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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

SUPPORT COSTS AND FLEXIBILITY MEASURES

Report of the Administrator

Summary

Executing agencies whose total annual project implementation amounts to less than \$10 million may submit a request to the Administrator for the reimbursement of additional support costs under the flexibility provision. The Administrator, in this report, informs the Council of support costs approved and paid to agencies covered under the flexibility provisions in 1979 and 1980, as well as of amounts requested by those agencies for 1981. The Council is requested to take note of this report.

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1. At its nineteenth session, the Governing Council authorized the Administrator to negotiate additional lump sum support cost reimbursements to the smaller agencies whose programmes do not exceed \$10 million 1/. The criteria for such reimbursement were submitted to the Governing Council in DP/200 and noted by the Council at its twenty-second session 2/. Since then, the Administrator has been reporting regularly to the Council on all such arrangements as authorized.

2. The amounts of support cost payments, including flexibility, paid to smaller agencies for 1979 are shown in Table 1. These vary slightly from the 1979 provisional figures contained in the Administrator's report to the twenty-seventh session (DP/473).

Table 1

Agency	Project expenditure in 1979 \$	Support cost 14 Per cent \$	Flexibility \$	Total support cost \$	Per cent of total support cost to project expenditure %
UNCTAD	13 208 500	1 849 200	-	1 849 200	14.0
UPU	2 137 900	299 300	200 700	500 000	23.4
WMO	8 756 000	1 225 800	671 900	1 897 700	21.7
IMCO	2 571 800	360 000	121 100	481 100	18.7
IAEA	6 065 700	849 200	100 200	949 400	15.7
WIPO	<u>216 600</u>	<u>30 300</u>	<u>20 600</u>	<u>50 900</u>	<u>23.5</u>
Total	<u>32 956 500</u>	<u>4 613 800</u>	<u>1 114 500</u>	<u>5 728 300</u>	<u>17.4</u>

1/ Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2, (E/5646), para. 353.

2/ Ibid., Sixty-first Session, Supplement No. 2A, (E/5846/Rev.1), para. 434.

3. On the basis of detailed support cost flexibility requests received from agencies for 1980, the Administrator approved a total amount of \$1,793,000. The breakdown of the requests and initial approval was as follows:

Table 2

<u>Agency</u>	<u>Project expenditure forecast in 1980</u> \$	<u>Support cost 14 Per cent</u> \$	<u>Flexibility</u> \$	<u>Total support cost</u> \$	<u>Per Cent of support cost to Project expenditure</u> %
UPU	2 400 000	336 000	200 000	536 000	22.3
WMO	9 000 000	1 260 000	992 000	2 252 000	25.0
IMCO	3 000 000	420 000	145 000	565 000	18.8
IAEA	5 000 000	700 000	410 000	1 110 000	22.2
WIPO	<u>513 000</u>	<u>72 000</u>	<u>46 000</u>	<u>118 000</u>	<u>23.0</u>
Total	<u>19 913 000</u>	<u>2 788 000</u>	<u>1 793 000</u>	<u>4 581 000</u>	<u>23.0</u>

4. As shown in table 3 below, 1980 provisional project expenditure figures for most agencies exceeded the expenditure estimates which they had provided at the beginning of 1980 and on the basis of which the amount of their support cost flexibility had been estimated. While the higher programme delivery increased the total support cost paid to these agencies, the flexibility portion paid them decreased by approximately 24 per cent of the level estimated at the beginning of the year - from \$1,793,000 to \$1,360,100. This reduction in support cost flexibility payments resulted from guidelines according to which agency support cost earnings for the year (14 per cent plus flexibility) will not exceed the amount approved at the beginning of the year, unless the earnings relating to the 14 per cent would yield a higher amount. It is also noted that total support costs paid to these agencies for 1980 represent 19.5 per cent of their delivery, as compared to 23 per cent in their original estimates.

Table 3

<u>Agency</u>	<u>Project expenditure in 1980</u> \$	<u>Support cost 14 Per cent</u> \$	<u>Flexibility</u> \$	<u>Total support cost</u> \$	<u>Per cent of support cost to project Expenditure</u>
UPU	3 499 000	489 800	46 200	536 000	15
WMO	9 940 000	1 391 600	860 400	2 252 000	22.7
IMCO	5 797 000	811 600	-	811 600	14.
IAEA	5 018 000	702 500	407 500	1 110 000	22.
WIPO	<u>404 000</u>	<u>56 600</u>	<u>46 000</u>	<u>100 600</u>	<u>25.4</u>
Total	<u>24 658 000</u>	<u>3 452 100</u>	<u>1 360 100</u>	<u>4 812 200</u>	<u>19.5</u>

5. The support cost flexibility requests submitted to the Administrator by agencies with respect to 1981 are included in table 4.

