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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

OTHER MATTERS
AGENCY SUPPORT COSTS

Request by the International Telecommunication Union
for additional support cost reimbursement for 1980

Note by the Administrator

Summary

The International Telecommunication Union (ITU) is one of the executing agencies which does not benefit from support cost flexibility arrangements, as its annual project expenditures exceed \$10 million. Due mainly to currency fluctuations, ITU incurred support cost deficits during the last several years. The Governing Council, each time on an ad hoc basis, approved the reimbursement to ITU of such support cost deficits, which were attributed to the Agency's implementation of UNDP-supported projects.

ITU submitted a similar request for the reimbursement of support cost deficits incurred in 1980. The UNDP-related portion of the deficits is SwF 685,818, equivalent to \$339,514 at the prevailing United Nations exchange rate in May 1981.

In this paper the Administrator provides an analysis of the ITU request and, while providing a recommendation dealing with part of the ITU request for additional reimbursement of support costs, seeks the further guidance of the Council on the issue.

1. The Administrator has been requested by ITU to bring to the Governing Council's attention a request for additional support cost reimbursement to ITU, covering the financial year 1980, in an amount of SwF 685,818 which, at the May 1981 official United Nations rate of exchange of SwF 2.02 to the US dollar would equal \$339,514.

2. On the basis of information provided in the ITU letter, as well as data gathered in additional communications with the ITU, the following tables are presented for review by the Council.

Table 1

	<u>1979</u>	<u>1980</u>	<u>Percentage change</u>
UNDP-financed programme delivery	\$20,504,300	\$27,054,185	+32
Support cost income: (in US dollars)	\$ 2,870,256	\$ 3,483,306	+21
(in Swiss francs) ^{1/}	SwF 4,764,625	SwF 5,817,121	+22
Support cost income (in US dollars)			
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Programme delivery (in US dollars)	14%	12.88%	(1.12)

It is noted in table 1 that although in 1980 programme delivery increased by 32 per cent over 1979, the increase in support cost income over the same year, exclusive of the additional reimbursement for 1979 of \$629,637 (equivalent of SwF 1,051,493) approved by the Council, was 21 per cent. This was due to lower support cost rates charged by the ITU on two projects funded primarily out of Government cost-sharing sources.

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^{1/} Based on the average exchange rate against the US dollar of SwF .66 in 1979 and SwF 1.67 in 1980.

3. Table 2 below shows that as a result of applying lower support-cost rates on two projects, ITU earned \$304,280 less in support-cost income than it would have earned with the application of the regular 14 per cent support-cost rate against its full 1980 delivery.

Table 2

Support cost income assuming a 14 per cent rate applied to full 1980 delivery	\$ 3,787,586
Support cost income actually earned using support cost rates below 14 per cent on 1980 delivery of two projects	<u>\$ 3,483,306</u>
Difference	\$ 304,280

4. Table 3 below shows a breakdown of the ITU programme delivery in respect of UNDP-financed programmes, as well as Trust Fund programmes, and their respective support cost incomes for 1980.

Table 3

<u>Programme</u>	<u>Project expenditure in US dollars</u>	<u>Percentage</u>	<u>Income from support cost reimbursements in US dollars</u>	<u>Percentage</u>
UNDP	27,054,185	81	3,483,306	79
Trust Funds	<u>6,302,085</u>	<u>19</u>	<u>938,108^{a/}</u>	<u>21</u>
Total	33,356,270	100	4,421,414	100

a/ Derived as the difference between the total support cost income received by ITU of \$4,421,414 for 1980, and the amount of support cost paid by UNDP for the same year.

5. In table 4 below, the share of the overall ITU support cost deficit in Swiss francs attributable to UNDP-financed and Trust Fund-related programmes is shown, as reported by ITU.

Table 4

Overall deficit	SwF 851,698
Less: Trust Fund share of deficit	<u>165,880</u>
Net deficit attributable to UNDP projects	SwF 685,818

6. Table 5 below provides expenditure data in Swiss francs on support cost incurred on UNDP and Trust Fund-related programmes combined, for 1979 and 1980, and notes a 16.5 per cent overall increase in total support cost expenditures over 1979.

