



**Governing Council
of the
United Nations
Development Programme**

Distr.:
GENERAL

DP/1984/62
9 May 1984

ORIGINAL: ENGLISH

Thirty-first session
June 1984, Geneva
Agenda item 9(f)

POLICY

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

AGENCY SUPPORT COSTS

Ex post facto report on agency support costs

Note by the Administrator

Summary

This document contains the first ex post facto report on agency support costs, as requested by the Council in paragraph 2(g) of its decision 80/44 and in its subsequent decisions 81/40 and 83/37. This report, which covers the biennium 1982-1983, contains an introduction by the Administrator which summarizes the comments made by the executing agencies and provides an analysis of the financial information received from them. Annex I to this report contains the narrative statements received from individual executing agencies concerning key factors pertaining to their support costs. Annex tables 1, 2 and 3 contain financial data submitted by executing agencies regarding, respectively, their support cost revenue, support cost expenditure and technical co-operation project expenditure for the biennium 1982-1983. Annex table 4 compares UNDP's percentage share of each executing agency's total support cost revenue with its percentage share of the same organization's total technical co-operation project expenditure. Finally, annex table 5 shows the percentage ratio of each organization's total support cost expenditure to its total technical co-operation project expenditure based on the information they have provided.

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Introduction

1. The Governing Council, in paragraph 2(g) of its decision 80/44 adopted at its twenty-seventh session in June 1980, set forth 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. Following that decision, the Administrator held extensive consultations with executing agencies during the sessions of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ(FB)) 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(FB) Working Party on Extrabudgetary Activities held in Geneva in December 1981. The Administrator, in DP/1982/59, reported to the Council at its twenty-ninth session in June 1982 that agreement had been reached with executing agencies on the format, content and due dates for the proposed ex post facto report. In the latter part of 1982, a trial exercise was conducted with executing agencies to test the viability of this report. The Administrator subsequently reported to the Council at its June 1983 session on the results of the trial exercise, including a proposal for a change to a biennial basis in the period of coverage for the report. The Council, in its decision 83/37, took note of the useful results of this trial exercise and agreed to the proposed change-over to a biennial ex post facto report covering all agencies.

I. FORMAT DESCRIPTION AND CONTENT

3. The ex post facto report now before the Council thus covers the biennium 1982-1983, and consists of a narrative text (annex I to this document), three main tables (contained in annex II) and two derivative tables (also contained in annex II) which were developed from information available in the three main tables. The narrative text (annex I) reproduces the information provided by each executing agency regarding certain key factors and figures peculiar to it which have a bearing on its support costs relating to its entire technical co-operation programme and, in particular, to its UNDP-financed activities. Executing agencies were also requested to comment on the past and expected trends in the level of their technical co-operation project expenditure, and their impact on support costs, including measures which have been taken, or

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are being planned, to reduce such costs. Annex table 1 (annex II) lists the total support cost income by source of financing in respect of each organization's total technical co-operation programme. Annex table 2 provides support cost expenditure information for each organization by the standard Administrative Committee on Co-ordination (ACC) objects of expenditure, followed in annex table 3 by an indication by organization of the amount of technical co-operation project expenditure under each source of financing. Annex table 4 provides a comparison of UNDP's percentage share of an executing agency's total support cost revenue with its percentage share of the same organization's total technical co-operation project expenditure. Finally, annex table 5 provides the percentage ratio of each organization's total support cost expenditure to its total technical co-operation project expenditure (delivery).

II. SUMMARY OF EXECUTING AGENCY COMMENTS

4. A number of executing agencies reported that the reduction in technical co-operation activities financed by UNDP during the biennium 1982-1983 as compared with the biennium 1980-1981 had reduced their level of support cost revenue from this source. This has had an adverse impact on their total programme support costs because certain elements of their support costs are relatively fixed in nature and can not be reduced simultaneously with, or in the same proportion, as a reduction in their implementation of UNDP-financed technical co-operation activities. The example was cited that the salaries and related entitlements of posts funded by support cost reimbursements are determined by United Nations common system rules and could not, therefore, be arbitrarily reduced. In these circumstances, they contended that the posts themselves ran the risk of being abolished which would then compromise the quality of support services provided. Some executing agencies reported that their governing bodies require extrabudgetary activities to be fully funded from extrabudgetary sources, with no costs to be borne by their regular budgets. One executing agency noted that the reduction in support cost revenues is further aggravated when waivers of support cost reimbursement, or reductions in the standard rate of reimbursement are granted for certain programmes, such as the United Nations Fund for Namibia, the UNDP Energy Account, and the United Nations Emergency Operation Trust Fund.

5. However, some executing agencies did report that they have adopted measures which would have long-term cost-saving effects on their support cost requirements in general. As an example, they cited the streamlining through computerization of certain support activities in the financial and personnel areas.

6. In considering the general question of support costs, it should be noted that the Governing Council, in its decisions 80/44 and 81/40, afforded some measure of relief in the form of a flexibility allowance in respect of support cost reimbursements for those eligible executing agencies whose levels of annual project delivery do not exceed \$15 million. The flexibility allowance

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was structured so as to grant additional reimbursement on an upward scale; that is, from 1 to 9 per cent beyond the standard rate for decreasing delivery levels from \$15 million. In this way, executing agencies are able to look to some moderate relief from UNDP.

III. ANALYSIS OF DATA

7. From the information in annex table 2 provided by executing agencies, and without further supporting details, it would appear that the major objects of support cost expenditure are those relating to salaries, including common staff costs, official travel, general operating expenses and those costs grouped under "Other". These latter costs relate either to other objects of expenditure reported by a small number of executing agencies, or to expenditures which some agencies reported could not be separately identified in their accounts. The combined amount of these major objects of expenditure represents 97.3 per cent of total support cost expenditures. Within a given object of expenditure, differing percentages of total expenditures among executing agencies may be attributable to the nature of support services provided, size of organization, structure of organization, or differences in the accounting treatment of costs.

