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AGENCY OVERHEAD COSTS

Note by the Administrator

Attached is the information submitted by the World Health Organization (WHO), the Asian Development Bank (ASDB) and the International Telecommunication Union (ITU) 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 submitted by the other organizations will be issued as addenda to this document.

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Extract of decision of the intergovernmental Working Group on
Overhead Costs (DP/WGOC/L.1, paragraph 29, operative paragraph 3)

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3. Requests the Executive Heads of the Agencies to submit to the Working Group the following additional information:

(a) A statement from each Agency briefly describing the organizational and other arrangements in the Agency to provide support to (i) UNDP-financed programmes and projects and (ii) other technical co-operation programmes and projects;

(b) A statement from each Agency on the measures taken in the Agency to reduce support costs;

(c) A statement from each Agency on the measures taken to decentralize responsibility and authority to the regional and country level and indicating the impact of those measures on support functions and costs;

(d) A statement from each Agency 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;

(e) A statement from each Agency, where applicable, showing to what extent, how and where its regular budget provides for subsidies towards meeting attributed overhead costs;

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Information submitted by the World Health Organization (WHO) in response to the request of the intergovernmental Working Group on Overhead Costs, contained in DP/WGOC/L.1, para. 29, operative para. 3

1. The total estimated obligations under the integrated international health programme amount to about \$323 million in 1979. Of this total, some \$182 million are accounted for by WHO's regular (assessed) budget, the balance of some \$140 million emanating from a number of other sources of funds, including various United Nations sources. Under these other sources of funds, the estimated expenditures on UNDP-financed projects which are expected to be executed by WHO in 1979 total about \$14 million, and on UNFPA-financed projects about \$9 million, while expenditures on trust fund activities are expected to total some \$17 million, and activities financed from WHO's Voluntary Fund for Health Promotion about \$51 million. In addition to the foregoing, it should be noted that allocations for joint UNICEF/WHO health projects are estimated to total \$65 million in 1979.

2. On the basis of long-established policy and practice, the large technical co-operation programme carried out by WHO, in accordance with its constitutional mandate, is planned, programmed and implemented in a fully integrated manner, irrespective of the sources of financing. This integrated approach is also in line with earlier resolutions of the Economic and Social Council and the United Nations General Assembly which provided, inter alia, that the work undertaken by the participating organizations under the then expanded Technical Assistance programme should be suitable for integration with their normal work. As a consequence, the Organization's regular budget provides for technical and non-technical support and services at all levels to all programmes and projects, irrespective of their source of funding. The regular budget is partly reimbursed for some of the support costs relating to extrabudgetary activities. It follows from the foregoing that no special organizational arrangements are made in WHO to provide support and services to activities financed from one particular source of funds, such as, for example, UNDP.

3. Whereas the Organization, since its inception, has made continuing efforts to rationalize and modernize its methods of work with a view to improved performance and to cost reductions, the recent policy directives of the World Health Assembly may serve to illustrate the present situation in this respect. The Twenty-ninth World Health Assembly (in resolution WHA29.48) called upon the Director-General to reorient the working of the Organization with a view to ensuring that allocations from the regular programme budget towards technical co-operation and the provision of services reach the level of at least 60 per cent, in real terms, by 1980, by: (i) cutting down all avoidable and non-essential expenditure on establishment and administration, both at headquarters and in the regional offices; (ii) streamlining the professional and administrative cadres; (iii) phasing out projects which have outlived their utility; (iv) making optimum use of the technical and administrative resources available in the individual developing countries.

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4. The policies established by the World Health Assembly are being met by a continuing, integrated reorientation of the working of the entire Organization as recapitulated below:

