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ADVISORY COMMITTEE ON ADMINISTRATIVE
AND BUDGETARY QUESTIONS

REIMBURSEMENT RATES FOR SERVICES RENDERED TO THE
SPECIALIZED AGENCIES

(Report of the Secretary-General)

During the eighth session of the General Assembly the Fifth Committee requested the Secretary-General to review the situation with regard to reimbursement by the specialized agencies and other bodies for services and facilities provided by the European Office, and to submit a special report thereon for consideration by the Fifth Committee at the ninth session of the General Assembly.

A. Existing policy

1. The question of reimbursement rates was dealt with in the recommendations of the Advisory Committee in paragraphs 189, 190 and 227 of its Report on the 1948 Budget Estimates (document A/336) and paragraph 16 of its First Report of 1948 (document A/534), with which recommendations the Secretary-General was in agreement.

2. In the former report (August 1947) the Advisory Committee suggested that as the estimated relevant revenue (\$148,000 for 1948) appeared to be unduly low the Secretariat should make a careful re-examination "to see whether the charges made are appropriate having regard to overhead costs, though...meticulous cost accounting should be avoided". Preliminary suggestions were made by the Secretary-General in March 1948 to the Committee, which in the second report referred to (A/534) reaffirmed its previous views but amplified them, suggesting that:

- (i) relatively minor, isolated services might be provided free of rental or maintenance expenses, provided that no abnormal demands on staff and facilities were entailed;
- (ii) major conferences or continuing administrative arrangements should be paid for on the basis of "...a reasonable recovery of all additional expenses incurred on behalf of the...agency. It is agreed that, at Lake Success, these expenses will not normally include such overhead costs as will in any event be incurred whether or not facilities and services are supplied to specialized agencies. At Geneva, however, the normal establishment was based upon the assumption that a considerable proportion of the total workload would be attributable to specialized agencies. It appears equitable, therefore, to recover, without meticulous cost accounting, a substantial share of total costs, corresponding to this proportion of the total workload. The Committee draws the attention of the Administration and the agencies requiring services to the fact that such an arrangement will call for the payment of an appropriate share of overhead costs at Geneva together with a share of direct service costs and costs of supplies. Payment is also contemplated of an appropriate share of maintenance costs though not of rental".

3. This question of reimbursement for services rendered to the specialized agencies was further considered during the third (1948) session of the General Assembly, when the Joint Second and Third Committee and the Fifth Committee, meeting jointly, recommended, and the Assembly subsequently adopted, a resolution (210 (III) of 18 November 1948) including the following paragraph:

"Requests the Secretary-General to arrange with the specialized agencies for adequate reimbursement by the latter to the United Nations of expenditures connected with the offices and administrative services placed at their disposal."

It is worthy of note that the paragraph in question, as originally proposed to the joint meeting, contained the phrase "full reimbursement", and that this was rejected in favour of "adequate reimbursement" (A/C.2 and 3/SR.34 - A/C.5/SR.148). Comparison may also be made with the above-cited text (paragraph 2 (ii)) in which the Advisory Committee supports the principle of a "reasonable recovery" of all additional expenses.

4. Over the ensuing two years therefore rates were reviewed and prolonged negotiations undertaken with the main users of the services in order to arrive at equitable rates. As a result, revenue was raised to over \$300,000 a year, though the increase was due partly to increase in the amount of services provided as well as to increases in the rates. During the negotiations however, it became quite clear that the specialized agencies were not prepared to pay a full share of the total overhead costs at Geneva because they themselves were necessarily already bearing substantial overhead costs of their own which would not have been proportionately increased had the agencies set up their own additional services rather than use certain services of the United Nations. In other words the specialized agencies, quite properly from the constitutional point of view, are forced to weigh the rate which the United Nations may wish to charge for its services against the "extra cost" for which they themselves could add similar services to their already existing structure, and if the United Nations attempts to charge "full cost" this will be more than the "extra cost" for which the agencies themselves could provide the service. A simple example will illustrate the point.