8. The individual executing agency total figures contained in annex tables 1, 2 and 3 are examined in different ways in annex tables 4 and 5. Annex table 4 shows that for all executing agencies combined and for nearly every executing agency individually, UNDP's percentage share of executing agencies' total support cost revenue on technical co-operation activities from all sources is significantly less than its percentage share of executing agencies' total technical co-operation project expenditure in the biennium 1982-1983. This is consistent with the view which UNDP has always maintained that its support cost reimbursement to an executing agency should not exceed its percentage share of that executing agency's total technical co-operation project expenditure.

9. Annex table 5 examines the ratio between total support cost expenditure and total technical co-operation project expenditure in different ways under columns 4 and 5. It will be noted that this ratio varies under the different treatments afforded. Column 4 shows that executing agencies as a group spent the equivalent of 17.6 per cent of their total technical co-operation project expenditure for support costs in the biennium 1982-1983, whereas column 5 puts this ratio at 15.0 per cent for the same period. For individual executing agencies, this ratio ranged from 8.1 per cent to 34 per cent, and from 7.6 per cent to 25.4 per cent, respectively. It is suggested that these ratios be looked at with some care - they are not necessarily indicative of an agency's efficiency in programme implementation. It must be noted that in most cases costs provided by executing agencies are estimates of their total organizational administrative costs allocated on the basis of predetermined percentages, or managerial decisions, which may vary from actual true costs. As pointed out in the Administrator's report DP/1982/59, in developing the ex

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post facto report, it was found that there were notable differences in the ability of individual executing agencies to provide in a consistent manner detailed and actual accounting information owing to differences in their accounting and management information systems, reporting requirements, budgetary processes as well as organizational structures. These ratios would appear to be more representative of actual costs for those few executing agencies which have established separate technical co-operation units operating under their own budgets which would allow them to identify costs more readily.

10. The Council may wish to take note of the foregoing ex post facto report.

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Annex I

Narrative texts of information provided by agencies

Food and Agriculture Organization (FAO)

1. As the largest executing agency of UNDP-funded technical assistance, FAO has suffered a cutback in its total field programme as a result of the falling off in growth of contributions to UNDP. There was actually some increase during the biennium in the level of assistance provided under the Technical Co-operation Programme (TCP) and especially under trust fund programmes, but this was not sufficient to offset the decline in expenditure supported by UNDP.
2. The biennium thus marked a significant change in the pattern of support for FAO's field programmes. While UNDP continued to be the largest single source of funds, its share for the first time dropped to less than half. UNDP projects accounted for well over 80 per cent of FAO's field programme delivery in the early 1970s, and 48.1 per cent in 1982-83. The proportion of field programme expenditure financed by trust funds advanced relatively and accounted for some 45 per cent of total delivery in the same biennium, and regular programme delivery, including the Technical Co-operation Programme, was of the order of 7 per cent.
3. The effects of this situation on the level and composition of support cost income have already been felt. There was an 8 per cent drop in total support cost income between 1980-1981 and 1982-1983; this was attributable to a decrease of almost 25 per cent in reimbursement from UNDP, compensated only in part by an increase in reimbursement from other sources and in funds provided by the regular programme.
4. In terms of project input mix, 63 per cent of total expenditure on UNDP-funded projects went for personnel, compared with 57 per cent in 1980-1981; equipment expenditures amounted to 20 per cent in 1982-1983 compared with 28 per cent in the previous biennium. This shift resulted in an increase in the real cost to FAO of executing the UNDP-funded programme; actual support cost outlay moved from 17.1 per cent of total project expenditure in 1982 to 18.6 per cent in 1983, and the average for the biennium was therefore 17.7 per cent.
5. The trend with regard to other extrabudgetary programmes was similar, but it was accentuated by the decline in expenditure since 1980-1981 for special single-purpose programmes and the increase in delivery of trust fund projects involving more complex operation. The actual cost to FAO thus went from 12.5 per cent in 1982 to 15.1 per cent in 1983, or 13.8 per cent for the biennium.
6. The FAO governing bodies are kept abreast of developments regarding support costs through regular reports based on the cost measurement system. Efforts to reduce support costs are pursued as part of normal management

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monitoring to enhance the efficiency of the organization's field operations, whatever their source of funding. In 1983, 33 posts funded by UNDP support costs were abolished, and, in view of recent trends, the situation continues to be kept under particularly careful surveillance, with the aim of further cutting support cost expenditure wherever possible.

United Nations

7. Growth in programme delivery comparable to the growth experiences in 1980-1981 had been expected to continue in the biennium 1982-1983. As a result, careful attention was given to the building up of the technical expertise of the Department of Technical Co-operation for Development (DTCD) during the biennium 1980-1981. However, it became evident early in 1982 that only the most optimistic assumptions could justify sustaining the establishment that was in place at the beginning of 1982.

8. Periodic estimates of income from reimbursement were used as a basis to reduce the number of staff during the biennium. The objectives were to contain expenditures to an acceptable level and still retain an establishment with the technical capability to backstop and administer a programme at the level of \$124 million per annum.

9. It was felt that, by mid 1983, the maximum reductions consistent with the continued viability of the Department had been identified and would be implemented by early 1984 so as to position the Department with sufficient strength to deliver the programme expected to be allocated from UNDP and UNFPA, and expected to be implemented on a larger scale than in the past by contributions to technical co-operation funds administered by the Department.

10. Based on a cost measurement study conducted at the United Nations, it was estimated that the actual cost of support of extrabudgetary activities is at the rate of 22.5 per cent of programme delivery. The total expenditure contained in annex table 2 of this report refers solely to the cost of support of a programme delivery of \$246,069,000.