- (i) Cutting down all avoidable and non-essential expenditure on establishment and administration is being accomplished through the phased reduction of 363 posts (at headquarters and in the regional offices) representing 11.2 per cent of posts under the regular budget, with the highest rate of reduction being applied to administrative posts (13.7 per cent of the 1977 post level). Various other steps are also being taken to reduce the costs of meetings, publications, administration, budget, finance, personnel and general services;
- (ii) Streamlining of professional and administrative cadres is being accomplished through post reductions already mentioned, staff development and training programmes, and the increased use of programme development teams and task forces;
- (iii) Phasing out of projects which have outlived their utility is being accomplished at all levels of the Organization to make resources available for new technical co-operation. The phased reductions of posts and activities not clearly identified as technical co-operation would result in a saving of \$12,612,000 in 1981 as compared with 1977, and would release by 1981 a cumulative total of \$38,248,000, to be made available exclusively for new or expanded technical co-operation activities, bringing the proportion of the 1981 regular budget being devoted to technical co-operation with and services to Governments, based on 1977 costs, to 59.8 per cent. In addition, it is proposed to phase out certain technical co-operation activities which have outlived their utility, thus making, over the period 1978-1981, an additional cumulative total of \$3,712,000 available for other or new technical co-operation;
- (iv) Making use of the technical and administrative resources available in individual developing countries is being accomplished by increasing the involvement of developing countries in WHO activities, strengthening WHO's collaboration and co-operation with Member States, and developing the Organization's co-ordination and information transfer capabilities so that more bilateral and multilateral resources can be mobilized for technical co-operation, and the results of research and technology can be brought to bear on the health needs of populations, particularly in developing countries, through means which they can afford and apply now.

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5. The principle of a decentralized organization is embodied in the WHO Constitution, and responsibilities are delegated to the regional organizations to the utmost extent, consistent with the requirements for efficiency, co-ordination of policy and unity of the Organization. The First World Health Assembly (1948) delimited six areas of the world as WHO regions: Africa (Regional Office in Brazzaville), the Americas (Regional Office in Washington, D.C.), South-East Asia (Regional Office in New Delhi), Europe (Regional Office in Copenhagen), the Eastern Mediterranean (Regional Office in Alexandria) and the Western Pacific (Regional Office in Manila).

6. In each region, the regional organization comprises a Regional Committee and a regional office. The Regional Committee is composed of representatives of the Member States and Associate Members within the region. Normally, it meets annually to examine and make recommendations on regional programme budget proposals before these are embodied in the Director-General's proposed programme budget and presented to the Executive Board for its recommendations and to the World Health Assembly for approval. The Regional Committee also makes proposals on the policies to be followed by WHO within the region and reviews and supervises the activities of the regional office. The general functions and responsibilities common to all regional offices are:

- on behalf of the Director-General, to direct and co-ordinate international health work and to plan and execute all WHO activities in the region;
- to advise the Regional Committee on the expression in regional policy of general policy laid down by the World Health Assembly, and act as the channel of liaison between the regional committee and the Director-General;
- to maintain contact with Governments and appropriate professional groups in the region and with the local representatives of all Agencies (international and other) with which WHO work should be co-ordinated;
- to submit to the Director-General proposals for the programme budget for the region and any reports or other information requested by the Director-General.

7. The need for WHO representation at the country level has long been recognized. Over the years, a network of WHO representatives has developed; it constitutes today a key element in the structure and functioning of the Organization in relation to its technical co-operation with and services to Governments.

8. The aims of WHO representation at the country level are:

- to establish direct and permanent collaboration with the national health administration;
- to assist in the assessment of country health needs and resources and in the planning, implementation and evaluation of national health programmes, including those forming part of general development programmes;

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- to ensure efficient planning and delivery of WHO's assistance in relation to these programmes;

- to assist, as may be appropriate, the regional office and headquarters with intercountry and interregional projects respectively; and

- to co-ordinate action and co-operate with country offices or representatives of other organizations and Agencies, particularly those of the United Nations system.

9. Inasmuch as WHO, since its inception, has functioned on a decentralized basis, no indication of the impact of this approach on support functions and costs (presumably in comparison with a centralized approach) can be given.