The "full cost" of any United Nations service must include a proportionate part of the salary of the Director of the European Office and a proportionate part of the cost of the Administrative and Financial Services of that Office; but the agencies have their own Directors-General and their own Administrative and Financial Services, the cost of which would not be materially increased by the addition of, let us say, a printing service. To them therefore, the "extra cost" of adding a service will be less than the full cost of the United Nations service.

5. Insistence by the United Nations on the recovery of "full cost" in the literal cost-accounting sense would make it impossible to build up common services, the development of which has been constantly urged by the General Assembly. The Secretary-General has therefore had to maintain a balance between the desirability of increasing revenue and the need to develop common services: and this balance was sought by establishing the reimbursement rates at a level which recovers from the agencies

(a) the extra direct costs incurred by the United Nations in providing the services, plus

(b) that part of the overhead costs which the United Nations could be expected to save if the services were not provided.

6. On this basis, no Member State of the United Nations which is not a member of a specialized agency can be out of pocket as a result of the provision of services, while those Member States which belong both to the United Nations and the agency gain through use of common services.

7. The position was reported to the Advisory Committee in 1951 and, in rather more detail, in 1953. The Committee, in its Fifth Report of 1953 (document A/2501) commented that the arrangements for reimbursement had proved satisfactory in the past, but drew attention to the need for recovering, directly or indirectly, some part of the United Nations capital expenditure which is either partly attributable to or which benefits the agencies.

B. Relations between existing charges and the cost of the services provided

8. In paragraph 45 of its Fifth Report of 1953 (A/2501) the Advisory Committee quoted figures prepared by the European Office, to show the approximate distribution of the 1954 Budget Estimates of the European Office on a "project" (i.e. a cost-accounting) basis. The "costs" of the services to specialized agencies were shown as \$724,666 and it was largely because this figure was so much greater than the estimated revenue from the services (\$362,000) that the Fifth Committee requested the present review of the question. In order that the consideration of the review which follows may not be further confused by these figures, they are explained in more detail in Annex A.

C. Review of existing rates

9. Annex B attached analyses the revenue derived in 1953 from services to specialized agencies etc. by type of service provided, and shows that over 90 per cent of the revenue related to eight services - (i) provision of accommodation, and related "space services"; (ii) reproduction of documents; (iii) distribution of documents; (iv) printing services; (v) medical service; (vi) mailing service; (vii) loans of staff; (viii) sales of publications.

10. Annex C sets forth the method of calculation of existing charges for these eight services. It shows that extra direct costs are fully covered, so that any review aimed at seeing whether increases in rates should be suggested means in effect consideration whether the agencies should be asked to bear additional overhead costs or part of those direct costs which are not now included in the calculations on the grounds that the United Nations would have to bear them in any event, whether or not the agencies used the services.

11. It remains the view of the Secretary-General that so long as the rates of reimbursement are such that no Member State of the United Nations is involved in extra expense as the result of the provision of services by the United Nations to any specialized agency, then the overriding consideration in determining the rates should be the need to further the development of common services, since Member States who belong both to the United Nations and a specialized agency will thereby benefit. Accordingly, the charge for United Nations services must be reviewed not in relation to the full cost of the services but to (a) the extra cost of the services to the United Nations and (b) the extra cost at which an agency could establish similar independent services to be added to its already existing administrative structure.

12. Judged by these criteria, existing methods of calculation of charges are, in the opinion of the Secretary-General, substantially correct; and the charges themselves reasonable. Nevertheless, present rates in most cases are due to be re-examined in 1954 on the basis of 1953 experience, and it appears to the Secretary-General that it would not be inconsistent with the principles stated above to propose to the agencies that certain costs at present excluded from the calculation should be taken into account.

