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S U P P O R T

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

AGENCY SUPPORT COSTS

Ex post facto report on agency support costs

Summary

This document contains the second ex post facto report on agency support costs, and is being submitted to the Council in accordance with its decision 84/39 which, inter alia, requested the Administrator to continue to submit an ex post facto report on agency support costs on a biennial basis. This report, which covers the biennium 1984-1985, examines the information received from agencies and provides an analysis of the trend in agency support cost income and expenditure, as well as agency technical co-operation project expenditure since the first report.

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## I. BACKGROUND

1. Decision 80/44, which was adopted by the Council at its twenty-seventh session in June 1980, set out the information which the Council wished to receive in respect of agency support costs in the following terms:

"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. It will be recalled that subsequent to that decision, the Administrator held extensive consultations with executing agencies with respect to the format, content and due date for such a report. At the twenty-ninth session of the Council in 1982, the Administrator reported that agreement on those issues had been reached with executing agencies. In the latter part of 1982, a trial exercise was conducted with executing agencies to test the viability of the agreed report, and at the thirtieth session of the Council in 1983, the Administrator reported on the results of that exercise. These efforts culminated in the submission to the Council at its thirty-first session in June 1984 of the first ex post facto report, which dealt with agency support costs covering the biennium 1982-1983.

3. The present report, which covers the biennium 1984-1985, represents the second ex post facto report to be submitted to the Council and responds to decision 84/39, adopted by the Council at its June 1984 session. That decision, inter alia, requested the Administrator to continue submitting an ex post facto report on agency support costs on a biennial basis. The paragraphs which follow provide an examination of the information received from executing agencies, including an analysis of the trend in support cost income and expenditure since the first report. Tables 1, 2 and 3 of annex I provide by funding source (that is, regular budget, UNDP and other extrabudgetary sources) within each agency, the respective figures for support cost income, support cost expenditure and technical co-operation project expenditure in the biennium 1984-1985. The tables also compare total figures

with the equivalent amounts for 1982-1983. Table 4 of annex I provides a comparison of the UNDP percentage share of total agency support cost revenue with the UNDP percentage share of total agency technical co-operation project expenditure, including a comparison of total averages with the equivalent figures for 1982-1983. Lastly, table 5 of annex I shows the percentage ratio of the total support cost expenditure of each agency to its total technical co-operation project expenditure; it also compares the total figures with the equivalent figures in 1982-1983. Annex II contains the narrative statements provided by agencies on key factors and figures relating to their support costs.

## II. ANALYSIS OF INFORMATION

### A. Technical co-operation delivery in 1984-1985

4. The overall delivery of technical co-operation activities in the biennium 1984-1985 by executing agencies in the common system remained at about the same level as in the biennium 1982-1983, that is, \$2,733.5 million in 1984-1985 compared to \$2,748.5 million in 1982-1983. However, there were individual increases and decreases in delivery among agencies within the same time period. An examination of the financial data and other information received from agencies suggests that any analysis of the trend in agency support cost income and expenditure in the biennium 1984-1985 over the biennium 1982-1983 must be viewed against this background.

5. Table 3 of annex I shows that the implementation by agencies of UNDP-financed projects in the biennium 1984-1985 decreased by approximately 12.4 per cent from the 1982-1983 biennium level. As can also be seen from tables 3 and 4, the UNDP percentage share of total agency technical co-operation project expenditure decreased to 38.2 per cent in 1984-1985 from 43.4 per cent in the biennium 1982-1983. Given that the support cost reimbursement to agencies is directly related to the level of their implementation of UNDP-financed projects, the biennium 1984-1985 witnessed a reduction in their UNDP-related support cost earnings. Table 1 of annex I bears this out, as it indicates a drop of 11.2 per cent in the total support cost earnings from UNDP of executing agencies in the biennium 1984-1985, compared to the biennium 1982-1983. As can also be noted from table 4 of annex I, the UNDP percentage share of total agency support cost revenue dropped to 30.2 per cent in the biennium 1984-1985 from the level of 32.8 per cent in the biennium 1982-1983.

B. Other sources replacing UNDP as main source of technical co-operation activities

6. The data show that the decrease in the UNDP-financed portion of most of the agencies' technical co-operation activities was somewhat more than offset by an increase in the technical co-operation activities funded through their regular budget programmes, as well as from their other extrabudgetary sources. Table 3 of annex I indicates that the regular programme portion of the agencies' technical co-operation expenditure increased overall by 13.2 per cent in the biennium 1984-1985 over the biennium 1982-1983. With respect to activities financed from other extrabudgetary sources, the overall growth was at 6 per cent in the same period. Other extrabudgetary sources, as a group, have also replaced UNDP-financed sources as the main source of technical co-operation activities, with approximately 39.1 per cent of the share of total agency technical co-operation expenditure in the biennium 1984-1985, up from 36.6 per cent in the biennium 1982-1983. Also, as may be seen in table 1 of annex I, the percentage share of other extrabudgetary sources of total agency support cost revenue increased by 6.1 per cent in the biennium 1984-1985.