United Nations Industrial Development Organization (UNIDO)

11. The total support cost for the 1980-1981 financial period was \$46,715,000 representing approximately 28.3 per cent of the expenditures of \$164,900,000. During the 1978-1979 period support costs were estimated at \$37,231,000 or 29.7 per cent of delivery of \$125,600,000. These data are not indicative of expected adverse impact on percentage of support costs as compared to delivery which may decline in the 1984-1985 biennium.

12. Measures to reduce support costs include the preparation and analysis of a detailed annual report which investigates the full costs for technical co-operation delivery, as well as an ongoing review of implementation procedures with a view to eliminating duplication, non-productive actions and

delays introduced by factors presently outside UNIDO's control. It is likely that total support costs will continue to be required at the present level. Since delivery is not likely to increase significantly during 1984-1985, the support costs (as a percentage of delivery) required to maintain present quality standards will rise. Unforeseen fluctuations in resources available as well as exchange rate fluctuations could also have an impact on the costs of delivery.

13. The figures shown in annex table 1 of this report derive from actual programme support reimbursement income from UNDP as well as from other sources. The regular budget's contribution to programme support is the shortfall between total support costs and the total reimbursements made by UNDP and the others.

14. The total support costs in the 1982-1983 financial period, as reflected in annex table 2 of this report was \$45,910,000, representing about 28.2 per cent of the expenditures of \$162,800,000 incurred for technical co-operation activities under extrabudgetary funds. The sources financing the organization's programmes were: UNDP 33.91 per cent, others 11.37 per cent and regular budget 54.72 per cent.

International Labour Organisation (ILO)

15. Total technical co-operation expenditure in 1982-1983 declined by some 4 per cent compared with 1980-1981. However, expenditure in 1983 was lower than in 1982, particularly for UNDP-financed projects where annual expenditure has been decreasing steadily since 1980 (1983 expenditure being only 77 per cent of that in 1980). This adverse trend is expected to continue for UNDP-financed projects in 1984, and 1984 project expenditure under other extrabudgetary sources of funds is not expected to differ materially from the 1983 level.

16. This decline in technical co-operation expenditure (which of course implies a larger decrease in technical assistance in real terms) has an adverse impact on programme support costs because the costs of management, supervision, reporting, programme planning and co-ordination and the like do not fall proportionately. Costs which are relatively fixed in nature assume greater significance when the level of operations is reduced than under conditions of growth and expansion. Programme support costs are also increased by the disruptive cost of adjusting to lower resource levels including the need for more frequent project revisions. The previous trend to shorter expert and consultancy assignments has continued and the cost of administering a series of short contracts is much higher than for a single contract of long duration.

17. ILO has already achieved a high degree of computerization in the equipment procurement, personnel and financial fields and efforts to streamline administrative aspects of support work are pursued on an on-going

basis. However, the point has been reached where scope for achieving further significant economies is much reduced and where resources for investment in further systems development have become even scarcer. Although efforts are continuing to further streamline the technical aspects of support, it is difficult to achieve cost reductions without compromising the effectiveness of backstopping.

18. Against this background, it is becoming increasingly difficult to maintain the quality of support work which is so vital to the successful implementation of technical co-operation programmes. This situation is aggravated by pressure on support cost income caused by requests from some United Nations quarters to waive or reduce the standard 13 per cent charge for project support costs (e.g. United Nations Trust Fund for the Nationhood Programme of the Fund for Namibia, UNDP Energy Account, and the United Nations Emergency Operation Trust Fund).

United Nations Educational, Scientific, and Cultural Organization (UNESCO)

19. The UNDP-financed projects executed by UNESCO amounted to \$44,521,000 in 1982, a decline from \$52,306,000 delivered in 1981, and further declined to \$41,823,000 in 1983. However, for certain "one shot" fund-in-trust projects involving considerable amounts of construction costs and/or equipment procurement for which ad hoc arrangements for support services were made, there was a steady increase in the delivery of technical co-operation under special accounts and funds-in-trust, from \$21,971,000 in 1981 to \$22,176,000 in 1982 and to \$25,880,000 in 1983. The increases in the support costs thereof were met directly or indirectly by the sources of funds concerned.

20. Faced with the financial constraints, the control of UNDP expenditure has been reinforced during 1982 and 1983. This factor added considerably to the workload of the staff concerned. Therefore, although it is difficult to determine the value of this factor, it may be said that the decrease in the support costs was not proportionate to that in the amount of delivery. Nevertheless, some posts have been kept vacant or not established with a view to compensate for the decrease in the support cost reimbursement from UNDP.

United Nations Development Programme/Office for Projects Execution (UNDP/OPE)

21. Due to the financial strain on UNDP funds, the delivery under UNDP-funded projects has decreased from \$104.5 million in 1980-1981 to \$84.5 million in 1982-1983. However, projects funded from extrabudgetary sources have increased from \$44.6 million to \$49.3 million within the same period. All indications are that more projects funded from extrabudgetary sources will be executed by OPE.

22. Support costs for OPE contain actual administrative expenditures directly incurred by it for monitoring projects, as well as costs for services provided by UNDP in support of OPE-executed projects.

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23. Based on Governing Council decision 80/44 of 27 June 1980, and 81/40 of 30 June 1981, the support cost rates for OPE are as follows: 11 per cent for UNDP-financed projects, 8 per cent for UNSO-financed projects, and 5 per cent for UNCDF-financed projects. OPE has controlled the staff posts and administrative expenditure against the foreseen revenue carefully, so that although the project delivery for UNDP-financed projects has been substantially reduced, it is still able to maintain the support cost expenditure within the limited revenue.

International Civil Aviation Organization (ICAO)

24. The ICAO regular programme does not provide funds for technical co-operation activities. These are financed by extrabudgetary programmes. The administration and execution of these activities are carried out by a separate bureau (Technical Assistance Bureau) and the costs incurred for support activities are clearly segregated from the regular programme accounts. The ICAO Assembly has directed that support costs incurred in the administration of extrabudgetary programmes must be entirely met from extrabudgetary funds. Accordingly, the organization has always exercised extreme care in the incurrence of support cost expenditures commensurate with the delivery of high quality programmes, as well as with maintaining a high level of efficiency in the implementation of the programmes. As mentioned previously, ICAO commenced in 1981 the computerization of the management information systems for technical co-operation activities and the installation of more technologically advanced telecommunications equipment with a view to reducing overall support cost expenditures. Considerable progress is being made to date in these areas.

