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WORKING PARTY ON THE MEDIUM-TERM PLAN
AND THE PROGRAMME BUDGET
Thirty-fourth session
Geneva, 27 September 1999
Agenda item 3

**REVIEW OF THE TECHNICAL COOPERATION ACTIVITIES OF
UNCTAD AND THEIR FINANCING**

**Financial sustainability of selected
UNCTAD technical cooperation programmes**

1. The present report has been prepared pursuant to decisions of the Trade and Development Board at its twentieth and twenty-first Executive Sessions, in January and July 1999, on the above matter.

I. Introduction

2. In accordance with paragraph 13 of decision 455 (XLV) of the Trade and Development Board in October 1998, the Working Party on the Medium-term Plan and the Programme Budget at its thirty-third session reviewed proposals for the financial sustainability of selected UNCTAD technical cooperation programmes, namely ACIS, ASYCUDA and DMFAS.

3. In the agreed conclusions (TD/B/WP/115), members of the Working Party emphasized that each of the three programmes made an essential contribution towards enhancing institutional capacities and generating economic and financial benefits in developing countries and in countries with economies in transition. They noted the large number of new requests from member States for technical cooperation in those areas. Given that demand, and the fact that existing users are requesting continuous support from the UNCTAD secretariat in post-project use and maintenance, the Working Party agreed that appropriate arrangements to ensure the programmes' financial sustainability were necessary. In doing so, the Working Party was aware that requests for technical cooperation from developing countries for each of the three programmes comprise not only capacity-building efforts requiring initial software installation but also the provision of upgraded versions of the software in countries where assistance had been provided previously.

4. Members of the Working Party were concerned at the precarious financial situation facing each of the central support teams of the three programmes. The Working Party agreed that the financial sustainability of the three programmes would be based on: (i) programme budget resources; (ii) programme support resources; (iii) extrabudgetary resources from donors; and (iv) annual maintenance fees.

5. The Working Party also agreed that the precise arrangements for annual maintenance fees required further consideration, prior to their introduction. To that end, the Working Party requested the secretariat to refine the calculations on which the level of maintenance fees would be based, by undertaking, on a pilot basis, cost accounting for each programme. Such cost accounting would assist in assessing the actual level and composition of central costs incurred by the secretariat, including in the provision of

maintenance services. The Working Party requested the results of that exercise to be communicated to the twenty-first executive session of the Trade and Development Board in July 1999, in order to arrive at an early decision on the matter.

6. Information was provided to the twenty-first executive session of the Board, on 1 July 1999 (TD/B/EX(21)/CRP.1). The Board took note of that information and requested the Working Party to consider the matter further at its thirty-fourth session. The present paper is an updated version of that presented earlier to the Board.

7. The secretariat also wishes to recall that the Working Party agreed that it should review arrangements for annual maintenance fees three years after their introduction. On the basis of the results achieved after the first year of implementation, the possibility of any exemption from the system could be taken up by the Working Party. The Working Party also agreed that such arrangements should not create any precedent for other technical cooperation activities of UNCTAD.

8. The Working Party also agreed that donors invited to do so could make the maintenance fee contributions on behalf of least developed countries and structurally weak and vulnerable economies.

II. Steps taken by the secretariat to introduce cost accounting

9. Following the decision of the Board in February 1999 endorsing the Working Party's agreed conclusions, the secretariat prepared proposals for the introduction of cost accounting for the three programmes, ACIS, ASYCUDA and DMFAS. It was recognized that the necessary resources for such

cost accounting were not available from within the current programme budget and that, accordingly, extrabudgetary funds would have to be sought for this purpose. Following consideration of alternative possibilities in this regard, the secretariat entered into discussions with the Government of the United Kingdom for the provision of the necessary software and supporting services for the introduction of cost accounting. The support of the Government of the United Kingdom in this regard is acknowledged with appreciation.

10. The introduction, on a pilot basis, of cost accounting for ACIS, ASYCUDA and DMFAS is proceeding on a phased basis, in light of the recommendation made by the consultant concerned. The table in annex 1 provides a brief description, in chronological order, of the steps taken by the secretariat to introduce cost accounting for the ASYCUDA and DMFAS programmes.