C. Impact of reduced UNDP delivery on agency support costs

7. In general, a lower level of delivery is accompanied by a reduction in support cost expenditure since essentially less support services are required. In fact, the slight drop of 0.5 per cent in total agency technical co-operation activities from all sources in the biennium 1984-1985 was accompanied by a reduction of approximately 3.2 per cent in total support cost expenditure. While agencies are not able to segregate support costs relating solely to the UNDP-financed portion of their programme, the data demonstrate that most agencies for which the UNDP-financed portion constituted over 50 per cent of their technical co-operation activities showed a decrease in support cost expenditure following a reduction in their UNDP-financed activities. A reduction in delivery, however, does not necessarily result in a proportionate drop in workload for programme and administrative support. It has been the experience of UNDP in dealing with support cost reimbursement to its executing agencies that a reduction in the implementation of UNDP-financed activities affects agencies in different ways. Large agencies which implement relatively substantial portions of UNDP technical co-operation activities and which themselves undertake their own technical co-operation programmes, are in a much better position to make adjustments in their support cost expenditure during such periods than are small agencies which rely almost entirely on UNDP support cost reimbursements to finance their implementation of technical co-operation projects. One important reason is that large agencies are able to realize economies of scale in their various activities, whereas smaller agencies have a fixed and absolute minimum floor of overhead requirements under which they cannot operate effectively.

8. It is in recognition of this fact that the Council authorized support cost reimbursement on a more flexible basis to smaller agencies, defined as those autonomous organizations of the United Nations system whose levels of annual delivery fall under \$15 million. This would allow such agencies to be reimbursed up to a maximum of 22 per cent of their delivery of UNDP-financed technical co-operation activities, provided certain criteria contained in the guidelines for the flexibility support cost provisions are met. In both biennia 1982-1983 and 1984-1985, five executing agencies benefited from the support cost flexibility arrangements (details of the flexibility arrangements for 1985 are contained in document DP/1986/56).

#### D. Other factors contributing to reduced support costs

9. The information provided also suggests that the overall reduction in the support cost expenditure of agencies in the 1984-1985 biennium may be partly attributable to deliberate actions taken by them to reduce support cost expenditure through cost-saving measures. For instance, a number of agencies have reported increased computerization in their activities, in particular in the areas of finance and personnel, as well as in the procurement of equipment. This has resulted in economies of scale in such operations. Greater rationalization of agency activities, and of the staff resources available to them to carry out their respective mandates, also appeared to have been important factors in containing support cost expenditure during the biennium 1984-1985. In addition to a desire for greater efficiency and effectiveness on the part of agencies, such moves may also be related to calls from their own governing bodies to adopt economy measures at a time of uncertainty in the level of contributions that may be expected. A few agencies indicated that the relative strength of the US dollar also contributed to a reduction in support cost expenditure in US dollar terms to the extent that the appreciation in the value of the US dollar more than offset real increases in expenditure in other currencies.

#### E. Limits to reducing support costs

10. A number of agencies have indicated that there is a limit to the effects which their efforts to reduce support cost expenditure can have. They noted that further reductions in staff and non-staff expenditure have reached a level where additional cut-backs may severely affect the quality of the technical and administrative backstopping services provided, unless accompanied by further substantial declines in technical co-operation activities. In this connection, one agency noted that as a result of the annual decline of its technical assistance programme since 1981, it has had to reduce the support structure financed from declining support cost income and has had to continue to abolish all fixed-term posts funded from support cost reimbursement as they became vacant. This same agency expected that this state of affairs could eventually have an adverse effect on its regular budget support for technical co-operation activities in general. One agency reported that pressure was being exerted on its support cost income as a result of

requests from certain United Nations bodies to waive or reduce the standard 13 per cent support cost rate. It cites as examples the requests from the United Nations Trust Fund for the Nationhood Programme of the Fund for Namibia, the United Nations Trust Fund for Developing Countries Afflicted by Famine and Malnutrition, and the United Nations Capital Development Fund. Another agency expressed the view that economic benefits derived from cost-saving measures, such as computerization, may level off in the coming years. Under such circumstances, a fall in the level of support cost income below the level of support cost expenditure would nullify current cost reduction efforts.

#### F. Analysis of objects of expenditure comprising support costs

11. In analyzing the different objects of support cost expenditure contained in table 2 of annex I, it will be noted that as in the first ex post facto report, the personnel-related objects of expenditure, such as salaries, common staff costs and official travel, together comprise the bulk of support cost expenditure (approximately 80 per cent of the total) in the biennium 1984-1985. Table 2 also indicates the percentage changes in 1984-1985 over the period 1982-1983 for the different objects of expenditure. As can be seen, while salaries and common staff costs combined remained the major component of support cost expenditure in 1984-1985, this component nevertheless dropped 9.6 per cent from the 1982-1983 level. A decrease of 15.3 per cent is shown under other expenditure and an increase of over 50 per cent is shown for general operating expenses and over 100 per cent, respectively, for contractual services, and furniture and equipment. As indicated earlier, total support cost expenditure in the biennium 1984-1985 decreased by 3.8 per cent over the biennium 1982-1983.

#### G. Analysis of support cost income and expenditure ratios

12. Table 4 of annex I shows that, for the majority of agencies, the UNDP percentage share of agency support cost revenue was less than its percentage share of agency technical co-operation delivery. Overall, the ratios were, respectively, 30.2 per cent versus 38.2 per cent in the biennium 1984-1985. The comparative figures in the preceding biennium were, respectively, 32.8 per cent versus 43.4 per cent. This is significant in that it demonstrates that the percentage contribution of UNDP to total agency support cost expenditure has, in fact, been less than its percentage contribution to total agency delivery.

13. The analysis of individual agency support cost ratios under column 4 of table 5, annex I, indicates that for agencies as a group, the overall support cost ratio in the biennium 1984-1985 remained at relatively the same level as the overall ratio achieved in the biennium 1982-1983, that is, approximately 17 per cent of project expenditure.