13. Principally these costs would be:

- (a) The cost of maintaining the grounds of the Palais des Nations. These costs should, in the opinion of the Secretary-General, be borne partly by the World Health Organization.
- (b) Depreciation charges on the furniture and fittings in the conference space used by the agencies.
- (c) Depreciation charges on the equipment operated by the Building Management Division in the maintenance of the building, for heating and air-conditioning.
- (d) Depreciation charges on shelving and equipment used by the Distribution Section.
- (e) Depreciation charges on cafeteria and restaurant furniture, fixtures and equipment.
- (f) The full cost (rather than 50 per cent of the cost) of overheads up to the level of Division chief.
- (g) The real costs of the Sales Section - that is, that the agencies should share in these costs pro rata to work done rather than on the basis of the arbitrary 15 per cent commission on sales receipts.
- (h) The extra costs of reproduction of documents occasioned by the frequently shorter "roll" and the sometimes special paper required by the agencies.

The Secretary-General would also propose that where new facilities - for example, an extension of the car parks or the bicycle shed - were provided, agencies should be asked to make a capital contribution towards the cost, or to pay an annual amortization charge, if they wished to share in the use of the facilities.

14. As at the date of preparation of this paper, it has not been possible to ascertain what effect these changes would have on reimbursement rates, but it is doubtful if revenue would be increased by more than a few per cent.

15. A further report will be made at the conclusion of the detailed re-examination of rates.

16. As an example of the direct relationship between reimbursement rates and the use of common services at Geneva, the Secretary-General wishes to bring to the notice of the Advisory Committee certain recent negotiations between the United Nations and the International Labour Organisation:

The meeting of the ILO Inland Transport Committee was held during February 1954 in the Salle du Conseil général of the Canton of Geneva.

Because of the number of participants (200), ILO was unable to use its own building, and negotiations had been entered into with the United Nations during December 1953 for the possible use of suitable accommodation in the Palais des Nations.

The comparative quotations were:

Palais des Nations (Room XII)	Sw. frs. 13,000
Salle du Conseil général	9,300

While it is true that the outside accommodation was considered by ILO to be "technically preferable", the lower cost was unquestionably an appreciable factor in the decision of ILO to go outside. That decision is of importance in relation to the existing reimbursement policy, and to the desirability of using the facilities of the Palais to capacity.

ANNEX A

Relation between existing charges and the full cost
of the services provided

1. The "full cost" of the services to specialized agencies was quoted by the Advisory Committee in paragraph 45 of A/2501 as \$724,666. That figure is however subject to the following reservations:
2. In the first place, as the Advisory Committee noted in paragraph 46 of its report, the figures were arrived at by applying to the 1954 budget figures the workload data of the last completed year, 1952, a year when the visiting conference programme at Geneva was abnormally light. No other course was feasible if arbitrary weighting of figures was to be avoided, since the data for other years would have been equally misleading (a reasonably correct figure could be obtained by analysis of 1953 expenditure on the basis of 1953 workload data, but a very great deal of time and effort would be required). The effect of the method chosen was however to understate the resultant cost of "visiting conferences" and overstate the other figures: for example, in 1952 specialized agencies took up 30 per cent of the work of the roneo services and visiting conferences 12 per cent, whereas in 1951 specialized agencies took up 23 per cent and visiting conferences 38 per cent.
3. In the second place, in the original cost analysis prepared by the European Office, the cost of services to agencies was shown as \$515,985 out of a total distributable cost of \$4,145,084. A further \$669,259 of the 1954 budget was regarded as "undistributable" since it related to items* which could not properly be spread over the other activities. During the course of the Committee's enquiry however the Committee asked if these "undistributable" costs could be distributed, if necessary (as was the case) on an arbitrary basis.

* The items concerned being the Office of the Director, Office of the Deputy Director, Registry, Control, Inventory and Stores Section; Administrative and Financial Services, Medical Service, maintenance of gardens and maintenance of "unoccupied buildings".

A distribution was therefore made by the European Office which however stated that (i) the distribution increased the already inevitable margin of error in the project figures and that (ii) the heavy additional charge (\$208,681) to "specialized agencies" in effect recognized the fact that the United Nations bore the basic cost of maintaining the Palais des Nations whether it was used or not, and that for example the Assembly Block had to be maintained for twelve months in order that the agencies could use it intensively for two months.