11. The introduction, on a pilot basis, of cost accounting for the ACIS programme commenced on 1 September 1999. The delay will enable ACIS to make adjustments in its operating modalities in the light of the earlier experiences of ASYCUDA and DMFAS when introducing cost accounting.

DMFAS

12. The DMFAS programme introduced cost accounting on 1 April 1999. Data, which are thus available for the five-month period April-August 1999, are summarized in annex 2. The first part of the table in annex 2 captures the personnel costs incurred by the central team for country-specific activities, including those financed from both individual country projects as well as from interregional projects. For the five months in question, such costs amount to 21 per cent of the total. Section 2 corresponds to what

the Working Party regarded as “maintenance services”. For DMFAS, for April-August 1999, the costs of such services amounted to US\$310,000 over the five-month period, or some 36 per cent of the total personnel costs of the central DMFAS team. Section 3 represents system development costs, amounting to 8 per cent of the total. Research and development on debt management (section 4) amount to about 2 per cent. Data in sections 5-9 represent the costs of management and administrative activities of the programme funded almost entirely from programme budget resources and programme support resources; they amount to about 33 per cent of the total.

13. Data on expenditure for both “maintenance services” and for “total costs” are fully consistent with the financial information provided to the Working Party in December 1998. Based on the pilot cost accounting exercise, total expenditures on DMFAS maintenance services would amount to around US\$750,000 on an annual basis. At the present time, there are some 50 countries that actively participate in the DMFAS programme.

ASYCUDA

14. ASYCUDA introduced cost accounting on 1 June 1999. Information/data thus available for the three-month period June-August 1999 will be issued as an addendum to this paper.

III. Other information requested by the Working Party.

15. The Working Party, at its thirty-third session, also requested the Secretary-General of UNCTAD to provide at the same time as information on cost accounting: (i) an evaluation of possibilities for

increasing the budgetary resources allocated to these programmes, including the financing of additional staff members; and (ii) information on the percentage of programme support resources that will be allocated to these programmes.

16. Decisions on the allocation of programme budget resources are made in the context of the preparation of the United Nations Secretary-General's Programme Budget for the biennium and its approval by member States. In the context of the proposals on the use of savings under the regular budget allocated to UNCTAD for the current biennium by General Assembly resolution 52/462, the General Assembly approved secretariat proposals covering ASYCUDA and DMFAS. At that time, it was the understanding of the secretariat that the related allocation was a one-time affair. In connection with the programme budget for the biennium 2000-2001, at an early stage in its preparation the Secretary-General of UNCTAD consulted member States through the Working Party (at its thirty-third session, in January 1999). It will be recalled that no proposal was made to modify the current regular budget allocations to any of the three programmes, consistent with the "status quo" approach to the preparation of the budget as whole. The Secretary-General of UNCTAD subsequently finalized his submission to the Secretary-General of the United Nations taking the Working Party's views into account. In May 1999, the Working Party reviewed the United Nations Secretary-General's Programme Budget being submitted to the General Assembly.

17. It is evident that in conditions of zero real growth in overall budgetary outlays, any increase in budgetary allocations to a particular activity can only be accommodated by an equivalent reduction in an allocation to another activity. Thus the possibilities for increasing budgetary allocations to ACIS, ASYCUDA or DMFAS, including the financing of additional staff-members, depends on two conditions:

either overall real growth in the budget as a whole, and the allocation of part or all of such increased resources to the programme(s) in question, or a redistribution of priorities in programmatic terms without any overall real growth. At the time of the preparation of the 2000-2001 programme budget, neither condition could be satisfied. Thus, there are no possibilities at the present time for increasing the allocations of regular budget resources to ACIS, ASYCUDA or DMFAS.

18. Support-cost income earned on the actual delivery of operational programmes is shared in equal proportions between, on the one hand, the five subprogrammes responsible for backstopping the preparation and implementation of technical cooperation activities and, on the other hand, central support services (administration, personnel, finance and general programme support). The allocation of support cost resources among the subprogrammes is based on each programme's actual delivery of technical cooperation in the preceding year. In the current biennium, of the roughly 50 per cent of total UNCTAD support cost income allocated to the five subprogrammes, 14.5 per cent is allocated to subprogramme 1 (Globalization and development strategies) and 54.2 per cent is allocated to sub-programme 4 (Services infrastructure and trade efficiency). The allocation to specific activities within each subprogramme is the prerogative of the Secretary-General of UNCTAD. It is, however, confirmed that ACIS, ASYCUDA and DMFAS have each received a support cost allocation from within the provision for the respective subprogramme. These arrangements will continue in the next biennium.