14. As noted in the first ex post facto report submitted by the Administrator to the Council at its thirty-first session in June 1984, great care should be exercised in reading the financial data provided by agencies. In most cases, the data provided represent managerial estimates of agencies' total organizational support costs computed on predetermined bases, which may vary from true actual costs. As also pointed out at the time, there were notable differences in the ability of individual agencies to provide detailed actual accounting information owing to differences in their accounting and management information systems, reporting requirements, budgetary processes as well as organizational structures. For this reason, a comparative analysis by agency simply on the data provided may not be entirely meaningful. It has, however, been possible to identify general trends and developments that bear on the support costs of agencies. Perhaps the value of a report such as this lies in the fact that it is a supplementary management tool at the disposal of the Council, which may also call upon other appropriate instruments, such as the audited financial statements and audit reports of organizations, as well as inspection reports and evaluation studies. These tools used together provide enhanced opportunities for measuring the efficiency and effectiveness of organizations.





Table 1. Total agency support cost revenue by source of financing for the biennium 1984-1985  
(Thousands of US dollars)

<u>Agency</u>	<u>Regular budget</u>	<u>UNDP</u>	<u>Other extrabudgetary</u>	<u>Total</u>
FAO	24 400	31 232	26 191	81 823
United Nations	24 796	22 543	8 561	55 900
UNIDO	24 104	16 442	8 930	49 476
ILO	23 323	10 574	9 173	43 070
UNESCO	12 975	9 670	9 530	32 175
UNDP/OPE	-	7 901	5 067	12 968
ICAO	-	8 125	4 502	12 627
World Bank	-	6 515	-	6 515
ITU	1 080	5 486	1 101	7 667
WHO	69 880	3 476	13 306	86 662
UNCTAD	917	1 783	999	3 699
UNCHS	2 408	2 832	802	6 042
AsDB	16 122	1 203	294	17 619
WTO	222	214	-	436
ECA	1 168	1 314	1 500	3 982
ESCAP	2 704	1 449	2 086	6 239
ECLAC	989	359	1 632	2 980
ECE	152	131	71	354
ESCWA	595	137	254	986
WMO	510	3 732	1 020	5 262
IMO	1 227	2 011	467	3 705
IAEA	17 064	991	45	18 100
WIPO	1 771	699	147	2 617
UPU	1 048	706	-	1 754
Total 1984-1985	<u>227 455</u>	<u>139 525</u>	<u>95 678</u>	<u>462 658</u>
Total 1982-1983	<u>231 514</u>	<u>157 113</u>	<u>90 184</u>	<u>478 811</u>
Percentage change in 1984-1985 over 1982-1983	-1.8%	-11.2%	+6.1%	-3.4%

Table 2. Total agency support cost expenditure from all sources of financing combined and by object of expenditure for the biennium 1984-1985  
(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 &amp; materials</u>	<u>Furniture &amp; equipment</u>	<u>Other<sup>a/</sup></u>	<u>Total</u>
FAO	63 003	736	7 364	3 027	-	-	7 693	81 823
United Nations	47 898	494	168	6 503	231	189	417	55 900
UNIDO	36 514	1 237	247	6 927	346	247	3 958	49 476
ILO	39 886	-	-	-	-	-	3 184	43 070
UNESCO	28 375	2 600	-	500	700	-	-	32 175
UNDP/OPE	7 654	331	88	1 512	97	313	2 973	12 968
ICAO	13 491	320	-	-	-	-	2 105	15 916
World Bank	6 120	906	-	-	-	-	-	7 026
ITU	8 664	250	-	183	103	-	28	9 228
WHO	51 666	462	2 256	17 301	2 893	9 996 <sup>b/</sup>	2 088	86 662
UNCTAD	3 440	44	-	-	-	-	215	3 699
UNCHS	4 993	118	47	744	-	95	45	6 042
AsDB	13 957	1 653	-	-	-	-	2 009	17 619
WTO	246	29	69	32	1	-	-	377
ECA	3 313	461	-	151	-	57	-	3 982
ESCAP	5 948	228	80	2	-	-	587	6 845
ECLAC	2 851	117	2	1	9	-	-	2 980
ECE	352	1	-	1	-	-	-	354
ESQWA	181	288	-	-	130	-	387	986
WMO	4 878	135	-	127	76	46	-	5 262
IMO	2 128	117	70	534	7	20	829	3 705
IAEA	15 542	132	-	2 224	133	46	23	18 100
WIPO	2 179	96	-	342 <sup>c/</sup>	-	-	-	2 617
UPU	1 587	82	-	-	24	61	-	1 754
Total 1984-1985	<u>364 866</u>	<u>10 837</u>	<u>10 391</u>	<u>40 111</u>	<u>4 750</u>	<u>11 070</u>	<u>26 541</u>	<u>468 566</u>
Total 1982-1983	<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>
Percentage change in 1984-1985 over 1982-1983	-9.6%	0.8%	+155.4%	+57.5%	+5.9%	+166.9%	-15.3%	-3.2%

a/ Includes other objects of expenditure as well as costs which could not be separately identified by agencies.

b/ Includes \$5 714 397 for acquisition and improvement of premises.

c/ Includes cost of premises, equipment and supplies.