25. Total support costs incurred in 1982 and 1983 and financed entirely by extrabudgetary funds were \$18,087,307 representing 16.7 per cent of total 1982 and 1983 expenditures of \$108,234,124 incurred in respect of extrabudgetary programmes.

26. As will be noted from annex tables 1 and 2 of this report, total support cost expenditures for 1982 and 1983 exceeded total support cost income for the same period by over \$3.2 million. This has resulted from a substantial decline in development programmes, especially that financed by UNDP. As a consequence, ICAO is in a very serious financial situation. In view of this, drastic cost saving measures have been and are continuing to be taken and expenditures are being closely monitored. It should be noted, however, that the major expenditures relate to salaries and common staff costs which are mainly governed by United Nations common system rules and regulations which cannot be arbitrarily reduced.

World Bank

27. Annex table 1 of this report shows the uses made by the World Bank of its executing agency fees of \$7.561 million received in calendar years 1982 and

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1983, divided into two main categories, salaries and travel. The cost of staff-year is calculated at a higher average Bank salary and it includes common staff costs, expenses related to communications, contractual services, computing activities, overtime, temporary staffing and consultants.

28. The World Bank is quite aware of the fact that its presentation does not fall neatly within UNDP's guidelines. While the World Bank regrets its inability to comply fully with UNDP's request, its present accounting system does not segregate expenditures related to UNDP activities from those associated with normal Bank work. Bank staff members, when they administer UNDP-financed projects, have the same access to all Bank facilities as telex, telephones, assistant and clerical level staffing as those available to them when they administer a Bank loan or IDA credit. Indeed, very often the same staff member might be handling the two types of activities simultaneously.

29. Further, the Bank administrative budget for fiscal year 1984 is in excess of \$630 million dollars, and the Bank feels that any finessing of the accounting machinery to account in detail for UNDP-related expenditures would be neither cost effective, nor administratively practical.

30. It should be pointed out that a new method of utilizing executing agency overheads is being prepared for consideration by the Senior Vice President for Operations. If adopted, as it is hoped it will be, the World Bank will be better equipped next year to improve its reporting procedures.

International Telecommunication Union (ITU)

33. During the years 1982 and 1983, ITU executed a programme of technical assistance to the value of \$62,924,000 (all sources of funds). The administrative support costs incurred in the provision of the technical programme amounted to \$11,027,000, or 17.5 per cent of project delivery. Support cost reimbursed amounted to \$9,338,000 or 14.5 per cent of project value. Average rate of reimbursement on UNDP and extrabudgetary projects was 13.1 per cent.

World Health Organization (WHO)

31. The level of costs for administrative support continued to be closely controlled and held to the minimum, in keeping with resolution WHA29.48. The total cost in 1982-1983 of the general service and support programmes, both at headquarters and in the regions, financed under the regular budget and other sources of funds (excluding PAHO and IARC) totalled \$91,950,868 representing 14.05 per cent of obligations incurred for programme purposes (\$654,678,890) under the regular budget and other sources (excluding PAHO and IARC).

32. As a result of resolution WHA29.48 adopted by the World Health Assembly in 1976, a transfer of resources took place from WHO headquarters to activities at country levels. This transfer of resources took the form of a

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20 per cent reduction in established posts at headquarters; it was completed in 1981. This transfer had the effect of significantly reducing support costs in relation to technical co-operation programmes, the more so as it was accompanied by a substantial growth in real terms of WHO's technical co-operation activities financed from both regular budget and extrabudgetary resources. This growth in resources has, however, slowed down considerably during the 1982-1983 biennium; real growth, all sources combined, was probably about zero, the small real increase (2 per cent) in the regular budget being offset by a real decrease in extrabudgetary resources. For the immediate future the prospects seem to be of relative stability of WHO's resources, any real growth that might occur being devoted to activities at country levels, thus in a minor way improving the support cost ratio.

United Nations Conference on Trade and Development (UNCTAD)

34. UNCTAD does not maintain cost accounts in a manner which would permit the extent of the regular budget contribution to support costs to be determined. Thus UNCTAD has estimated total programme support costs on the basis of 22.5 per cent of its total operational expenditures for technical co-operation programmes during the biennium. The percentage is as reported by the Task Force to the Governing Council at its nineteenth session (DP/77 and Add.1 and Corr. 1 and Add. 2 & 5), based on a study undertaken by agencies in 1973. On this basis, total expenditures on programme support were \$6,972,000 for the biennium 1982-1983, being made up of technical co-operation funds and \$2,171,000 from the regular budget. That is, reimbursed support costs were equivalent to 68.9 per cent of support cost expenditures, the remaining 31.1 per cent being provided from the regular budget.

35. The UNCTAD technical assistance programme has shown a year by year decline since 1981, a trend which is expected to continue during the current biennium, particularly in view of UNDP funding problems. Consequently, it is difficult to maintain the support structure financed from declining support cost income and, as far as possible, UNCTAD has blocked posts financed from these funds. This will eventually place a greater burden on the regular budget for support of technical co-operation activities.

