

UNITED NATIONS DEVELOPMENT PROGRAMME



Distr.
GENERAL

DP/WGOC/19/Add.6
18 May 1978

ORIGINAL: ENGLISH

GOVERNING COUNCIL
INTERGOVERNMENTAL WORKING GROUP ON OVERHEAD COSTS
Second session
Geneva 1978

AGENCY OVERHEAD COSTS

Note by the Administrator

Addendum

Attached is the information submitted by the United Nations and the United Nations Conference on Trade and Development (UNCTAD), in response to the request of the intergovernmental Working Group on Overhead Costs, contained in WGOC/L.1, paragraph 29, operative paragraph 3.

Contents

	<u>Page</u>
United Nations	2 - 6
United Nations Conference on Trade and Development	7

Information submitted by the United Nations
in response to the request of the
intergovernmental Working Group on Overhead Costs

- (a) Statement briefly describing the organizational and other arrangements to provide support to: (i) UNDP-financed programmes and projects and (ii) other technical co-operation programmes and projects

1. Following the adoption on 20 December 1977 of resolution 32/197 on the restructuring of the economic and social sectors of the United Nations system, the Secretary-General submitted to the Economic and Social Council, at its first regular session, 1978, a report on progress made to date in implementing the conclusions and recommendations annexed to the resolution. Included as an annex to that report (E/1978/28) was a bulletin of the Secretary-General announcing the establishment of a Department of Technical Co-operation for Development. Since this department has as one of its major functions the management of the United Nations Regular Programme of Technical Co-operation and the implementation of UNDP projects and projects financed from extrabudgetary resources for which the United Nations is the Executing Agency 1/, the Secretary-General's bulletin (ST/SGP/162) is attached to the present document.

- (b) Statement on the measures taken to reduce support costs

2. To the extent that project delivery has taken place on a reduced scale following the UNDP financial difficulties, the level of support activity has been correspondingly reduced. This has been reflected by reductions in the number of posts financed from overhead resources in several areas of the Secretariat, notably in the former Department of Economic and Social Affairs. In 1978, as a result of the restructuring of the economic and social sectors of the United Nations, a new Department of Technical Co-operation for Development has been formed. It may be expected that the centralization of responsibility for technical co-operation matters in this department will contribute to further economies in the provision of support to technical co-operation programmes and projects.

- (c) Statement on the measures taken to decentralize responsibility and authority to the regional and country level, taking the impact of those measures on support functions costs

3. During recent years, the United Nations has been decentralizing intercountry projects to the regional commissions. The decentralization involved the transfer of actual responsibility (including the sub-allotment of project funds) to the commissions, either for complete projects or parts thereof. The exact levels of decentralization have been determined in consultations with each commission.

1/ Except for United Nations Industrial Development Organization, United Nations Conference on Trade and Development and United Nations Environment Programme.

4. Additionally, the United Nations (OTC) last year transferred to ESCAP complete Executing Agency responsibility over four regional projects which it had previously been executing. ESCAP staff members were trained at OTC before this transfer. Similarly, one regional project in Africa was transferred to ECA effective 1 January 1978. Additional projects are being considered for similar transfer to the commissions in the future.

5. In addition to the formal decentralization and transfer of projects, or parts thereof, to the regional commissions, many project activities are decentralized to the field country level when practical. In some recent cases, recruitment authority was delegated to Resident Representative offices, when the projects involved frequent short-term assignments of staff within the country or the region. In other cases, authorizations were issued to project staff for local procurement of equipment and supplies, or handling of negotiations with subcontractors.

6. It is difficult to estimate the impact of decentralization and transfers of projects on United Nations support cost: on the one hand, transfer of functions to the regional and country levels should naturally result in reduced workload at Headquarters, which should translate into savings in terms of Headquarters staff posts. At the same time, decentralization inevitably increases the workload at the regional and country levels. In this connexion it may well be that the total staff resources after the decentralization would be higher than beforehand.

- (d) A statement briefly describing (i) the budgetary treatment of overhead payments received from UNDP and from other extrabudgetary sources, and (ii) the arrangements for, and extent of, intergovernmental review of the utilization of such overhead payments

7. Overhead payments received from UNDP and from other extrabudgetary sources are credited to a Special Account for programme support costs. Anticipated expenditures against this Special Account are included in the proposed programme budget of the United Nations and are consequently available to the General Assembly for information purposes. Actual expenditures are reflected in the financial statements and are subject to external audit on behalf of the General Assembly.

- (e) A statement showing to what extent, how and where, the regular budget provides for subsidies towards meeting attributed overhead costs

8. To the extent that actual costs incurred in support of technical co-operation projects exceed programme support costs available, the additional cost is de facto borne by the regular budget. The cost measurement exercise undertaken in 1973 concluded that the reimbursement covered only about two-thirds of the costs related to project support. The General Assembly has been seized, for the past two sessions, with the question of the provision by the United Nations of services to activities funded by extrabudgetary sources.^{2/} Pending further decisions or guidance by the General Assembly, the Secretary-General will continue his present policy and will utilize the funds actually received for programme support by applying them (through allocations and/or reserves) against the cost of activities closely identifiable with project support.

2/ The following Financial Regulation and Financial Rules of the United Nations bear on this matter:

Voluntary contributions, gifts or donations

"Regulation 7.2. Voluntary contributions, whether or not in cash, may be accepted by the Secretary-General provided that the ~~purposes~~ for which the contributions are made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the appropriate authority.

Rule 107.5. In cases other than those approved by the General Assembly, the establishment of any trust fund or the receipt of any grant to be administered by the United Nations requires the approval of the Secretary-General who may delegate this authority to the Controller.