Table 3. Total agency technical co-operation project expenditure  
by source of financing for the biennium 1984-1985  
 (Thousands of US dollars)

<u>Agency</u>	<u>Regular Programme</u>	<u>UNDP</u>	<u>Other extrabudgetary</u>	<u>Total</u>
FAO	47 890	228 594	289 259	565 743
United Nations	15 083	164 600	83 001	262 684
UNIDO	12 700	118 300	50 700	181 700
ILO	19 089	75 590	78 993	173 672
UNESCO	13 600	70 083	101 042	184 725
UNDP/OPE	-	75 842	74 643	150 485
ICAO	-	58 267	34 592	92 859
World Bank	-	68 948	-	68 948
ITU	4 580	40 439	9 380	54 399
WHO	410 096	28 641	257 110	695 847
UNCTAD	577	12 424	3 440	16 441
UNCHS	1 009	21 536	4 689	27 234
AsDB	28 512	9 232	3 009	40 753
WTO	-	1 782	-	1 782
ECA	2 887	9 387	8 311	20 585
ESCAP	2 704	11 180	16 547	30 431
ECLAC	1 805	2 566	10 679	15 050
ECE	75	941	557	1 573
ESCWA	1 720	1 054	1 610	4 384
WMO	1 865	25 317	17 424	44 606
IMO	-	10 035	5 492	15 527
IAEA	52 431	3 985	14 331	70 747
WIPO	2 618	3 176	2 334	8 128
UPU	1 043	3 208	948	5 199
Total 1984-1985	<u>620 284</u> (22.7%)	<u>1 045 127</u> (38.2%)	<u>1 068 091</u> (39.1%)	<u>2 733 502</u> (100%)
Total 1982-1983	<u>547 718</u> (20.0%)	<u>1 193 618</u> (43.4%)	<u>1 007 193</u> (36.6%)	<u>2 748 529</u> (100%)
Percentage change in 1984-1985 over 1982-1983	+13.2%	-12.4%	+6%	-.5%

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 1984-1985  
(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	38.2	40.4
United Nations	40.3	62.7
UNIDO	33.2	65.1
ILO	24.6	43.5
UNESCO	30.0	38.0
UNDP/OPE	61.0	50.4
ICAO	64.3	62.7
World Bank	a/	a/
ITU	71.6	74.3
WHO	4.0	4.1
UNCTAD	48.2	75.6
UNCHS	46.9	79.1
AsDB	6.8	22.7
WTO	49.0	100.0
ECA	33.0	45.6
ESCAP	23.2	36.7
ECLAC	12.0	17.0
ECE	37.0	59.8
ESCWA	13.9	24.0
WMO	70.9	56.8
IMO	54.2	64.6
IAEA	5.5	5.6
WIPO	26.7	39.0
UPU	40.3	61.7
Total weighted average 1984-1985	<u>30.2</u>	<u>38.2</u>
Total weighted average 1982-1983	<u>32.8</u>	<u>43.4</u>

a/ Information available from agency relates only to UNDP-financed activities.

Table 5. Ratio of total agency support cost expenditure to technical co-operation project expenditure for the biennium 1984-1985  
(Thousands of US dollars)

	(1)	(2)	(3)	(4)
	<u>Total support cost expenditure</u>	<u>Total technical co-operation project expenditure</u>	<u>Total expenditure Col.1 + Col.2</u>	<u>Ratio Col.2/Col.2</u> %
FAO	81 823	565 743	647 566	14.5
United Nations	55 900	262 684	318 584	21.3
UNIDO	49 476	181 700	231 176	<del>27.2</del>
ILO	43 070	173 672	216 742	24.8
UNESCO	32 175	184 725	216 900	17.4
UNDP/OPE	12 968	150 485	163 453	8.6
ICAO	15 916	92 859	108 775	17.1
World Bank	7 026 a/	68 948 a/	75 974 a/	10.2 a/
ITU	9 228	54 399	63 627	17.0
WHO	86 662	695 847	782 509	12.5
UNCTAD	3 699	16 441	20 140	22.5
UNCHS	6 042	27 234	33 276	22.2
AsDB	17 619	40 753	58 372	43.2
WTO	377	1 782	2 159	21.2
ECA	3 982	20 585	24 567	19.3
ESCAP	6 845	30 431	37 276	22.5
ECLAC	2 980	15 050	18 030	19.8
ECE	354	1 573	1 927	22.5
ESCWA	986	4 384	5 370	22.5
WMO	5 262	44 606	49 868	11.8
IMO	3 705	15 527	19 232	23.9
IAEA	18 100	70 747	88 847	25.6
WIPO	2 617	8 128	10 745	32.2 ✓
UPU	1 754	5 199	6 953	33.7
Total 1984-1985	<u>468 566</u>	<u>2 733 502</u>	<u>3 202 068</u>	<u>17.1</u>
Total 1982-1983	<u>484 083</u>	<u>2 748 630</u>	<u>3 232 713</u>	<u>17.6</u>

a/ Relates only to UNDP-financed activities.