4. Ignoring for the moment this additional charge of \$208,681 in respect of "undistributable" costs (since it is an aspect of the general problem of overheads which is dealt with in paragraph 5 below) the position is that the costs of the services to the agencies were calculated by the European Office as \$515,985 gross, as compared with revenue estimated at \$362,000 net.

5. The figure \$515,985 gross corresponds to approximately \$440,000 net and even this figure is inflated as the result of applying 1952 workload figures to 1954 estimates. Moreover, this figure of \$440,000 itself includes a substantial element of overhead costs which would be incurred in any event, whether or not the agencies used United Nations services. For example, in the process of charging out the costs of the reproduction section, the latter section was first charged with a proportionate share of the costs of the purchase section which buys its paper and supplies; and the purchase section itself had first to be charged with its proportionate share of the cost of the Building Management Division which maintains its office accommodation. In fact, however, the size and cost of the purchase section are hardly affected by an agency user of United Nations reproduction facilities; the purchase orders placed would have to be placed in any event, and they would merely be smaller orders if there was no agency user (it is precisely this kind of factor which makes common services economical). Accordingly, overhead costs of this nature are ignored in the calculation of the reimbursement rates which are actually charged to the agencies, and it is this fact which explains why the amount of revenue is less than the "cost" of the services as shown by cost-accounting processes. At the same time, as shown in Annex C, the revenue does include some overheads, and it is considered that the existing rates recover more than the extra cost occasioned to the United Nations by the agency user.

ANNEX B

Analysis by service of revenue derived in 1953
from services to specialized agencies etc.

1. Provision of accommodation

Office accommodation in the Palais	\$ 149,078	
Conference space in the Palais	<u>21,973</u>	\$ 171,051

2. Reproduction of documents 56,475

3. Distribution of documents 32,000

4. Printing services 15,847

5. Joint medical service 22,027

6. Mailing service 11,500

7. Loans of staff 8,639

8. Sales of publications 5,224

\$ 322,763

All other services to specialized agencies:

Supplies issued	\$4,461;	Language courses	\$3,120;	
Freight and travel	3,840;	Offset printing	2,821;	
Loan of equipment	1,421;	Miscellaneous	1,075.	16,738

\$ 339,501

Rental of villas (mostly to delegations) 18,437

Revenue from other services (mainly Visitors' Service) 16,520

\$ 374,458

ANNEX C

Method of calculation of existing charges

1. Accommodation and related services

The facilities provided consist of the provision of:

"Space" - rooms in the conference are normally furnished, rooms elsewhere are in most cases furnished by the occupying agency itself;
Local telephone services;
Heat, light, power and water supply;
Cleaning and huissier service.

All these facilities are provided by or through the Building Management Division of the European Office. The calculation of present reimbursement rates was made in 1950, on the basis of the actual costs in 1949 of the following items:

all salaries and common staff costs of all the divisional staff below the Office of the Chief of the Division;
salaries of all temporary assistance used by the Division as leave replacements, reinforcements for conferences, etc.;
the cost of all public utilities and local telephone services;
the cost of laundry services and miscellaneous supplies;
the cost of all expenditure on maintenance of premises;
the cost of servicing the offices occupied by the Division itself;
50 per cent of the cost of the Office of the Chief of the Division.

No figure was included for rental proper (interest on capital) nor for depreciation (as distinct from current maintenance) of permanent equipment.

As regards the question of rental proper, it is to be noted (i) that since 1950 the WHO and United Nations have concluded an agreement* by which WHO occupy their offices for 99 years at a rental of 1 franc a year in consideration of the

* See Annex D which reproduces certain parts of this agreement.

fact that they have spent approximately \$1,000,000 in extending the Palais des Nations, the extension being United Nations property; (ii) the ILO contributed approximately \$250,000 towards the original construction costs of the Palais des Nations.

From the above costs were deducted:

- (a) the cost of maintaining the gardens and the cost of the guards on the outer gates. This deduction was made on the grounds that these costs would have to be borne by the United Nations even if agencies did not use the premises;
- (b) the cost of contractual maintenance of the four villas owned by the United Nations but leased under separate arrangements;
- (c) the cost of a typewriter-repairman borne on the strength of the Division but whose duties do not relate to accommodation facilities.