- (d) 10. As a consequence of WHO's long established policy and practice whereby the Organization carries out its programme of technical co-operation with and services to Governments on a fully integrated basis, irrespective of the sources of financing, all technical and non-technical support services costs relating to this integrated programme have traditionally been consolidated in the regular budget. This integrated approach to programme budget planning and presentation of the Organization's activities is also in line with earlier Economic and Social Council and United Nations General Assembly resolutions on these subjects (for example Economic and Social Council resolution 702(XXVI), inviting the organizations inter alia to take whatever steps necessary to enable (a) the consolidation in the regular budget of all administrative and operational services expenses and (b) the consolidated review of these expenses by the legislative bodies of the organizations). Consequently, the annual amounts received by WHO from various extrabudgetary resources as reimbursement for programme support costs, relating to technical co-operation activities financed from such sources, are being treated as an income item used principally to help finance the Organization's regular budget, thereby reducing the assessments on Member States correspondingly and, in turn, to help finance, at least in part, the actual costs being incurred (under the regular budget) to provide technical and non-technical support and services to activities financed from extrabudgetary funds. It follows that, to the extent that this income is reduced or eliminated, the regular budget (and consequently, the assessments on Member States) would have to be correspondingly increased.

11. In line with the foregoing, it will be seen that a review by the Executive Board and by the World Health Assembly of the utilization of reimbursed programme support costs is an integral part of the process of examining all programme support cost provisions included in the Organization's programme budget and, subsequently, in the Financial Report and Report of the External Auditor.

- (e) 12. In view of the Organization's fully integrated approach to programme planning and implementation, it is not possible to determine the precise amount of programme support costs relating to extrabudgetary activities which are being met under the regular budget. Based upon an earlier cost measurement exercise it can be stated, however, that as a general order of magnitude this could have totalled approximately \$13 million in 1976 and a similar amount in 1977. On this basis, the corresponding figure attributable to UNDP-financed projects executed by WHO might be in the \$2 to \$3 million range in either year.

Information submitted by the Asian Development Bank (ASDB) in response to the request of the intergovernmental Working Group on Overhead Costs, contained in DP/WGOC/L.1, para. 29, operative para. 3

1. As the number of UNDP projects executed by ASDB is quite limited, ASDB has no specific organizational arrangement for handling UNDP projects. The UNDP projects, as well as ASDB's own projects, are handled by concerned Departments in the Bank.
2. No specific cost saving measures are introduced for UNDP projects in the Bank for the same reason as mentioned in (a).
3. ASDB has no branch or representative office to decentralize its responsibility, hence, question (c) is not applicable to ASDB.
4. With regard to (i), the overhead payments received from UNDP are treated as other income to defray the total overhead costs in ASDB. Item (ii) is not applicable to ASDB.
5. It is not applicable to ASDB.

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Information submitted by the International Telecommunication Union (ITU) in response to the request of the intergovernmental Working Group on Overhead Costs, contained in DP/WGOC/L.1, para. 29, operative para. 3

- (a) 1. Following the ITU Plenipotentiary Conference (Supreme Organ of ITU) in 1959, a Department of Technical Cooperation was established and ITU gradually took over administrative work previously performed on its behalf by the United Nations Technical Assistance Administration. The Department was created as a consequence of ITU's participation in the Expanded Programme of Technical Assistance and Special Fund from 1953 and 1959, respectively. The Department of Technical Cooperation provides all types of support to UNDP-financed programmes and projects as well as to Trust Fund activities. Following UNDP financial constraints since the end of 1975, ITU technical co-operation activities financed by UNDP have been reduced to 73 per cent against 92 per cent in previous years. ITU has no regular programme of technical co-operation.
2. The Department of Technical Cooperation comprises four Regional Divisions (Africa, Americas, Europe and Middle East, Asia and Pacific), Administrative Division, Training Division and Group of Engineers. Professional staff in the Regional Divisions are composed of full-fledged telecommunication engineers who are responsible for substantive work in connexion with all stages of identification, formulation, execution and follow-up of projects. The Regional Divisions have at their disposal all the services of the Administrative Division in dealing with the prospection, recruitment and administration of experts, the placement and administration of fellowships, the provision of equipment, and the budgeting and accounting of projects. The Regional Divisions also benefit from the advice they can obtain from the Training Division in relation to training projects and development of human resources for telecommunications. The Group of Engineers (three) provides the Regional Divisions, as well as developing countries on request, with advice concerning switching, transmission and radiocommunication/satellite.
3. It is also to be noted that highly specialized technical support, advice and backstopping to the Department of Technical Cooperation are provided, free of charge, by the ITU permanent organs:
- the International Frequency Registration Board (IFRB);
 - the International Radio Consultative Committee (CCIR);
 - the International Telegraph and Telephone Consultative Committee (CCITT).
- The General Secretariat provides the Department of Technical Cooperation with such services as translation, typing, reproduction, computer common services, etc. in addition to legal and specialized advice on the operation of telecommunications.
- (b) 4. The staff of the Technical Cooperation Department has always been maintained at such level as was necessary to cope with the workload. Thus, the number of staff members in the Department evolved in a pragmatic way with the steadily increasing number of projects allocated to ITU for execution till 1975.