Annex II

NARRATIVE TEXTS OF INFORMATION PROVIDED BY AGENCIES

Food and Agriculture Organization of the United Nations (FAO)

1. The effect of the cutback in field programmes, which resulted from the reduced level of UNDP contributions during the past biennium, was still being felt during the current biennium. Indeed, the resources obtained from UNDP have been again reduced by a further fifteen per cent. However, this was compensated for by an increase in both the technical co-operation programme and the trust fund programmes which made up for the UNDP shortfall, allowing for a marginal increase in the total field programme.
2. The trend revealed during the past biennium has, therefore, been reinforced. UNDP has now ceased to be the largest single source of funds, with its share declining to 40.4 per cent of total FAO technical co-operation expenditure, while trust fund programmes increased to 51 per cent.
3. The effect of this situation is reflected in the level of compensation of the support cost income. The UNDP share of total agency support cost revenue dropped from 44.8 per cent in 1982-1983 to 38.2 per cent in 1984-1985. Trust fund support costs increased 29 per cent, but were still insufficient to compensate for the decline in other sources of revenue. The total revenue consequently dropped by a marginal one per cent.
4. Although exact figures are not yet available to determine the level for actual support costs to field projects, preliminary results indicate a confirmation of past trends. This is particularly true of the increase in personnel costs as a percentage of total expenditure, which resulted in an increase in the real cost to FAO of executing its field programme financed from the various sources.
5. The FAO governing bodies are kept apprised 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 monitoring, whatever the source of funding of the field operations. In view of the continuing decline in revenue, the situation is being kept under particular control and further efforts are made to reduce support costs to the point that quality of field operation monitoring is not endangered.

### United Nations

6. Programme delivery for the Department of Technical Co-operation remained relatively constant for the biennia 1982-1983 and 1984-1985. The level of programme support expenditure was contained by a continuing reduction of staff in 1984 and 1985, while still maintaining the technical and administrative capability to backstop projects.

7. Other technical co-operation activities under trust fund arrangements increased during the current biennium by some \$6.8 million, mainly from the United Nations Fund for Drug Abuse Control.

8. The percentage of support cost expenditures to all technical co-operation delivery of the United Nations remained at the same level of the 1982-1983 biennium, i.e., at 21.3 per cent.

### The United Nations Industrial Development Organization (UNIDO)

9. The figures shown in table 1 comprise actual programme support reimbursement income from UNDP as well as from other sources. The regular budget contribution to programme support is the shortfall between total support costs and the total reimbursements made by UNDP and the others.

10. The total support costs in the 1984-1985 financial period, as reflected in table 2, were \$49,476,000, representing about 27.2 per cent of the expenditures of \$181,700,000 incurred for technical co-operation activities under the regular budget and extrabudgetary funds. The sources of support cost financing as a per cent of total support costs were: UNDP, 33.2 per cent; others, 18.1 per cent; and the regular budget, 48.7 per cent.

11. For the biennium 1984-1985, the level of technical assistance delivery increased by 7.0 per cent over the 1982-1983 level. The total support cost as a percentage of delivery decreased by 0.2 per cent.

### International Labour Organisation (ILO)

12. Total technical co-operation expenditure in 1984-1985 declined by some 22 per cent compared with 1982-1983. However, expenditure in 1985 was some 8 per cent higher than in 1984, with a small increase for UNDP-financed projects where annual expenditure had been decreasing steadily since 1980. Expenditure for UNDP-financed projects and expenditure under other extrabudgetary sources of funds in 1986 is expected to be reasonably similar to the 1985 levels.



13. Support cost expenditures were reduced in 1984-1985 as a result of the strength of the US dollar, greater rationalization of staff resources and the ILO programme of computerization in the equipment procurement, personnel and financial fields, and other streamlining efforts. However, the point has now been reached where it is considered that further reductions in support costs would be difficult to achieve without an adverse effect on the effectiveness of project backstopping. Moreover, the current weakening of the US dollar is likely to reverse the favourable cost trend experienced in 1984-1985.

14. Against this background, it continues to be increasingly difficult to maintain the quality of support work which is so vital to the successful implementation of technical co-operation programmes. There also continues to be pressure on support costs income caused by requests from some United Nations bodies 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 Trust Fund for Developing Countries afflicted by Famine and Malnutrition, and the United Nations Capital Development Fund).

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

15. The total expenditure on technical co-operation financed by extrabudgetary resources during 1984-1985 amounted to \$171.1 million (excluding support costs). Compared to the figure of \$193.7 million during 1982-1983, this represents a reduction of over 10 per cent. The major decline is in respect of UNDP-financed projects (\$70.1 million in 1984-1985, against \$86.3 million in 1982-1983), mainly a result of the low level of new allocations and the appreciation in the value of the US dollar during the period, which permitted programme delivery at a lower cost in dollar terms. Over a short period, and given the complexity in the planning and implementation of extrabudgetary activities, a reduction in the technical co-operation expenditure does not result in a proportionate reduction in the workload for technical and administrative support, and corresponding costs thereon.

16. Taking into account the integrated approach adopted by UNESCO for the planning, budgeting and execution of the programme of the Organization, and the fact that UNESCO does not maintain a cost-measurement system, the information given below for 1984-1986 is based on estimates as for the period 1982-1983.

Office of Projects Execution (OPE)

17. Based on the tables, the project expenditures of non-UNDP funded projects increased by more than 50 per cent in the biennium 1984-1985, but expenditures for UNDP-funded projects decreased by 10 per cent. It appears that OPE may get more projects financed from non-UNDP sources. Therefore, the present trend is very likely to continue in the 1986-1987 biennium.

18. The major increase in support cost expenditure is in personnel costs and office equipment and furniture.

19. The average support cost ratio is slightly increased from 8.2 per cent to 8.6 per cent as a result of the increase in overall delivery being less than the increase in support cost expenditure incurred by OPE. Additionally, OPE does not earn any support cost from the project funded by the United Nations Emergency Trust Fund, the trust fund for Initial Initiative Against Avoidable Disablement (IMPACT) and the UNDP Study Programme. In the biennium 1984-1985, total delivery under these funds amounted to \$4.6 million.