The second step was to allocate the resulting chargeable costs between (a) the Assembly Block and (b) the rest of the Palais des Nations. This step was necessary because of the two main users of space, ILO and WHO; the former uses only space in the Assembly Block while the latter used mainly space in the Secretariat Wing. Because of the intermittent use of the Assembly Block it is not possible to average out costs on an area basis without unduly weighting the costs of conference space. The allocation was made after taking technical advice, but even so was necessarily rather arbitrary.

The third and most difficult step was to allocate the above chargeable costs to the users of the services in a way acceptable to them.

As regards the Assembly Block

The Assembly building has to be maintained for the whole year in order that it can be used for a few months. Logically, the agencies might be expected to share pro rata in the total costs, since the building is in a sense maintained as much for their benefit as for that of the United Nations, the more so as it is doubtful if any building outside in Geneva is suitable for the ILO or WHO Assembly. The Assembly Hall itself indeed is used more by the agencies than by the United Nations. However, the fact is that if reimbursement rates for rooms

were raised to the level required to cover total costs over the whole year, the agencies would not use the space since other buildings are available in Geneva which can be rented at what are, in effect, "extra cost" rates.

Accordingly, in order to arrive at rates acceptable to the agencies, it is necessary for the United Nations to bear itself the maintenance costs of the Assembly Block during periods when it is not being used. As the result of a number of rather arbitrary assumptions it was estimated that of the estimated expenditure on the Assembly Block approximately \$20,000 a year represented fixed costs which would have to be incurred in any event: the principal items in this figure of \$20,000 were: one-quarter of the total cleaning costs; three-quarters of the costs of technical staff; three-quarters of the materials and maintenance costs; and one-quarter of the utilities costs. It was agreed that these fixed costs (approximately \$400 a week) would be borne by the United Nations except during periods of intensive use by an agency (such as the period of an ILO conference), when they would be charged to the agency in the form of a weekly fee additional to any other charges for the use of the space.

The balance of the expenditure on the Assembly Block, over and above this \$20,000 of fixed costs, was the amount due for "recovery" in respect of the use of conference rooms. The actual use of all rooms in 1949 was known, and charges "per room per day" were fixed in such a way that had all users (including the United Nations) paid those charges each time they had used a conference room then the expenditure would in fact have been recovered.

As regards Office Space outside the Assembly block

Under 30 per cent of this space represents offices as such: the rest consists of corridors, halls, library stacks, reading rooms, workshops, restaurants, etc. The agencies in general derive advantages or make use of only part of the ancillary space. The allocation of costs is therefore again a comparatively difficult exercise.

The method followed was first to analyse the total available space. It was found that:

- (a) 16,307 square metres was "working space" - i.e. offices, reading rooms, etc. - used on a continuous basis by the United Nations or an agency;
- (b) 14,821 square metres was "non-working space" - corridors, toilets, restaurants, workshops, Post Office, Bank, etc. - used by both the United Nations and the agencies;
- (c) 14,023 square metres was "non-working space" - mainly basements, library stacks, distribution stacks, - used by the United Nations alone (although agencies derived indirect benefit of some of it).

It is clear that the cost of servicing these three groups of space varies greatly, and in particular group (c) requires much less service than (a). Accordingly, a meticulous calculation was made of the cost of the service required by the space under (c), on the basis of detailed technical information on the staff and materials used in the sector concerned. This cost (approximately \$8,500) is borne by the United Nations. The remainder of the cost (approximately \$340,500) is shared by occupiers in the ratio of "working space" occupied by them. In this way, the costs of "non-working" space which is shared by the United Nations and the agencies is itself shared but the need for separate costing of this space is avoided.