Table 5

	<u>1979</u>	<u>1980</u>	<u>Percentage change</u>
a. <u>Total salaries and related expenses:</u>	SwF 5,574,822	SwF 6,230,442	11.8
b. <u>Common staff costs:</u>			
i. Family allowance and related dependency entitlements	269,708	387,251	43.6

	<u>1979</u>	<u>1980</u>	<u>Percentage change</u>
ii. Installation and repatriation expenses	93,088	226,737	143.6
iii. Pension fund	793,505	963,349	21.4
iv. Medical care and social security	<u>216,798</u>	<u>250,178</u>	<u>15.4</u>
Total common staff costs	1,373,099	1,827,515	33
c. <u>Travel costs:</u>	197,147	266,146	35
d. <u>General expenses</u> (includes office furniture, printing and communication costs)	397,929	467,714	17.5
e. <u>Total support costs</u> =====	<u>7,542,997</u> =====	<u>8,791,817</u> =====	<u>16.5</u> =====

7. Table 6 below shows the number of staff and grades financed from support costs in respect of UNDP-financed and Trust Fund programmes for the years 1979 and 1980, and notes a net increase of 4 staff members over the number of staff in 1979.

Table 6

	<u>1979</u>	<u>1980</u>
D-1	1	1
P-5	5	5
P-4	20	20
P-3	5	5
P-2	<u>4</u>	<u>3</u>
Professional:	35	34
General Service:	<u>53</u>	<u>58</u>
Total	88	92

8. The Council will recall that on six previous occasions it has dealt with the question of an additional support cost reimbursement to ITU:

(a) At its twenty-first session, in January 1976, the Council authorized the Administrator to make a special overhead reimbursement of \$232,194 to the International Telecommunication Union in respect of the request relating to 1973 (E/5779, paragraph 354);

(b) At its twenty-second session, in June 1976, the Council authorized the Administrator to reimburse an amount of \$136,733 to ITU representing a special overhead reimbursement in respect of the year 1974 (E/5846/Rev.1, paragraph 434);

(c) At its twenty-fourth session, in June 1977, the Council authorized the Administrator to reimburse an amount of \$157,168 to ITU representing a special overhead reimbursement in respect of the year 1976, as an exceptional measure and without making it a precedent for overhead payments to smaller agencies in the future (E/6013/Rev.1, paragraph 348);

(d) At its twenty-fifth session, in June 1978, the Council authorized the Administrator to reimburse an amount of \$270,466 to ITU representing a special overhead reimbursement in respect of the year 1977, as an exceptional measure and without making it a precedent for overhead payments to smaller agencies in future (E/1978/53/Rev.1, decision 25/27, p.198);

(e) At its twenty-sixth session, in June 1979, the Council authorized the Administrator to reimburse up to an amount of \$498,580, subject to such exchange rate adjustments as might be determined by the Administrator, to ITU representing a special support-cost reimbursement in respect of the year 1978, as an exceptional measure and without making it a precedent for agency support cost payments in the future (E/1979/40, decision 79/39, p. 160); and

(f) At its twenty-seventh session, in June 1980, the Council authorized the Administrator to reimburse up to an amount of \$629,637, subject to such exchange adjustments as might be determined by the Administrator, representing a special support-cost reimbursement in respect of 1979, as an exceptional measure and without setting a precedent for agency support-cost payment in the future (E/1980/42/Rev.1, decision 80/54, p. 71).

9. The Administrator considers that the review of the ITU request for reimbursement of its support-cost deficit should not take into account the deficit incurred as a result of the application by the Agency of lower support cost rates on cost-sharing activities. This would bring the balance of the deficit to be considered by the Council to SwF 177,670 (SwF 685,818 - SwF 508,148), which would result in \$87,955 May 1981 exchange rate of SwF 2.02 to the US dollar.

10. The Administrator would appreciate the further guidance of the Council with respect to the request of ITU for a special support cost reimbursement for the year 1980.