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AGENCY OVERHEAD COSTS

Note by the Administrator

Addendum

Attached is the information submitted by the United Nations Educational, Scientific and Cultural Organization (UNESCO), in response to the request of the intergovernmental Working Group on Overhead Costs, contained in DP/WGOC/L.1, paragraph 29, operative paragraph 3.

/The information requested in the operative subparagraph 3(a) will be issued under the document symbol DP/WGOC/19/Add.3 (ANNEX)/

1. The structural changes effected in the Secretariat since July 1975 aimed, inter alia, at making the operational activities of UNESCO more effective and administration thereof more efficient, i.e. reducing the support costs of operational programmes, particularly the UNDP-financed projects. To cite a single outcome of these measures, the average time-span needed for recruiting an expert was reduced from 8.4 months to 7.6 months (10.5 per cent).
2. Concerning the repercussions of fluctuations of the volume of UNDP projects executed by UNESCO, the General Conference of UNESCO, at its nineteenth session (1976), adopted, in the Appropriation Resolution, the following paragraph: "... if the volume of projects (of the UNDP) and services in support thereof proves less than anticipated, the Director-General is authorized, with the approval of the Executive Board, to take appropriate measures to reduce the appropriation approved ...". In his report to the Executive Board on co-operation with UNDP (doc. 103 EX/25 dated 11 August 1977), the Director-General stated that as the reduction in number of UNDP projects and level of allocation to UNESCO anticipated for the biennium 1977-1978 would entail a certain decrease in the services, he had held a number of posts vacant and expected to have some savings in the regular budget expenditure for 1977-1978.
3. Sectoral support and technical backstopping is likely to remain concentrated at the Paris-based headquarters of UNESCO due to the extremely wide range of "fields of competence" covered by the organization's mandate and to its particular preoccupation with universal norms and objectives. Since 1977, however, certain backstopping functions have been decentralized to the regional offices of UNESCO.
4. UNESCO has integrated, into its regular budget, the support expenditures of the Expanded Programme of Technical Assistance since 1959 and those for the Special Fund since 1969. UNESCO credits to the Miscellaneous Income of the Organization the overhead payments received from these sources. This means that every item of expenditures for support of UNDP projects is subject to the same scrutiny by the Executive Board and the General Conference as in the case of any other items under the regular budget. Because of their uncertain nature, it is considered not practicable to integrate, into the regular budget, income and expenditures related to other extrabudgetary programmes. They are, however, shown in the relevant programme elements and budget sections in the Draft Programme and Budget document submitted to the General Conference and the Executive Board for information. The financial operation of the accounts form part of the annual report of the Director-General and are, therefore, subject to internal budgetary control and audit by the External Auditor.

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- (e) 5. UNESCO's regular budget provides no specific subsidy to offset overhead costs for the backstopping of UNDP projects. Studies undertaken by UNESCO have shown that these overhead costs exceed the 14 per cent reimbursement made by UNDP. The analysis done in 1977, for example, showed that support costs for UNDP-funded projects in that year amounted to 21.2 per cent of project expenditures. It can be assumed, therefore, that the UNESCO regular budget subsidizes UNDP operations by some 7.2 per cent.
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