For convenience, the resulting charge was expressed as a charge (\$20.90) per square metre of working space occupied. This charge was applied first in respect of the years 1949 and 1950. It was agreed that in principle each year's charge should be based on the previous year's ascertained costs, calculated as described above, but as the Palais des Nations was then in the course of being extended it was further agreed that the next detailed costing should be deferred until after one completed year's experience in the extended building. For the interim period it was agreed that to take account of the natural growth of salaries through increments, etc., the original charge of \$20.90 should be increased to \$21.10 for 1951 and \$21.30 for 1952. Delay in completion of the new wing led to a further temporary arrangement by which the rate of \$21.30 was continued for 1953. A new costing is now being made on the basis of 1953 experience.

2. Reproduction of documents (Mimeograph)

The service provided consists of the mimeographing, normally on paper provided by the United Nations, of documents which have been stencilled by the agency. The completed documents may be delivered in bulk to the agency, but more usually are sent to the United Nations Distribution Section for distribution, a separate charge being made for this service.

The charge is a charge "per 1,000 impressions" run off, and each year's charge is in principle the actual cost per 1,000 impressions in the previous year. Over a period of three years, however (1949-51) it was found that the variations in costs of labour and materials other than paper per 1,000 were very small, and to avoid the work of full recalculation it was agreed that until further notice the charge would be 8.80 francs per 1,000 plus the average cost of paper in the previous year.

The charge covers the following elements:

Direct costs

Net salaries and allowances of all the regular roneo staff in the section (including supervisor)

Cost of all temporary assistance used by the section

Cost of all materials used, based on detailed records

Overheads

40 per cent of the net salaries and allowances of the Division Chief (who is also responsible for Registry, Distribution and Mailing Sections: 40 per cent corresponds to the proportion of divisional staff in the mimeograph section)

Depreciation of machines (20 per cent per annum)

Cost of servicing (at \$21.10 per M.2) the office space occupied by the Section, plus the cost of cleaning the repair shops and storage space.

This total cost is divided by the total number of impressions run to obtain the average cost per 1,000. This method of division by the total quantity ignores the effect which the "length of the roll" (i.e. the number of copies of a given document) has on output per head. Since the length of roll of agency

documents is generally less than that of United Nations documents, it is virtually certain that the cost per 1,000 impressions for their documents is greater than that for United Nations documents. Extra clerical staff would however be required to charge out each job separately.

3. Distribution of documents

The service provided includes:

- (a) certain registration work in the Documents Control Section: the work required here on agency documents is substantially less than the work required for United Nations documents, since necessarily the agencies maintain a large part of the records etc. themselves;
- (b) preparation of mailing lists (addressograph plates etc.);
- (c) receipt of roneoed and printed documents into store rooms, together with the relative work of labelling pigeon holes etc.; storing the documents; putting the requisite number of documents into envelopes for distribution; storing the remainder until such time as needed; dealing with casual requests for odd copies for delegates or secretariat, etc.

It is extremely difficult to find a unit of charge, except a man-hour rate which would require detailed costing on the basis of time sheets kept almost in minutes of every employee, which accurately reflects the costs incurred. The basis finally adopted was a charge "per 1,000 copies distributed". This has the merit of simplicity in application, but it does not in fact truly reflect the incidence costs. Experience shows, for example, that during conference periods a 10 per cent increase in the strength of the Distribution Section (by temporary assistance) will enable it to deal with a 100 per cent increase in the number of documents distributed as compared with a non-conference period, and the result is that the overall "cost per 1,000" is liable to fluctuate greatly from year to year solely as the result of the volume of conference activities. For budgeting purposes both of the agencies and the United Nations it was thought desirable to have a reimbursement rate which was stable and which reflected what might be regarded as a typical year rather than a particular year. Accordingly, while

the cost per 1,000 was worked out accurately for the years 1950-51, a fixed rate was then agreed for the years 1952 and 1953. This rate is now being reviewed in the light of 1953 experience, when the conference programme approximated to what may be expected under the standard pattern of conferences.

The charge covers the following elements:

Net Salaries and Common Staff costs of:

- (a) the whole Distribution Section, including the supervisor
- (b) one-third of the Documents Control Section (a)

Net Salaries of temporary assistance used by the Section

Cost of servicing the office space occupied by the section

(431.72 M.2 at \$21.10)

Cleaning of storage space

50 per cent of that part of the net salary and common staff costs
of Office of the Chief of Division which related to
Distribution Section (b)

The total cost so arrived at is divided by the number of copies of documents distributed in the year, giving an average cost of approximately \$15 per 1,000.