Table 4

<u>Agency</u>	<u>Project expenditure forecast in 1981</u> \$	<u>Support cost 14 Per cent</u> \$	<u>Flexibility</u> \$	<u>Total support cost</u> \$	<u>Per cent of support cost to project expenditure</u>
UPU	3 200 000	448 000	200 000	648 000	20.3
IMCO	4 000 000	560 000	242 500	802 500	20.1
IAEA	5 500 000	770 000	440 000	1 210 000	22
WIPO	<u>618 600</u>	<u>86 600</u>	<u>63 400</u>	<u>150 000</u>	<u>24.2</u>
Subtotal	<u>13 318 600</u>	<u>1 864 600</u>	<u>945 900</u>	<u>2 810 500</u>	<u>21.0</u>
WMO	11 000 000	1 540 000	617 700	2 157 700	19.6
Total	<u>24 318 600</u>	<u>3 404 600</u>	<u>1 563 600</u>	<u>4 968 200</u>	<u>20.4</u>

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6. At the time of the preparation of this report, the Administrator had not yet granted approval to all the requests, and was still in the process of negotiating some of the particular amounts requested. It is noted in Table 4 above that one agency, WMO, projects a delivery in 1981 of \$11 million, which is over the present flexibility eligibility threshold of \$10 million. Table 4 also shows the effect on estimated total flexibility amounts payable to agencies in 1981 with the inclusion, or exclusion, of the WMO request. The agency has requested that, due to the relative smallness of its programme and the increased costs attendant to increased delivery, UNDP consider applying the proposed flexibility guidelines expected to take effect in 1982 to its 1981 programme delivery, following approval by the Governing Council. The agency explains that it has no other source from which to recover the amount needed as flexibility and that therefore denial of the flexibility would result in a severe hardship to the agency. Application of the 1982 guidelines to the 1981 WMO projected delivery would result in a support cost flexibility of \$550,000, compared with the agency's request of \$617,000. The amount of \$550,000 has been arrived at after allowing to the fact that the regular support cost reimbursement for 1982 would be limited to 13 per cent. In this connexion, it is noted that the total support cost requested by WMO for 1981 for a projected \$11 million delivery is lower than the support cost paid to the agency in 1980 in respect of a smaller amount of delivery. The Administrator would appreciate the Council's guidance on the WMO request.^{3/}

7. The details provided by the executing agencies on their estimated support cost requirements for 1981 are summarized in table 5. These include requirements in respect of trust fund operations.

Table 5

	<u>UPU</u>	<u>WMO</u>	<u>IMCO</u>	<u>IAEA</u>	<u>WIPO</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Salaries and wages	825 000	1 888 300	677 500	821 000	151 000
Common staff costs	-	521 600	150 100	222 000	9 060
Travel costs	-	50 000	31 600	16 000	30 000
General expenses	<u>276 000</u>	<u>136 200</u>	<u>128 300</u>	<u>151 000</u>	<u>15 200</u>
Total	<u>1 101 000</u>	<u>2 596 100</u>	<u>987 500</u>	<u>1 210 000</u>	<u>205 260</u>
Excess support cost to be absorbed by agency ^{a/}	453 000	438 400	-	-	55 260

a/ Figures provided by the executing agencies and derived after application of total support cost requirements, less anticipated support cost earnings from UNDP activities (including support cost flexibility). Amounts financed either from the agency's regular budget or from support cost earnings on non-UNDP-funded activities.

3/ On the basis of existing guidelines for support cost flexibility, it does not appear that other agencies will submit similar requests for 1981.

8. Table 6 below shows the distribution of staff by grade covered under the support cost provision for 1981:

Table 6

<u>Staffing table by grade</u>	<u>UPU</u>	<u>WMO</u>	<u>IMCO</u>	<u>IAEAa/</u>	<u>WIPO</u>
D-2	-	-	1	-	-
D-1	} 2	1	1	-	-
P-5		5	3	n.a.	-
P-4	2	5	1	-	24 m/m
P-3	4	9	-	-	-
P-2/1	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
Subtotal	9	21	7	-	24 m/m
General Service	<u>5</u>	<u>24</u>	<u>19</u>	-	<u>24 m/m</u>
Total	14	45	26	n.a.	48 m/m

a/ Only one staff member devoting full time to UNDP activities. Staff costs related to UNDP therefore based on the best estimate of the percentage of time devoted by staff members to UNDP activities.

9. The Administrator recommends that the Governing Council take note of the arrangements for 1981 the principles of which have been authorized by the Council. It is expected that, starting from 1982, a revised support cost flexibility formula would take effect in the application of this principle to agencies entitled to receive such compensation.