From this date, and in parallel with cutbacks in the programmes and projects, the staff of the Department was gradually reduced. At present, the staff paid against the Budget of Technical Cooperation is 30 per cent lower than in 1975 (from 102 to 72 posts). This reduction is higher than the reduction in the assistance obtained (\$21.1 million in 1976 against \$16.7 million in 1977, including both UNDP and Trust Funds), due to the fact that, in the meantime, many measures of further rationalization in procedures and work at the headquarters level were introduced. However, should the number of projects increase and the workload become greater, adequate measures will have to be taken to enable the Department of Technical Cooperation to fulfil its role.

(c) 5. ITU has no regional offices nor country representatives.

(d) 6. In 1959, when the ITU Plenipotentiary Conference decided to create a Department of Technical Cooperation at headquarters, it resolved, by its resolution 28, that the "administrative and operational costs" resulting from ITU's participation in the (UNDP) EPTA/SF should be included in a separate budget (Technical Cooperation Budget) on the understanding that the compensatory payment would be obtained from the (UNDP) EPTA/SF.

7. The same resolution also specified that ITU's organs of financial control should check all the expenditure and income relative to ITU's participation in the system. Furthermore, the ITU Administrative Council received the mandate to examine yearly the ITU budget of technical co-operation, as well as the whole of the ITU's activities in this field.

8. The above principles were confirmed by the ITU Plenipotentiary Conference in 1965 and in 1973. Consequently, costs resulting from ITU participation in UNDP have to be covered from the compensatory payments from UNDP; the budget of technical co-operation is examined and approved by the ITU Administrative Council during its annual sessions, while the accounts are examined by the ITU external auditors (Swiss Confederation). The Council also examines ITU activities in the field of technical co-operation in detail, evaluates them and issues necessary directives/instructions for their improvement.

9. These arrangements are also applicable to all Trust Fund projects, Associate Experts' Scheme, as well as budget and expenditures concerning the Training Division and the Group of Engineers mentioned under (a), both on ITU Regular Budget.

10. It is also to be added that no new post can be established in the Department of Technical Cooperation without prior authorization by the ITU Administrative Council, which latter also decides the grading of posts in the said Department.

11. The ITU Technical Cooperation Budget, to which all incomes from overhead payments are debited, provides for the following in the Department of Technical Cooperation:

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- Office of the Chief of the Department (1 P and 2 G);
- 4 Regional Divisions (19 P and 14 G);
- Administrative Division (8 P and 19 G);

and outside of this Department for:

- Supporting services within the General Secretariat of ITU (Mail, Travel, Insurance, Finance Department) (1 P and 8 G).

(e) 12. The ITU Regular Budget for 1978 provides 1,827,000 Swiss Francs for:

- Group of Engineers (3 P and 2 G);
- Training Division (5 P and 4 G).

13. These two units are part of the Department of Technical Cooperation.

14. The highly specialized advice of the permanent organs (IFRB, CCIR and CCITT) mentioned above under (a) is provided to the Department of Technical Cooperation free of charge by specialists/ITU staff members on the ITU Regular Budget.

15. Furthermore, the ITU General Secretariat bears costs resulting from the provision to the Department of Technical Cooperation of linguistic services, reproduction facilities, typing services, official documentation, legal advice, computer services, advice of its specialists up to an amount estimated at present of 800,000 Swiss Francs per year.

16. The above does not include the cost of office space, utilities, servicing and maintenance amounting to some 300,000 Swiss Francs offered to the Department of Technical Cooperation and also paid by the ITU Regular Budget.

17. In conclusion, the ITU Regular Budget will provide, in 1978, for subsidies towards attributed overhead costs in Swiss Francs, an amount equivalent to \$1.4 million at the present exchange rate.

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