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REPORTS OF THE JOINT INSPECTION UNIT

Report on some aspects of the Technical Co-operation Programme
of the International Telecommunication Union (ITU)

(JIU/REP/75/9 (EXTRACT), December 1975)

Addendum

Comments of the Secretary-General and of the Administrator
of the United Nations Development Programme

1. As regards financial aspects, the extract from the Inspector's report which has been distributed to the United Nations consists primarily of a discussion of agency overhead costs. The Inspector notes that support of technical co-operation projects, including those financed from UNDP, comes from the Technical Co-operation Special Accounts budget, which is financed entirely from overhead funds derived from UNDP and other extrabudgetary sources.
2. While the concept of recording ITU's administrative and operational services resulting in its participation in UNDP in a separate part of the budget was endorsed by the Plenipotentiary Conference of ITU in 1973, the Inspector notes that he has been unable to find any specific provision to the effect that ITU is constitutionally forbidden to use funds from its ordinary budget to share in the cost of technical co-operation.
3. The Inspector notes that ITU has requested additional overhead reimbursement from UNDP for certain unusually complex projects, and that it has requested that UNDP should raise the ceiling below which the Administrator of UNDP is authorized to negotiate additional lump sum overhead payments, from \$10 million to \$20 million, on the understanding that the criteria for this ceiling should apply not only to the UNDP programme but should include regular programmes and others.
4. While the United Nations has no comment to make on the request for additional reimbursement for certain unusually complex projects, it could, under certain conditions, support an increase in small agency flexibility rule, to compensate for the inflationary tendencies of the past few years.
5. The Inspector reviews the results of certain studies made of overhead costs

in the past few years, particularly in the light of the recent reaffirmation by the ACABQ (DP 77/Add.2), taken note of by the UNDP Governing Council at its 465th meeting, that executing agencies should continue to provide from within their regular budgets a substantial portion of the overhead costs of their extrabudgetary programmes. The Inspector endorses this view and consequently recommends that ITU should increase the use of funds from the regular budget for technical co-operation activities, including the payment of part of the overhead costs.

6. In the United Nations, overhead reimbursements are credited to a special account, out of which allotments are made to finance "clearly identifiable additional costs" ^{1/} of support of operational activities, in accordance with established criteria. Cost accounting studies undertaken in the United Nations suggest that, if all factors are taken into account, it could be argued that the contribution of the regular budget to the support of UNDP and other extrabudgetary activities is fairly substantial. As is known, this question continues to be studied in the context of the cost-measurement exercise undertaken by CCAQ, and no doubt will be again considered in the future by the policy-making organs of the United Nations and the UNDP.

7. The Secretary-General is of the view that operational activities and constitutional (regular budget) activities go hand in hand, each reinforcing the other. This being the case, it is only natural that a major part of the substantive staff are engaged, more or less simultaneously, both in providing technical support for operational activities and in performance of the work programme. The Secretary-General would hope that this type of flexible management of resources would find favour with governing bodies, although it implies that substantive staff financed under the regular budget would often work part time on support of operational activities, while the reverse situation, though less common, would also arise from time to time.

Comments by the Administrator of UNDP

8. UNDP has studied the report with much interest, particularly in so far as it discusses the role of ITU as a participating and executing agency of UNDP. The Administrator finds himself in full agreement with the two basic theses developed in the report as to the desirability of ITU's technical co-operation programmes being closely related to the telecommunication development plans of its member countries, and as to the need to integrate telecommunication programmes with other aspects of economic and social development. These objectives are fundamental to UNDP's approach to its task and UNDP will certainly continue to co-operate with ITU in its endeavours to promote them.

9. In large measure the report treats of matters which may be regarded as domestic to ITU. Two sections in particular deal with questions which impinge on UNDP policies. These are "Financial Aspects", which includes a discussion of the question on Agency Overhead Costs, and "Regional Offices", which deals, inter alia, with the role of regional advisers whose cost is funded by UNDP.

10. As regards Agency Overhead Costs, the general question has been discussed at numerous meetings of UNDP's Governing Council, which considered the particular case of ITU at its twenty-first session in January 1976. At that session the Governing Council:

(a) authorized the Administrator to make a special overhead reimbursement of \$232,194 to the ITU in respect of the request relating to 1973; and

(b) decided to consider the request relating to 1974 at its twenty-second session in the light of a review to be undertaken by the ACABQ and to re-examine the criteria relating to overhead arrangements for smaller agencies.

11. In this connexion, the Administrator supports the Inspector's recommendation as contained on page 23, paragraph 3 (c) of the report that "the Union should increase the use of funds from the regular budget for technical co-operation activities, including the payment of part of the overhead costs".

12. In his recommendation 2 (d), the Inspector proposes that ITU "should study ... the different possibilities which exist to increase field presence", that "until a decision is taken in the matter UNDP should keep funding the regional experts' cost" and that "the regional experts should be more closely connected with the programming, execution and evaluation of UNDP-funded projects". Moreover, in discussing the role and functions of the regional experts, the Inspector states in paragraph 47 of his report that "the most important task of being the organization's "voice and eye" on project formulation, preparation and implementation (including in-project and post-project evaluation) is reduced to a minimum".

13. The Administrator would not wish to comment on the manner in which ITU organizes its work, regarding this as being a matter domestic to the Agency. He would point out, however, that the various functions described in paragraphs 45 to 47 of the report, which are directly related to UNDP project formulation, preparation and implementation, can reasonably be regarded as those functions which any Executing Agency can be expected to provide as part of normal Agency overheads.

14. As regards the preparation of UNDP programmes, there is a recognized need for UNDP Resident Representatives, and through them Governments, to be provided with sectoral support and advice. This need was discussed at length, during several of its sessions, by UNDP's Governing Council. At its seventeenth session, in January 1974, the Council decided that special arrangements for meeting the need through the assignment of resident field advisers could be justified only in the two major sectors of agricultural and industrial development. To meet the need in other sectors "the Council viewed favourably several practical alternatives. Chief among them were the greater use of experts and project managers already in the country ... and of the services of regional advisers and experts; the strengthening of regional or sub-regional offices or units; and the more frequent and selective briefing of Resident Representatives and other UNDP field programming staff at agency headquarters or regional offices."

15. In so far as it relates to regional advisers and experts, this expression

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of Council opinion is certainly given full weight in the preparation of UNDP's regional programme. However, proposals for the assignment of regional experts must be continually balanced against a large volume of proposals for other high priority work of a multi-country nature, and this within the framework of a limitation which the Governing Council has placed on the proportion of UNDP resources to be utilized for multi-country activities. One result of the various programming exercises undertaken in the recent years has been a definite reduction in the number of regional experts assigned, not only in the telecommunication sector but in all others as well.

16. No doubt this trend will be taken into account by ITU in its future consideration of whether or not to establish regional offices. In this regard, UNDP can only reiterate that, taking into account the programming procedures for intercountry programmes, no assurance can be given that the Programme will "keep funding the regional experts' cost" as the Inspector has recommended. It will, however, ensure that proposals for it to do so will be given full consideration in relation to the other proposals for multi-country activity.