United Nations Centre for Human Settlements (UNCHS)

36. 1980 was the first full operational year for UNCHS in terms of technical co-operation activities and the comments contained herein are based on a four-year expenditure encompassing the bienniums 1980-1981 and 1982-1983. A comparison has been made between the two bienniums as follows:

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Percentage weight per source of technical co-operation expenditure

	<u>1980-1981</u> (percentage)	<u>1982-1983</u> (percentage)
Regular budget	3.53	2.98
UNDP	84.43	82.49
Other extrabudgetary	<u>12.04</u>	<u>14.53</u>
	<u>100.00</u>	<u>100.00</u>

37. Over the last two bienniums, the share of UNDP-financed technical co-operation expenditure has tended to decrease slightly in UNCHS activities. UNDP has, however, remained - and will remain - the major source of financing for technical co-operation expenditure. The small decrease has been compensated by a corresponding increase in the share of trust fund activities. The current trends in development technical assistance does not permit to envisage a wider expansion in the share of trust funds.

38. Despite measures that are constantly taken in order to limit support cost expenditures to a minimum, operating costs continue to increase in most expenditure objects. In this regard, it should be noted that Nairobi being located away from the major sources of field personnel recruitment, with difficulties and high costs in communications, as well as a less favourable situation as to the costs of supplies and materials, including general operating requirements, the scope for a reduction of the support expenditure is extremely limited.

Asian Development Bank (AsDB)

39. AsDB's total internal administrative expenses incurred (annex table 2 of this report) for the total AsDB technical assistance programme for 1982 and 1983 combined (financed both from AsDB regular budget and from external resources, including UNDP funds) amounted to \$12.85 million representing about 19 per cent of the total two-year technical assistance programme of \$68.27 million (actual expenditures of \$24.20 million plus commitments \$44.07 million).

40. The costs for internal administrative expenses are broken down under the UNDP object of expenditure categories as shown in annex table 2 of this report. The sources financing the total AsDB technical assistance programme for the two years were the AsDB regular budget (Bank's own resources), UNDP, and other external funds as shown in annex table 3.

World Tourism Organization (WTO)

41. As indicated in annex table 1 of this report, the support cost income for 1982 and 1983 amounted to \$311,084.48, out of which 58.62 per cent (\$182,377.15) were from WTO regular budget funds. This clearly demonstrates that:

(a) WTO finances more than half of the support cost expenditure through regular budget appropriations to cover salaries, post adjustment and social security;

(b) The UNDP support cost transfer to WTO has been mainly utilized (41 per cent) for financing research contracts related to technical co-operation activities, and for communications (17.35 per cent) and personnel expenditure (17.30 per cent); and

(c) All support cost expenses are directly related to UNDP-financed technical co-operation activities.

42. WTO tries to exert a meticulous control of support cost expenditure by excluding all kinds of office accommodations and related items.

43. As was already mentioned in respect of 1980-1981 support cost utilization, the small amount involved in the UNDP-financed technical co-operation projects calls for no further comments. However, it is expected - and desirable - that the next country programming exercise will increase the tourism activities within the technical co-operation activities funded through UNDP indicative planning figures (IPF). It is also expected that the recent resolutions adopted by the WTO General Assembly, fifth session, and more specifically resolution 125(V) "Central and decisive role of WTO in the field of tourism", will have a considerable impact in the priority accorded to tourism activities by the recipient countries. If these expectations materialize, the support cost allocation will be subject to great pressure for coping with the increased trends and requirements of field operations. In every case, WTO will continue its present policy and practice of limiting to the maximum extent possible the cost of support activities.

Economic and Social Commission for Asia and the Pacific (ESCAP)

44. Since ESCAP does not maintain cost accounts to determine the extent of the regular budget contribution to support costs, the regular budget contribution to support costs was estimated to be 22.5 per cent of the operational programme activities less amounts reimbursed from UNDP, UNFPA and other extrabudgetary resources. Thus, it is estimated that \$1,990,000 (annex table 1 of this report) was contributed from the regular budget during the 24-month period of the biennium ended 31 December 1983. This regular contribution was included as expenditures incurred during the 1982-1983 biennium amounting to \$6,169,000 as reported in annex table 2 of this report.

45. In order to achieve a break-even on programme support cost operations, 16 per cent for the reimbursement of programme support costs was a minimal requirement from UNDP, UNFPA and other extrabudgetary resources during the 1982-1983 biennium. This rate is applicable to project delivery at the level of \$12.0 million as provided in UNDP/PROG/91 of 14 January 1982 for the revised agency support cost flexibility arrangements. Consequently, the support costs flexibility indicated below should be made available from UNDP and UNFPA for the 1982-1983 biennium period ending 31 December 1983:

	1982-1983 Required programme support cost (US dollars)	1982-1983 Actual reimbursement on programme support cost (US dollars)	1982-1983 Required programme support cost flexibility (US dollars)
UNDP	1 901 356	1 486 361	414 995
UNFPA	<u>327 956</u>	<u>266 202</u>	<u>61 754</u>
Total	<u>2 229 312</u>	<u>1 752 563</u>	<u>476 749</u>

If this flexibility is not made available, it shall be necessary to reduce programme support costs which will have a significant impact on ESCAP's ability to assist the countries in its region.

Economic Commission for Latin America (ECLA)

46. The level of programme support funds available in 1982-1983 suffered an important reduction, as compared to the 1980-1981 biennium mainly due to a decrease of approximately \$2.5 million in the contribution from a single source. ECLA's 1980-1981 report informed of the sharp staff reduction as a result of increased costs. Despite more favourable exchange rates during 1982-1983, no additions were made to the programme support staffing table. Other cost saving measures included close monitoring of programme support expenditures in reference to previous income projections and programmed expenditures.

Economic Commission for Europe (ECE)

47. The level of support costs relating to UNDP-financed technical co-operation activities during the biennium 1982-1983 has maintained the momentum attained in 1981, which along with the support costs which ECE started to receive on UNFPA activities, particularly in 1983, proved to be sufficient to maintain the minimum capacity necessary for ECE to support the programmes. It should be noted that ECE has no direct support cost income under its regular programme; but, rather, ECE regular staff, in both the

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Professional and General Service categories, continue to work in support of UNDP and UNFPA activities, thereby reducing programme support cost expenditures to a minimum.