International Civil Aviation Organization (ICAO)

20. For the 1982-1983 biennium, ICAO reported that the decline in technical co-operation expenditures created a serious financial situation with respect to the operations of the Technical Assistance Bureau, which provides technical and administrative backstopping to technical co-operation projects. The downtrend in technical co-operation expenditures continued into the 1984-1985 biennium, which also resulted in support cost expenditures exceeding support cost income by approximately the same amount (US \$3.2 million) as in the 1982-1983 biennium. However, largely because of the severe cost reduction measures adopted since 1982, as well as the savings derived from computerization, the shortfall decreased substantially from \$2.3 million in 1984 to \$0.9 million in 1985, the second year of the biennium.

21. Whilst the results of operations in 1985 are highly encouraging, it is nevertheless prudent to consider that the dramatic improvements which were realized are not likely to be sustained at the same level in the next biennium. Retrenchment in staff cannot continue to be attained at the same rate in the next biennium since the number of posts available for deletion as a consequence of normal attrition such as resignations, promotions and transfers to posts financed by other programmes, and retirements are becoming scarce. Furthermore, reductions in staff and non-staff expenditures have reached a level where further cut-backs would adversely affect the quality of technical and administrative backstopping unless these are accompanied by a further substantial decline in technical co-operation expenditures. Similarly, economic benefits resulting from computerization would reach a

plateau in the coming biennium. Given this situation, a fall in the rate of support cost income below the rate of support cost expenditures would nullify, to a greater or lesser extent, the extensive efforts made to date in effecting cost reductions. This is demonstrated in the 1984-1985 biennium, when support cost expenditures as a percentage of total technical co-operation expenditures rose to 17.1 per cent compared to 16.7 per cent in the 1982-1983 biennium. This is largely attributable to the higher rate of decline in technical co-operation expenditures compared to the rate of decrease in support cost expenditures.

22. On the other hand, an increase in technical co-operation expenditures in the next biennium, with an attendant increase in support cost income, would contribute towards improving the financial situation of the Technical Assistance Bureau. Unfortunately, we are not able to foresee, at this time, the level of technical co-operation expenditures in the next biennium, indeed, this is entirely beyond the control of ICAO, since such expenditures are financed solely by extrabudgetary resources. In view of this, and bearing in mind that the operations of the Technical Assistance Bureau are financed entirely by support cost income, ICAO will continue to monitor support cost expenditures closely and to effect any further cost reductions which can be made without affecting the ability of ICAO to deliver high quality programmes.

#### World Bank

23. The World Bank information showed the uses made of its executing agency fees of \$3.317 million and \$3.198 million for the calendar years 1984 and 1985, respectively, divided into two main categories: salaries and travel. The annual cost of staff is calculated at the relatively higher World Bank average salary level and includes common staff costs, expenses related to communications, contractual services, computer activities, overtime, temporary staffing and consultants. The World Bank accounting system, which does not follow a calendar year cycle, does not disaggregate expenditures related to UNDP activities from those associated with regular Bank work. The staff members who administer the execution of UNDP-financed projects use the same Bank facilities such 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.

24. The role of the Bank as executing agency for UNDP projects is part of a larger picture involving considerable lending for similar or related activities. During the biennium 1984-1985, Bank and IDA lending in technical assistance amounted to \$1.11 billion and \$1.44 billion. These amounts do not include Technical Assistance Programme for International Development Association countries and a variety of other ad hoc technical assistance activities which are provided at no cost to the borrowers. Moreover, these figures do not cover the Bank subsidy to special programmes such as energy assessment, water and the Consultative Group for International Agricultural Research (CGIAR), which exceed \$30 million.

25. Further, the Bank administrative budget for fiscal year 1986 is in excess of \$700 million, and the Bank feels that any adjustment in the accounting system to reflect in detail UNDP-related expenditure will not be cost effective, if not administratively impractical. The World Bank gives assurance, however, that it is constantly looking at ways to isolate and cost out inputs into UNDP-funded, Bank-executed projects. It has recently introduced a new management information system which will capture more fully staff inputs into UNDP-funded activities, and it hopes to be better equipped in coming years to furnish UNDP with the required details.

International Telecommunication Union (ITU)

26. During the years 1984 and 1985, ITU executed a programme of technical assistance to the value of \$54,399,000 (compared to \$62,924,000 in 1982-1983), a reduction of 14 per cent over the previous biennium. The administrative support costs incurred in the delivery of the programme amounted to \$9,228,000 (the previous biennium was 16 per cent higher, at \$11,027,000), and represented the equivalent of 16.9 per cent of programme value (compared to 17.5 per cent in the biennium 1984-1985). Reimbursement of support costs amounted to \$7,667,000 or 14.09 per cent of programme value (compared to \$9,338,000 or 13.1 per cent of delivery in 1982-1983).

27. The external element of the Programme, UNDP and trust funds, decreased in 1984-1985 from the previous two-year period. Delivery value was down 17 per cent to \$49,819,000 (from \$60,094,000). Support costs were down 16 per cent to \$8,166,000 (from \$9,708,000). Lastly, reimbursement was down 18 per cent to \$6,587,000 (from \$8,016,000).

28. The support costs relating to the regular budget operations were fully funded by ITU. The external element of the Programme, UNDP and Trust Funds, resulted in a shortfall between operational support costs and reimbursements of \$1,579,000.