Rule 107.6. No donation for a specific purpose may be accepted if the purpose is inconsistent with the policies and aims of the United Nations.

Rule 107.7. Gifts or donations which directly or indirectly involve an immediate or ultimate financial liability for the Organization may be accepted only with the approval of the General Assembly."

SECRETARY-GENERAL'S BULLETIN

To: Members of the Staff

Subject: ESTABLISHMENT OF THE DEPARTMENT OF TECHNICAL
CO-OPERATION FOR DEVELOPMENT

1. With effect from the day of issuance, there is established in accordance with General Assembly resolution 32/197 a Department of Technical Co-operation for Development.
2. The functions of the Department of Technical Co-operation are as follows:
 - (a) To assist and advise the Secretary-General in regard to technical co-operation activities for which the United Nations is executing agency;
 - (b) To manage the United Nations regular Programme of technical co-operation and implement UNDP projects and projects financed from extrabudgetary resources for which the United Nations is the executing agency; 1/
 - (c) To provide substantive and management support to such programmes and projects;
 - (d) To provide substantive support for the development of policies for technical co-operation activities of the United Nations as an executing agency; 1/
 - (e) To assist Governments and regional institutions in improving the effectiveness of their policies and programmes bearing on economic and social development through the provision of direct advisory services;
 - (f) To maintain liaison with the UNDP and associated funds and with other bodies of the United Nations which execute technical co-operation projects directly such as UNCTAD, UNIDO and UNEP;
 - (g) To perform the functions devolving upon the United Nations as the co-founder with FAO of the World Food Programme;
 - (h) To maintain liaison with other executing agencies on all matters of mutual concern;

1/ Except for UNIDO, UNCTAD and UNEP.

(i) To prepare relevant inputs for reports to the General Assembly, the Economic and Social Council and its subsidiary bodies, the UNDP Governing Council, and the ACC and its subsidiary bodies;

(j) To undertake research and analysis in those economic and social sectors that do not fall within the purview of other United Nations units, organs, programmes and specialized agencies and which are necessary for substantive support of technical co-operation activities.

3. The modalities of co-operation between the Department of Technical Co-operation for Development and the Department of International Economic and Social Affairs will be worked out by the heads of the respective departments.

4. Similarly, ways of co-operating with the regional commissions will be worked out between the head of the department and the executive secretaries of the regional commissions.

5. The present Office of Technical Co-operation, and those responsibilities of the Department of Administration and Finance Office relating to executive office and budget control functions pertaining to the Office of Technical Co-operation are transferred from the Department of Economic and Social Affairs to the Department of Technical Co-operation for Development. Further redeployment of resources is presently under review and will be the subject of a future bulletin.

6. The functions of the Purchase and Transportation Service of the Office of General Services hitherto concerned with servicing the Office of Technical Co-operation are hereby transferred, together with the corresponding posts, from the Department of Administration and Management to the Department of Technical Co-operation for Development.

7. The functions of the Office of Personnel Services concerned with the recruitment of experts for technical co-operation are hereby transferred, together with the corresponding posts, from the Department of Administration and Management to the Department of Technical Co-operation for Development.

8. The functions of the Administrative and Financial Services, concerned with the recruitment of experts for technical co-operation are hereby transferred from the United Nations Office at Geneva to the Department of Technical Co-operation for Development, together with the corresponding posts which remain outposted to the United Nations Office at Geneva.

9. The Fellowship Section currently forming part of Administrative and Financial Services hereby becomes part of the Department of Technical Co-operation for Development, while remaining outposted to the United Nations Office at Geneva.

10. Following further in-depth review of functions and needs of the Department, redeployment of other units and staff to the Department of Technical Co-operation for Development will be implemented as appropriate and reflected in a future bulletin.

Information submitted by the
United Nations Conference on Trade and Development (UNCTAD)
in response to the request of the
Intergovernmental Working Group on Overhead Costs

- (a) UNCTAD has a technical co-operation service of seven professionals and six general service staff which is entirely financed by overheads, except for the Chief of the service whose post (D-1) is financed from UNCTAD's regular budget. This service performs the functions of over-all management and co-ordination. Substantive and administrative backstopping of UNDP projects is fully integrated in the UNCTAD secretariat. Technical assistance programmes financed from non-UNDP resources, i.e. Trust Funds, are organizationally dealt with in the same manner as UNDP projects.
- (b) Whilst the establishment of the technical co-operation service remained stable, in spite of fast growing technical assistance programmes, staff resources provided from overhead funds to substantive and administrative services had to be considerably reduced over the past few years due to the deterioration in the value of the US dollar vis-à-vis the Swiss Franc, in which currency most expenses are incurred. These savings in real terms had to be effected in spite of a growing programme of technical co-operation. The problem is compounded by the fact that the General Assembly could not agree to grant additional posts from the regular budget for backstopping technical assistance activities.
- (c) UNCTAD has no regional offices or country representatives and there is virtually no scope for decentralization.
- (d) Income from UNDP overhead payments and overhead earned on other technical assistance projects (Trust Funds), are pooled in one overhead account and administered in parallel with the regular budget. The overhead budget is shown for information purposes as an addition to UNCTAD's regular biennium budget, as submitted to the General Assembly. Overhead accounts are submitted to auditors and the General Assembly in the same way as the regular budget accounts.
- (e) The regular budget provides an appreciable amount for backstopping of technical assistance activities, in particular substantive divisions. However, due to the lack of a cost measurement system, the size of the regular budget contributions towards backstopping of technical assistance activities has not been determined. Taking into account that administrative and substantive backstopping is fully integrated into UNCTAD's regular activities, the cost accounting required for that purpose would have to be very elaborate and complicated and no funds are available for it.
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