48. Since this report covers 1982-1983, it does not clearly reflect the consequences of programme reductions initiated by UNDP and UNFPA, the effects of which will become very apparent starting with 1985. ECE is entirely dependent on programme support funds which are earned through its implementation of UNDP and UNFPA technical co-operation projects for the financing of the one Professional post and the one General Service post essential for programme management and project backstopping. In this connection, it should be realized that the execution of a technical co-operation programme requires that a certain basic structure be in place in order to provide the necessary support services. Hence, rapid fluctuations in the level of resources available for project activities which have been compounded by sharp downward trends would have a negative impact on ECE's ability to undertake to provide programme support to UNDP and UNFPA projects and to continue to carry out its mandate and to provide quality service.

49. It must be recognized that there is a floor, an absolute minimum of programme support funds which are required, cut-backs in resources for project activities notwithstanding. Such an impact would definitely call for the extension to ECE of the flexibility arrangements under established UNDP procedures, a situation which ECE had always reiterated whenever the question of programme support costs was raised.

50. The figures shown in the annex tables to this report comprise actual programme support reimbursement income derived from UNDP and UNFPA, as well as related expenditures taking into account the regular budget contribution to support costs calculated at 22.5 per cent of total technical co-operation expenditures, less amounts reimbursed from UNDP and UNFPA.

Economic Commission for Western Asia (ECWA)

51. The biennium 1982-1983 has not been a noteworthy one for the Economic Commission for Western Asia (ECWA) with respect to the implementation of technical co-operation activities. The continued crisis in Lebanon during the tenure of the Commission, the move from Beirut to a temporary location in Baghdad, Iraq, and the second move in Baghdad from the temporary to the permanent location, all occurring during the biennium 1982-1983, have significantly affected the operational activities of the Commission.

52. As a result, the Commission's delivery of technical co-operation activities was below normal. Expenditures for technical co-operation activities for the biennium 1982-1983 totalled \$3,757,091. It should be noted that, despite the low rate of delivery, there is a minimum cost of programme

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support which cannot be reduced. The Technical Co-operation Unit of ECWA depends primarily on programme support funds for its operation, in particular, travel of its personnel for management and backstopping of projects.

53. The regular budget provided a significant portion of the support cost income which is estimated at 22.5 per cent of technical co-operation expenditure. ECWA continues to believe that the 13 per cent reimbursement rate approved by UNDP and other extrabudgetary activities for reimbursement of programme support cost is inadequate; in particular, when the rate of delivery of technical co-operation activities is abnormal. It should also be noted that inadequate income from programme support cost has an adverse effect on the implementation of these activities.

54. The Commission believes that consideration should be given to increasing the rate of reimbursement of programme support cost from the 13 per cent now in effect.

World Meteorological Organization (WMO)

55. By decision of the WMO Congress (the governing body of the Organization) all identifiable administrative and operational expenses incurred in the implementation of UNDP and trust fund projects should be financed from the income received from these sources. Thus, WMO is required to organize its activities so that all support costs in respect of projects financed from extrabudgetary resources can be separately identified; i.e., through the establishment of a Technical Co-operation Department responsible for the execution of UNDP and trust fund projects to which no direct contribution from the regular budget is made. The cost of executing these projects is to a certain extent fixed and cannot be made precisely to vary with fluctuations in the programme. Only if major changes in trends are evident can staff be increased or decreased according to the volume of the programme. Nevertheless every effort has been made to keep costs to a minimum, and despite a considerably increased programme delivery since 1980, one Professional post has been cancelled and three General Service posts have been converted to half-time.

56. Actual costs over the past three years have remained almost constant, varying only with the fluctuations in the US dollar-Swiss franc exchange rate. As a percentage of UNDP programme delivery, however there has been some variation, due particularly to a substantially increased trust fund programme in 1982 (on which support costs at 14 per cent of delivery were charged) resulting in a reduction in support costs paid by UNDP from 15.2 per cent in 1981 to only 13.6 per cent in 1982. With a decrease in 1983 in the volume of UNDP and trust fund projects, the support cost ratio has again risen to about 16 per cent on UNDP projects.

57. Apart from a small annual allocation for fellowships and seminars, WMO has no regular programme of technical co-operation. WMO does, however, co-ordinate and administer a Voluntary Co-operation Programme whereby Member States may request and receive assistance to enhance their participation in, contribution to and benefits from WMO scientific and technical programmes. Donors usually offer to meet requests through the provision in kind of equipment, fellowships and expert services, which in the vast majority of cases are not therefore purchased or paid for in the usual way by WMO. It would, therefore, have little meaning to try to relate support costs to programme expenditure in the same manner as for the more conventional forms of technical co-operation. Total identifiable support costs in 1982-1983 for this programme (including the administration of regular budget financed fellowships) amounted to some \$690,000 which represented 6.7 per cent of the estimated nominal value of the assistance provided.

International Maritime Organization (IMO)

58. Technical Co-operation activities of IMO are carried out by the Technical Co-operation Division of the organization. Since its inception, this Division has been budgeted and financed separately from the main functions of IMO which does not have a regular programme of technical co-operation. It is, thus, possible to show the direct cost of the Division and a figure can also be easily identified for its accommodation costs. In addition, the main headquarters establishment of IMO provides considerable services to the Technical Co-operation Division by way of technical back-stopping, legal and library services, administration and common services. A proportionate share of the cost of the staff concerned is estimated.

59. The technical co-operation programme of IMO, being comparatively small, is susceptible to considerable variation from year to year. It reached a peak of some \$10.0 million in 1982, declined to \$8.9 million in 1983 and is expected to decline further in 1984 to about \$7.0 million-\$7.5 million. The staff engaged in administering the programme has remained constant for a long time having absorbed a sizeable increase in the programme over the period and current consideration is being given to the need for additional staffing in the light of recommendations to this effect by the Joint Inspection Unit in its recent report on IMO.

