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AGENCY SUPPORT COSTS

Note by the Administrator

Information submitted by the United Nations in response to the request of the intergovernmental Working Group on Support Costs, contained in its decision adopted in January 1979 (DP/WGOC/27, paragraphs 3 and 4)

The U.N. is now in a position to provide information with respect to the affect of the modified formulae outlined in operative part II of the Working Group's draft decision on U.N. Support Costs.

Despite any streamlining which might take place we are firmly convinced that our costs for the foreseeable future will remain well above 14 per cent.

The above remarks and the attachments to this letter refer to the DTCD operation here at Headquarters, New York. With respect to project implementation, which will be carried-out away from Headquarters, particularly by our Regional Economic Commissions, the comments received from these organizational units basically consist of an acceptance of the flexibility arrangements which are provided for in the Intergovernmental Working Group paper II B i. This approach by them is quite understandable as none of the units anticipate exceeding 15 million dollars per annum in project execution in the near future.

On paragraph 3C in operative part II of the Working Group's draft decision, the U.N. continues to hold the view which it has expressed to our legislative bodies previously, that basically the determination for reimbursement of support costs is a policy decision with respect to the sharing of such costs between the regular budget and extrabudgetary funds and must, therefore, fall to legislative organs. The "frequent" reviews called for in this paragraph would serve little purpose and result in an expenditure by the Agencies of human and financial resources which could be more usefully applied to project execution.

Possible effect on UN/TCD of new formula for computation of support costs by UNDP

(In thousands of US \$)

Year	Equipment/ Contracts	Other Projects	Total Delivery	Support at 14%	Formula I*		Formula II**	
					Support	Loss	Support	Loss
1977 (Actuals)	5,283	45,769	51,052 ³	7,147	6,777	370	6,672	475
1978 (Actuals)	14,701	48,811	63,512 ³	8,892	7,863	1,029	7,569	1,323
1979	13,000 ⁵	54,000	67,000 ⁴	9,380	8,450	930	8,210	1,170

Third IPF Cycle								
1982	18,948	78,721	97,669	13,674	12,185	1,489	11,950	1,724
1983	21,391	88,874	110,265	15,437	13,676	1,761	13,443	1,994
1984	24,263	100,804	125,067	17,509	15,420	2,089	15,193	2,316
1985	27,536	114,403	141,939	19,872	17,281	2,591	17,124	2,748
1986	31,279	129,951	161,230	22,572	19,409	3,163	19,283	3,289
Total	123,417	512,753	636,170	89,064	77,971	11,093	76,993	12,071

Formula I

1. * (1) 7% on projects where procurement and contracts represent 70/75% or more of the total.
- (2) 14% up to \$50m per year, exclusive of project expenditure under (1)
- 13.5% between \$50m and \$75m
- 13.0% between \$75m and \$100m
- 12.0% beyond \$100m.

2. Formula II

- ** (1) 5% on projects where procurement and contracts represent 70/75% or more of the total
- (2) 14% up to 75% per year, exclusive of project expenditure under (1)
- 13.5% between \$75m and \$100m
- 13.0% between \$100m and \$125m
- 12.0% beyond \$125m

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3. UNDP Financial Statements 31 XII 77, Schedule 6. Cash Counterpart 1,110,354 excluded. Includes amounts Sub-allotted to Economic Commissions and UNCHS.
4. Based on Delivery Forecast, 15 III 79, exclusive of UNCHS.
5. Based on 31 March 1979 budgets exclusive of UNCHS.

Projected UN/TCD Delivery on UNDP Programme
(in thousands of US\$)

<u>Year</u>	<u>UNDP/IPF Ceiling</u>	<u>UNDP Programme</u>	<u>UN Share*</u>	<u>%</u>	<u>Estimated Delivery</u>
1979	547,609	629,750	81,867 <u>7,633**</u> 89,500	75	67,125
1980	574,326	660,474	85,861 <u>22,375**</u> 108,236	75	81,177
1981		693,964	90,215 <u>27,059**</u> 117,274	75	87,955
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Third IPF Cycle					
1982		776,200	100,906 <u>29,319**</u> 130,225	75	97,669
1983		880,500	114,465 <u>32,556**</u> 147,021	75	110,265
1984		1,000,000	130,000 <u>36,756**</u> 166,756	75	125,067
1985		1,135,100	147,563 <u>41,689**</u> 189,252	75	141,939
1986		1,289,700	167,661 <u>47,313**</u> 214,974	75	<u>161,230</u>
Estimated Delivery in the Third IPF Cycle					<u>\$636,170</u>

* UN.TCD's share of UNDP resources was based on actual 1977 delivery adjusted for transfer of Housing Building and Planning to UNCHS as Executing Agency and decentralization of Regional Projects to Economic Commissions as Executing Agencies.

** Assumes that amounts undelivered in past years would be available in ensuing year.

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Explanatory Note

The expectations are that the TCD programme will utilize at least 13% of the resources available to UNDP even after taking into account the elimination of activities now being carried out by Habitat and the Regional Economic Commissions. It is also expected that the ratio of delivery in sub-contracts and equipment will be stabilized in the third IPF cycle.

In arriving at the figures for the "UNDP Programme", UNDP had suggested a growth rate of 14% per year applicable to the IPF resources while maintaining a constant amount for LDC's, SIS and Programme Reserve, but excluded provisions for Cost Sharing Contributions.

TCD, however, in following the pattern set by both ILO and FAO, included Cost Sharing in its calculations since it cannot be determined at this time the extent to which that element of the programme would remain at the 1977 level.
