BUDGETARY AND FINANCE COMMITTEE
Thirty-fifth session
6 June - 1 July 1988, Geneva
Item 10 of the agenda of the Budgetary and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. K. Tenkorang (Ghana)

Addendum

CHAPTER IV. FINANCIAL BUDGETARY AND ADMINISTRATIVE MATTERS

F. Agency support costs

Requests Submitted by Executing Agencies for Additional Reimbursement of Support Costs Based on the Provisions in Paragraph 5 (a) of Decision 81/40 of 30 June 1981

1. For its consideration of item 9 (f) of the Council's agenda, the Committee had before it a note by the Administrator contained in document DP/1988/67.

2. In introducing the item, the Deputy Assistant Administrator, Bureau for Finance and Administration (BFA) informed the Committee that requests had been received from seven European-based executing agencies for additional reimbursement of support costs for 1987 as a result of currency fluctuations.
Subsequent to the issuance of the document, requests had been received from two more agencies, the World Health Organization (WHO) and the Economic Commission for Europe (ECE). The requests were based on the provisions in paragraph 5 (a) of decision 81/40 of 30 June 1981, which allowed an agency to request support-cost reimbursement up to a maximum of 14 per cent of delivery, provided that the currency of its headquarters location had appreciated against the United States dollar by at least 11 per cent, on average, compared to the previous year. He confirmed that the currencies of Switzerland, France, Italy and Austria had each appreciated by more than 11 per cent against the United States dollar during 1987 and that therefore these executing agencies were entitled to invoke the provisions of paragraph 5 (a) of decision 81.40. UNDP fully supported these requests. The total additional reimbursement would be $3,282,000.

Summary of the discussion in the Committee

3. There was unanimous support for the requests. Several members indicated that such support should not prejudice later discussions on the request for special ad hoc measures in respect of support-cost reimbursement for 1987 submitted by the Administrative Committee on Co-ordination (ACC).

4. One member sought reassurance that there would be reciprocal measures should the United States dollar appreciate against currencies of headquarters locations of the executing agencies.

Response of the Administration

5. With regard to the query concerning the appreciation of the United States dollar, the Deputy Director of Finance confirmed that paragraph 5 (b) of the same decision 81/40 provided for such a situation. Gains realized in respect of support-cost reimbursement resulting from currency fluctuations, using the same formula, would be returned to UNDP, unless the agency could demonstrate to the Governing Council, by data submitted through the Administrator, that its actual support costs for the year in question exceeded 13 per cent of UNDP project delivery.

Recommendation of the Committee

6. Following its consideration of this matter, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the note by the Administrator (DP/1988/67) concerning the requests submitted by seven executing agencies, whose headquarters are based in Europe, for additional reimbursement of support costs based on the
Noting that the average annual exchange rate in each of the countries in which these organizations are located had appreciated by more than 11 per cent vis-à-vis the United States dollar between 1986 and 1987, and that provisions of paragraph 5 (a) of decision 81/40 do not apply to the smaller executing agencies which are eligible for support cost flexibility arrangements,

Noting also that the World Health Organization and the Economic Commission for Europe had also submitted such requests since the preparation of document DP/1988/67.

1. **Authorizes** the Administrator to reimburse the nine larger executing agencies with headquarters in Europe for their support costs in 1987, in accordance with the provisions of paragraph 5 (a) of decision 81/40 of 30 June 1981.