International Atomic Energy Agency (IAEA)

60. In IAEA, technical co-operation is a joint responsibility of technical co-operation administrators in the Department of Technical Co-operation and technical-substantive officers in the Agency's technical departments. The support cost data provided below covers both elements. Projects financed from UNDP resources benefit from the same integrated administrative-cum-technical backstopping that is given to all IAEA activities. In most instances, UNDP-supported projects are complemented by Agency-financed technical co-operation activities.

61. By a decision of the Agency's Board of Governors, support cost reimbursements are treated as miscellaneous income. On the other hand, support costs incurred with respect to all technical co-operation projects are funded from the regular budget.

62. While the UNDP share in the total volume of technical assistance expenditures in 1982 has been slightly less than 20 per cent, UNDP's share in total support costs lies in the 12 per cent range. During 1983, UNDP's share of the total Agency expenditures for technical assistance has decreased further, to less than 15 per cent. For 1983, the support cost provided by UNDP, including flexibility, accounts for less than 10 per cent of the total support cost incurred by the Agency to administer its technical co-operation programmes. It is expected that the current decreasing trend of the UNDP share in the IAEA technical co-operation activities will continue during 1984-1985 but it is hoped that it will then be possible to keep a level of 10-12 per cent of the Agency's technical co-operation programmes.

63. Another significant feature that has developed during recent years is the increasing participation of Agency staff from technical divisions in project implementation proper. This has shortened the time span necessary to prepare for expert assignments and has kept the average cost of expert man-months lower than it would have otherwise been. Both in 1982 and 1983 about one third of all expert assignments in Agency projects were carried out by IAEA staff members.

World Intellectual Property Organization (WIPO)

64. Efforts have continued during the 1982-1983 biennium to reduce support costs to the extent possible without affecting the quality and timeliness of project delivery. Coupled with a relative expansion of WIPO's development co-operation programmes, which enabled some economies of scale to be made, these efforts have resulted in a significant reduction of the support costs to program expenditure ratio in 1983. Estimates for that year alone show a ratio of 32.3 per cent as compared to an overall ratio of 34.1 per cent for the 1982-1983 biennium. Nevertheless, in view of the still limited size of WIPO's development co-operation programme, the support cost reimbursements received from UNDP remain notably insufficient to cover the actual cost of supporting WIPO executed UNDP-financed projects and they have to be supplemented by regular budget resources.

Universal Postal Union (UPU)

65. The breakdown of support costs is available only for the organization's technical co-operation activities funded by UNDP resources. For the programme financed under the regular budget and the UPU Special Fund, the support costs are fully covered by the regular budget. The funds-in-trust activities represent a minor part of the programme. The total cost of the support programme, financed under the regular budget and the reimbursement from the UNDP, was \$1,820,551 for this financial period representing 50 per cent of the expenditures of \$3,618,839 incurred under the UNDP funds for programme purposes.

Annex II

Financial data on agency support cost revenue and expenditure
relating to technical co-operation project activities

Annex table 1. Total agency support cost revenue by source of
financing for the biennium 1982-1983
(Thousands of US dollars)

<u>Agency</u>	<u>Regular budget</u>	<u>UNDP</u>	<u>Other extrabudgetary</u>	<u>Total</u>
FAO	25 183	36 944	20 325	82 452
United Nations	23 716	22 361	9 288	55 365
UNIDO	22 344	16 261	7 305	45 910
ILO	32 371	13 186	8 627	54 184
UNESCO	13 165	11 954	9 156	34 275
UNDP/OPE	-	8 313	2 635	10 948
ICAO	-	8 807	6 036	14 843
World Bank	-	7 561	-	7,561
ITU	1 322	6 085	1 931	9 338
WHO	73 239	4 951	13 761	91 951
UNCTAD	2 171	3 842	959	6 972
UNCHS	2 663	3 247	813	6 723
AsDB	11 646	909	294	12 849
WTO	182	129	-	311
ECA	1 709	1 684	2 286	5 679
ESCAP	1 990	1 486	2 693	6 169
ECLA	1 288	488	1 451	3 227
ECE	195	206	49	450
ECWA	162	108	284	554
WMO	688	3 412	1 360	5 460
IMO	888	2 200	594	3 682
IAEA	14 268	1 751	93	16 112
WIPO	1 299	432	244	1 975
UPU	1 025	796	-	1 821
TOTAL	<u>231 514</u>	<u>157 113</u>	<u>90 184</u>	<u>478 811</u>

Annex table 2. Total agency support cost expenditure from all sources of financing
by object of expenditure for the biennium 1982-1983
(Thousands of US dollars)

<u>Agency</u>	<u>Salaries and common staff costs</u>	<u>Official travel</u>	<u>Contractual services</u>	<u>General operating</u>	<u>Supplies & materials</u>	<u>Furniture & equipment</u>	<u>Other^{*/}</u>	<u>Total</u>
FAO	76 589	651	-	-	-	-	5 212	82 452
United Nations	51 425	496	262	2 511	-	165	506	55 365
UNIDO	44 016	1 152	-	-	-	-	742	45 910
ILO	48 902	-	-	-	-	-	5 282	54 184
UNESCO	30 669	2 385	-	341	682	-	-	34 077
UNDP/OPE	5 906	228	1 024	1 159	72	48	2 511	10 948
ICAO	14 213	623	-	-	-	-	3 251	18 087
World Bank	5 959	1 296	-	-	-	-	845	8 100
ITU	10 408	236	-	243	101	-	39	11 027
WHO	55 645	619	2 510	16 748	3 377	3 481	9 571	91 951
UNCTAD	6 276	208	-	-	-	-	488	6 972
UNCHS	5 878	178	50	583	-	34	-	6 723
AsDB	10 505	926	-	-	-	-	1 418	12 849
WTO	205	19	56	27	-	2	-	309
ECA	4 455	688	-	294	-	130	112	5 679
ESCAP	5 700	279	66	72	-	52	-	6 169
ECLA	3 014	53	17	9	-	7	127	3 227
ECE	407	5	-	17	-	21	-	450
ECWA	48	255	-	247	-	4	-	554
WHO	5 063	117	-	107	117	56	-	5 460
IMO	2 045	84	52	209	15	47	1 230	3 682
IAEA	13 219	106	-	2 620	123	44	-	16 112
WIPO	1 635	55	-	285	-	-	-	1 975
UPU	<u>1 643</u>	<u>91</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>1 821</u>
TOTAL	<u>403 825</u>	<u>10 750</u>	<u>4 068</u>	<u>25 472</u>	<u>4 487</u>	<u>4 147</u>	<u>31 334</u>	<u>484 083</u>

^{*/} Includes other objects of expenditure as well as costs which could not be separately identified by agencies.

