Working Party that the same data could, if combined with figures for support-cost reimbursements, provide the basis for a unified tabular presentation that would give the essential part of the information requested by the Governing Council. Such a presentation would show support costs (income) in each participating and executing agency, and as a total, in the following manner:

(Table 1)

#### Support costs for technical co-operation activities

	<u>US \$</u>			
	<u>Organization A</u>	<u>Organization B</u>	<u>(...)</u>	<u>Total</u>
Support cost reimbursement:				
UNDP				
Other				
Regular budget contribution to support costs				
Total support costs (income)				

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The Working Party recommended that this consolidated presentaion should be adopted for the reports to be submitted to the Governing Council, on the understanding that each organization would supply such explanatory notes as it found appropriate for the figures which it reported...."

10. In examining the possibilities of collecting support cost expenditure data at a more detailed level, and the manner in which such data might be presented, the Working Party stated in paragraph 10 of its report:

"...It believed that the management information available in the organizations should permit them to produce a breakdown of their total support costs according to the standard inter-organization categories of objects of expenditure (salaries and common staff costs, travel on official business, etc.). It recommended that the reports to the Governing Council should include such a breakdown for each organization. Organizations which were not in a position to provide separate cost figures for the less significant categories would report a single residual figure...."

11. With respect to the provision of detailed information on the number and grades of staff and staff years related to the different support activities, the Working Party found that available information in agencies did not permit them to provide such data.

12. In developing further the proposed content and format for the ex post facto report, the Working Party in paragraph 12 of its report stated:

"The Working Party recognized that much of the data that could usefully be included in the reports to the Governing Council would need to take the form of a presentation about each individual organization. It recommended that all reporting organizations should submit such presentations, setting out certain key figures for the organization concerned (including the breakdown mentioned in paragraph 10 above) in a narrative context. The presentations would also contain other data which the organization deemed to be of interest to the Governing Council, including indications concerning measures taken to reduce support-cost expenditure. Information on regular programme technical co-operation would be included if the corresponding figures for support costs were available. The text below is given as an illustration. The three figures in the first paragraph and the two tables, suitably adapted, would be given by all reporting organizations."

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(Proposed text)

As mentioned in the Introduction to the 19.. Financial Report, the increases/reductions implemented in programme support under the provisions of resolution ... have led to certain changes in the different support areas. Owing to a substantial increase in the extrabudgetary resources made available to the Organization, the additional support required for these activities has, to a certain extent, been met directly or indirectly by the source of funds concerned. The total cost in this financial period of the support programme, both at headquarters and in the regions, financed under the regular budget and other funds, was \$....., representing about ... per cent of the expenditures of \$..... incurred under the regular budget and extrabudgetary funds for programme purposes. The costs were incurred under the following object-of-expenditure categories:

(Table 2)

	US\$
Salaries and common staff costs	
Travel on official business	
Other	_____
Total	=====

The sources financing the Organization's programmes were the regular budget, UNDP and UNFPA, as well as a number of other trust and extrabudgetary funds. The percentages in which each of these sources contributed to total programme expenditures were as follows:

(Table 3)

	%	
Regular budget		
UNDP		
UNFPA		
Other	_____	
Total	=====	...."

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### Summary of proposed report

13. To summarize, the proposed format for the ex post facto report would, therefore, consist of Tables 1, 2 and 3, as well as the standard text, suitably adapted to the particular circumstances of each agency. All of these parts would, however, have to be provided in the reports of agencies to the Council. Table 1 would represent the total funds made available from all sources for support costs, while the standard text and the other two tables would relate to expenditure information. Table 2 would specifically provide cost information by the standard inter-organization objects of expenditure, followed in Table 3 by an indication of the proportion of total programme expenditure represented by each source of fund.

### Proposed due dates

14. With respect to the due dates for the ex post facto reports, the Administrator proposes that the first report which would contain support cost data for 1982 in the format recommended by the Working Party be submitted to the thirtieth session of the Council in June 1983 by executing agencies operating annual budgets. Executing agencies on biennial budgets would submit their reports covering support cost data for the biennium 1982-1983 in June 1984.

### Review by the Consultative Committee on Administrative Questions

15. At the fifty-sixth session of CCAQ in March 1982, the Committee reviewed the working party's proposed ex post facto report which, as indicated, was formulated in close consultation between UNDP and the executing agencies. The CCAQ endorsed the proposals and included the following text in its report on the subject:

"The Committee took note of the recommendations of its Working Party on Extrabudgetary Activities with regard to the format of the ex post facto reports on support costs for technical co-operation activities which had been called for in decision 80/44 of the Governing Council of UNDP. Since the Working Party's session, these recommendations had been used by UNDP as the basis for the proposals which it was required to submit to the Governing Council on the presentation of the reports. The Committee had the opportunity to examine UNDP's proposals in draft, in the form of a paper proposed for submission to the Governing Council.

"The participants expressed satisfaction with the draft paper, which fully reflected the Working Party's views. They also expressed satisfaction with the exemplary fashion in which

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discussions between UNDP and executing agencies had been conducted in this matter, to the advantage of all concerned. UNDP indicated that it would propose a trial collection of information, in preparation for the compilation of the reports, in the autumn of 1982."

#### V. RECOMMENDATION

16. The Administrator recommends that the Governing Council:

- Take note of the extensive consultations that have taken place between the Administrator and the agencies;

- Approve the proposed ex post facto report format recommended by the CCAQ Working Party on Extrabudgetary Activities described in paragraphs 9 through 13, and endorsed by the CCAQ; and

- Endorse the proposed dates for the submission of the ex post facto report on support costs as indicated in paragraph 14.