World Health Organization (WHO)

29. The level of costs for administrative support continued to be closely controlled and held to the minimum, in keeping with the World Health Assembly resolution 29.48. The cost in 1984-1985 of the general service and support programmes (\$80,803,467) and the cost of real estate operations (\$5,858,754), both at headquarters and in the regions, financed under the regular budget and other sources of funds (excluding Pan American Health Organization and International Agricultural Research Centers) totalled \$86,662,221, representing 12.45 per cent of obligations incurred for programme purposes (\$695,846,686) under the regular budget and other sources (excluding Pan American Health Organization and International Agricultural Research Centers), or 11.07 per cent of all obligations (\$782,508,907) incurred under all sources of funds.

United Nations Conference on Trade and Development (UNCTAD)

30. UNCTAD does not maintain cost accounts in a manner from which the extent of the regular budget contribution to support costs can be precisely determined. Thus, total programme support costs have been estimated at 22.5 per cent of the total operational expenditures for technical co-operation programmes during the biennium. Total expenditures on programme support were \$3,699,000.00 for the biennium 1984-1985, made up of \$2,782,000.00 support costs, reimbursement from UNDP and other technical co-operation funds, and \$917,000.00 from the regular budget.

31. The UNCTAD technical assistance programme has shown considerable year-by-year decline since 1981, a trend which is expected to continue during the current biennium. As a consequence, UNCTAD has had to reduce the support structure financed from declining support cost income and has had to continue to abolish all fixed-term posts financed from support costs reimbursement becoming vacant. This will eventually place a greater burden on the regular budget for support of technical co-operation activities.

United Nations Centre for Human Settlements (Habitat) (UNCHS)

32. The total project delivery in 1984-1985 decreased by 12 per cent when compared to the project delivery reported for 1982-1983. The level of estimated support costs decreased by 10 per cent.

33. In the absence of a system to capture the regular budget contribution to support costs, UNCHS estimates the level of its total support costs at 22.5 per cent of project expenditures. Income from reimbursements (\$3,317,000) and miscellaneous sources (\$317,000) in 1984-1985 provided roughly 60 per cent of the estimated support costs, remaining at approximately the same proportion as in 1982-1983.

34. A comparison by object expenditure between the support costs of both bienniums shows, inter alia, that staff costs now comprise 82.6 per cent of total support costs as opposed to 87.4 per cent in 1982-1983, while general operating expenses increased to 12.3 per cent from 8.7 per cent in the previous biennium. It is expected that the breakdown of expenditure indicated in the 1984-1985 biennium will not change appreciably in the future.

#### Asian Development Bank (AsDB)

35. The Bank's total costs for internal administrative expenses incurred for its total technical assistance programme for 1984-1985 (financed from AsDB regular budget and from external resources, including UNDP funds) amounted to \$17.619 million (see table 2, annex 1). This represents about 18.27 per cent of the total two-year technical assistance programme of \$96.439 million (actual expenditures of \$40.753 million plus commitments of \$55.686 million).

36. The sources financing the total technical assistance programme of the Bank for the two years 1984-1985 were: the regular budget of the Bank; UNDP; and other external funds.

#### World Tourism Organization (WTO)

37. As indicated in table 1, annex I, the support cost income for 1984 and 1985 amounts to \$435,827.61, out of which 50.90 per cent is accounted for by WTO regular budget funds. This clearly demonstrates, as table 3 of annex I shows, that:

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

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

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

WTO continues to exert a close control of support cost expenditure.

38. It is worth underlining the increase, still smaller than the desired level, in the activities and projects in the field of tourism. The reasons for the increase are the results of the WTO General Assembly resolutions (as far as countries are concerned), and the additional, sustained efforts made by the Organization.

39. Although WTO has continued its policy and practice of limiting to the extent possible, the cost of support activities, it has been obliged (a) to purchase new office equipment in order to continue UNDP-assisted project support activities; and (b) to share some additional facilities with other units of the Organization so that the project management at Headquarters can be adapted to the prevailing trends of modern management. This new expenditure will be reflected in the next report.

40. Taking into consideration the small sectoral support allocation, as well as the increase in the requests from countries for sectoral activities, the Organization is planning to use part of the support costs income to finance some of the sectoral support missions, as already discussed with high-level UNDP officials in their visits to WTO headquarters.

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

41. It is estimated that a total income of \$6,238,502 (see table 1, annex I) was received from the regular budget, UNDP, UNFPA and other extrabudgetary sources. Since ESCAP does not maintain cost accounts to determine the extent of the regular budget contribution to support costs, the regular budget contribution was estimated at \$2,704,080, representing the total estimated income less amounts reimbursed from UNDP, UNFPA and other extrabudgetary sources during the 1984-1985 biennium.

42. The regular budget contribution of \$2,704,080 was included in the expenditures incurred during the 1984-1985 biennium (amounting to \$6,844,907 as reported in table 2, annex I), leaving an amount of \$4,140,827 as expenditures for programme support cost activities to be reimbursed from UNDP, UNFPA and other extrabudgetary resources.

43. In addition to support income (shown in table 1, annex I), a total amount of \$290,444 was earned on interest income during the 1984-1985 biennium. The required programme support costs for implementing UNDP, UNFPA and other extrabudgetary activities, therefore, amounts to \$3,850,383 (i.e., \$4,140,827 less \$290,444). Thus, \$3,850,383 should be distributed among UNDP, UNFPA and other extrabudgetary resources on a pro-rata basis, according to the technical co-operation expenditures reported in table 3, annex I.