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Annex table 3. Total agency technical co-operation project expenditure
by source of financing for the biennium 1982-1983
(Thousands of US dollars)

<u>Agency</u>	<u>Regular programme</u>	<u>UNDP</u>	<u>Other extrabudgetary</u>	<u>Total</u>
FAO	40 212	269 547	250 873	560 632
United Nations	13 629	164 720	81 349	259 698
UNIDO	7 100	118 400	44 400	169 900
ILO	14 368	94 367	88 961	197 696
UNESCO	9 977	86 344	107 377	203 698
UNDP/OPE	-	84 460	49 257	133 717
ICAO	-	62 966	45 268	108 234
World Bank	-	78 106	-	78 106
ITU	2 830	46 770	13 324	62 924
WHO	369 636	36 916	243 175	649 727
UNCTAD	612	27 460	3 526	31 598
UNCHS	916	25 017	4 865	30 798
AsDB	44 650	16 820	6 800	68 270
WTO	-	1 576	-	1 576
ECA	2 865	12 954	12 289	28 108
ESCAP	1 630	11 872	15 547	29 049
ECLA	1 697	3 491	10 853	16 041
ECE	-	1 476	525	2 001
ECWA	1 295	830	1 632	3 757
WMO	1 374	23 107	9 627	34 108
IMO	-	12 700	6 300	19 000
IAEA	32 121	8 138	8 157	48 416
WIPO	1 720	1 962	2 111	5 793
UPU	1 086	3 619	977	5 682
TOTAL	<u>547 718</u>	<u>1 193 618</u>	<u>1 007 193</u>	<u>2 748 529</u>

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Annex table 4. UNDP percentage share of total agency support cost revenue compared with UNDP percentage share of total agency technical co-operation project expenditure for the biennium 1982-1983
(Percentage)

<u>Agency</u>	<u>UNDP percentage share of total agency support cost revenue</u>	<u>UNDP percentage share of total agency technical co-operation project expenditure</u>
FAO	44.8	48.1
United Nations	40.3	63.4
UNIDO	35.4	69.7
ILO	24.3	47.7
UNESCO	34.8	42.4
UNDP/OPE	75.9	63.1
ICAO	59.3	58.2
World Bank	n/a ^{*/}	n/a ^{*/}
ITU	65.1	74.3
WHO	5.4	5.7
UNCTAD	55.1	86.9
UNCHS	48.8	81.2
AsDB	7.1	24.6
WTO	41.3	100.0
ECA	29.6	46.0
ESCAP	24.1	40.9
ECLA	15.1	21.8
ECE	45.8	73.8
ECWA	19.5	22.0
WMO	62.5	67.7
IMO	59.7	66.8
IAEA	10.9	16.8
WIPO	21.8	33.9
UPU	43.7	63.7
TOTAL WEIGHTED AVERAGE	<u>32.8</u>	<u>43.4</u>

^{*/} Not available. Information available from the Agency relates only to UNDP-financed activities.

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Annex table 5. Ratio of total agency support cost expenditure to total agency technical co-operation project expenditure for the biennium 1982-1983
(Thousands of US dollars)

Agency	(1) Total support cost expenditure	(2) Total technical co-operation project expenditure	(3) Total Expenditure (Col. 1 + Col. 2)	(4) Ratio Col. 1/Col. 2 (%)	(5) Ratio Col. 1/Col. 3 (%)
FAO	82 452	560 632	643 084	14.7	12.8
United Nations	55 365	259 698	315 063	21.3	17.6
UNIDO	45 910	169 900	215 810	27.0	21.3
ILO	54 184	197 696	251 880	27.4	21.5
UNESCO	34 077	203 698	237 775	16.7	14.3
UNDP/OPE	10 948	133 717	144 665	8.1	7.6
ICAO	18 087	108 234	126 321	16.7	14.3
World Bank	8 100 ^{*/}	78 106 ^{*/}	86 206 ^{*/}	10.4 ^{*/}	9.4 ^{*/}
ITU	11 027	63 025	74 052	17.5	14.9
WHO	91 951	649 727	741 678	14.1	12.4
UNCTAD	6 972	31 598	38 570	22.0	18.1
UNCHS	6 723	30 798	37 521	21.8	17.9
AsDB	12 849	68 270	81 119	18.8	15.8
WTO	309	1 576	1 885	19.6	16.4
ECA	5 679	28 108	33 787	20.2	16.8
ESCAP	6 169	29 049	35 218	21.2	17.5
ECLA	3 227	16 041	19 268	20.1	16.7
ECE	450	2 001	2 451	22.5	18.4
ECWA	554	3 757	4 311	14.7	12.6
WHO	5 460	34 108	39 568	16.0	13.8
IMO	3 682	19 000	22 682	19.4	16.2
IAEA	16 112	48 416	64 528	33.3	25.0
WIPO	1 975	5 793	7 768	34.0	25.4
UPU	1 821	5 682	7 503	32.0	24.3
TOTAL	<u>484 083</u>	<u>2 748 630</u>	<u>3 232 713</u>	<u>17.6</u>	<u>15.0</u>

^{*/} Relates only to agency UNDP-financed activities.