Annex 1**Summary of steps taken to introduce cost accounting, on a pilot basis, in the ASYCUDA and DMFAS programmes**

January	Prepare project	<i>A project was formulated that encompassed all the activities involved in implementing the cost-accounting system.</i>
	Obtain external accountancy expertise	<i>In response to interest shown in the project by the Government of the United Kingdom, the secretariat requested it, through the UK mission in Geneva, to provide assistance in obtaining the services of an experienced accountant.</i>
February	Accountant provided by UK Government begins work	<i>The UK government provided the services of an accountant to assist the secretariat in implementing the system. The first task of the consultant was to make a recommendation on the software that should be utilized.</i>
	Decision to adopt Artemis - an external package	<i>The consultant evaluated the various software options and the secretariat concurred with his recommendation to use Artemis, a proven off-the-shelf package from Artemis International, a worldwide provider of accountancy and management software.</i>
	Finances sought for procuring the software	<i>The consultant estimated the cost of procuring the Artemis software and related hardware and training at CHF 59,000. The secretariat asked the UK government for its assistance in procuring the software.</i>
March	UK Government donates the software	<i>The UK government kindly agreed to provide the software and hardware in the form of a gift to UNCTAD.</i>
	Installation of the system	<i>During March, the Artemis system was installed and tested, procedures and standards were defined, and administrators and all DMFAS staff were trained.</i>
April	DMFAS introduces the system	<i>As of 1 April, all staff of the DMFAS programme began using the Artemis software to record time in periodic timesheets on a trial basis. This was in accordance with the accountant's recommendations that a phased approach to the implementation should be adopted; that is, that the DMFAS programme would introduce it first, with the ASYCUDA programme introducing it later, having benefited from the DMFAS experience.</i>
May	ASYCUDA makes final preparations	<i>During May, the ASYCUDA programme made the final preparations for introducing the system, including training of staff. As foreseen, the lessons learned from the experience by the DMFAS programme were used to improve the system's usage, procedures and standards.</i>
June	ASYCUDA introduces the system	<i>As of 1 June, the staff of the ASYCUDA programme began to use the Artemis software to record time in periodic timesheets on a pilot basis.</i>

Annex 2**Summary of personnel expenditures of the DMFAS Central Team
(April-August 1999)**

<i>Area of expenditure</i>	<i>Expenditures in US\$</i>	<i>% of total expenditures</i>
1. Country-specific activities (aggregates)	183,574	21.07
<i>Project management</i>	87,012	9.99
<i>Needs assessment</i>	26,999	3.10
<i>System installation and updating</i>	24,776	2.84
<i>Training</i>	17,727	2.03
<i>Seminars and conferences</i>	27,060	3.11
<i>Country-specific software development^a</i>	0	0
<i>Country-specific software maintenance^a</i>	0	0
2. General maintenance support activities	309,989	35.57
<i>System maintenance</i>	158,438	18.18
<i>Helpdesk</i>	49,487	5.68
<i>System documentation - technical and operational</i>	32,404	3.72
<i>Training material and documentation</i>	2,693	0.31
<i>Seminars and conferences</i>	18,386	2.11
<i>Methodologies and standards</i>	48,581	5.58
3. System development	67,440	7.74
4. Research and development on debt management	15,622	1.79
5. Programme management	119,052	13.66
6. Information and liaison	20,320	2.33
7. Administrative support for programme personnel	119,547	13.72
8. Technical support for programme personnel	21,925	2.52
9. Training for programme personnel	13,907	1.60
Grand Total	871,376	100.00

^a No country-specific software development or country-specific software maintenance was undertaken during the period covered by the report. In line with current policy, the programme concentrated on activities related to the core DMFAS system, while providing the training and technical support necessary to enable local staff of requesting countries to undertake the country-specific software development and maintenance required by the country.