Economic Commission for Latin America and the Caribbean (ECLAC)

44. The level of support cost income during 1984-1985 continued to decline with respect to the funds available during the biennium 1980-1981: reduction this past biennium over the levels reported for 1982-1983 amounted to \$247,000. In view of this slightly decreasing trend, cost-saving measures have been maintained and expenditures continue to be closely monitored.

Economic Commission for Europe (ECE)

45. The level of support costs relating to UNDP-financed technical co-operation activities during the 1984-1985 biennium has declined in relation to the level attained in 1981 which, along with the support cost reimbursement which ECE receives on UNFPA activities, proved to be barely 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, both Professional and General Service, continue to work in support of UNDP and UNFPA activities, thereby reducing programme support cost expenditures to a minimum.

46. The 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 and one General Service posts 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 the ability of ECE to provide programme support to UNDP and UNFPA projects and to continue to carry out its mandate and to provide quality service. It must be recognized that there is a floor, an absolute minimum of programme support funds which is required, cut-backs in resources for project activities notwithstanding.

47. The figures shown in the tables in annex I comprise actual programme support reimbursement income derived from UNDP and UNFPA, as well as related costs calculated at 22.5 per cent of total technical co-operation expenditures less amounts reimbursed from UNDP and UNFPA.

Economic and Social Commission for Western Asia (ESCWA)

48. ESCWA expenditures for operational activities in the 1984-1985 biennium amounted to \$4,384,086, reflecting an increase of 16.6 per cent over the expenditures in 1982-1983. The related support costs are reported at the level of \$986,000. In this connection, an amount of \$387,000 is reported in table 2 of annex I in the column under "other" and reflects the estimated costs of support for the operational activities financed from the regular budget.



49. As regards the extrabudgetary technical co-operation activities, the total amount of delivery in 1984-1985 (\$2,664,000) increased by 8 per cent over the amount reported in 1982-1983. This is explained by the growth in the expenditures relating to activities funded by UNFPA and UNDP.

50. Reimbursements for support costs are received from UNDP, UNFPA and United Nations technical co-operation trust funds.

#### World Meteorological Organization (WMO)

51. During 1984 and 1985, the WMO technical co-operation programme continued to grow in terms of delivery to developing countries. The figure for UNDP delivery in 1985 was in the order of \$13.5 million, a new record for WMO. The overhead for the programme, however, continues, as it did in 1982 and 1983, at a level figure if one excludes the fluctuations of the US dollar-Swiss franc exchange rate. This trend is expected to continue, showing an increase in delivery but with zero growth in the overhead.

52. With regard to trust funds, there was a decrease during 1984 and 1985; therefore, the income for support costs from trust funds also decreased. It might, however, be that this trend will reverse itself in 1986 and 1987 as several major donor countries are discussing projects with WMO.

53. The third major component of the WMO technical programme is the Voluntary Co-operation Programme (VCP). Overhead support for VCP is paid for from the WMO regular budget and this also stayed at zero growth during 1984 and 1985, although VCP grew in terms of delivery.

54. For an agency like WMO, which incurs over 85 per cent of its obligations in Swiss francs, the depreciation of the US dollar vis-à-vis the Swiss franc which has prevailed over the last year is now seriously affecting the level of the overall resources available from support cost reimbursements. Administrative support to the programmes may, therefore, be seriously endangered and could ultimately affect delivery. It is, therefore, considered imperative to formulate and apply a long-term solution to this acute problem.

International Maritime Organization (IMO)

55. Support cost income received by IMO is used to finance the headquarters expenditure of executing the technical co-operation programme which is financed entirely from voluntary sources. In the main, this headquarters expenditure relates to the costs of staff based in London who are involved exclusively with technical co-operation activities. This enables almost all expenditure to be clearly identified as directly related to technical co-operation work. In addition, considerable support is given to the programme by staff financed from the regular budget, and a small, proportionate share of the cost of such staff (based on the percentage of time spent on technical co-operation work) is also included in total support cost expenditure.

International Atomic Energy Agency (IAEA)

56. Figures for the support cost cover the technical and administrative aspects of programme planning, project supervision and recruitment of experts, placement of fellowship programmes and arrangement of training workshops and courses relating to procurement, personnel and financial administrative services.

57. It is worth mentioning again that the IAEA Board of Governors treat support cost reimbursements as miscellaneous income.

58. The increase in common staff costs are largely attributable to an increase in the rates of contributions to the United Nations Joint Staff Pension Fund and in the rate of education grant payments.

World Intellectual Property Organization (WIPO)

59. Efforts have continued during the 1984-1985 biennium to reduce support costs to the extent possible without affecting the quality and timeliness of project delivery. Coupled with a sustained expansion of the WIPO development co-operation programme, which enabled some economies of scale to be made, these efforts have resulted in a significant reduction of the support cost to programme expenditure ratio from 34.1 per cent for the 1982-1983 biennium to 32.3% for the 1984-1985 biennium. Nevertheless, in view of the still limited size of the WIPO development co-operation programme, the support cost reimbursements received from UNDP remain notably insufficient to cover the actual cost of supporting WIPO-executed UNDP projects and they have to be supplemented by regular budget resources.

Universal Postal Union (UPU)

60. The breakdown of support costs is available only for those 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 in this financial period of the support programme, financed under the regular budget and reimbursement from UNDP, was \$1,753,499, representing 54.7 per cent of the expenditures of \$3,207,543 incurred under the UNDP funds for programme purposes.

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