4. Printing services

The service provided consists of:

- (a) Receipt of manuscript and preparation of copy for printing.

Material received from agencies is normally in a more finished state than material from United Nations sections - that is, less work is required for copy preparation.

- (b) Negotiation of contracts for printing - the contracts are to some extent the same contracts that United Nations itself makes for its own work - and putting out the particular jobs to contractors. Purchase of paper and issue to the contractor is carried out by the Supply Division on instructions from the Printing Division.

(a) One-third only was included on account of the lesser work involved on agency documents.

(b) 50 per cent only was included on the grounds that most of their overheads would be incurred in any event.

(c) Proofreading, though in some cases some proofreading is done in the agencies.

(d) Checking of invoices from contractors (by the costing clerk in the Printing Section). The invoices are then passed to the agency for payment.

Calculation of charges

Not only does the size of "a page" of copy vary, but for pages of the same size the amount of work required varies widely. The only accurate basis for charging for work done is "man hours of work". Such a basis presents much less difficulty than it would in the case of say the Distribution service, since the proofreading staff work on "jobs" for considerable stretches of time.

The number of man hours is derived from job-cards kept by all members of the staff except the Division chief and his secretary, on orthodox cost-accounting lines, and the rate per man hour is calculated from the following element:

Net salaries and common staff costs of proofreaders, copy holders and costing clerks.

Cost of servicing the office accommodation occupied by the Printing Section (136 M.2 at \$21.10).

50 per cent of the net salaries and common staff costs of the Division head and his secretary.

The total cost is then divided by the total number of man-hours available from the staff who keep job-cards to give the average rate per man hour. The resulting charge was applied in 1952 and 1953. For 1954, to allow for the natural growth of salaries through increments etc., while avoiding the labour of recosting, a slight increase was agreed upon.

As in the case of other services, only 50 per cent of the cost of the office of the Division head was included because these costs would to a large extent have to be borne by the United Nations even if the agencies did not use the service.

5. Joint Medical Service

The Joint Medical Service differs in nature from the other common services at Geneva in that instead of being a United Nations Service which is used by the agencies it is a joint service set up in agreement with the agencies, with joint control at the administrative level over its budget. The Medical Officer is moreover, as regards the medical aspects of his work, separately responsible to the head of each participating organization.

There is no "unit of work" to which a reimbursement rate could be related, and it is impossible precisely to determine the proportion of the total time of the service devoted to each agency. For this reason there is no point in exact costing, and it was agreed that the costs to be shared would be limited to:

Net salaries and common staff costs of the staff.

Salaries of temporary assistance used on leave replacements etc.

Costs of supplies (X-ray films, medicaments etc.).

Travel expenses (mileage allowances for local visits).

The cost of servicing the space in the Palais occupied by the Service, and the cost of capital equipment (with the exception of one or two items) is borne by the United Nations: the cost of servicing the space occupied by the clinic in the ILO building is similarly borne by the ILO.

It was agreed with the agencies that the most important factor in determining the amounts to be reimbursed was the number of staff in each organization in Geneva (approximate figures being UN 750; ILO 660; WHO 450; ITU 190; WMO 30; ICITO 30). The ratio given by these figures however needed to be weighted to take account of:

(a) the much greater employment by the United Nations of temporary conference staff;

(b) the work relating the WHO Regional offices;

(c) the work relating to Technical Assistance experts.

None of these additional factors could be accurately assessed, but it was agreed that having regard to all the circumstances the following ratio would be as reasonable a basis as could be devised for sharing the expenditure referred to above:

United Nations - 33 per cent;

ITU - 5 per cent;

ILO - 30 per cent;

WMO - 1 per cent;

WHO - 30 per cent;

ICITO - 1 per cent.

6. Mailing service

The service provided consists of:

- (a) acceptance, in addressed envelopes, for despatch, of agency documents and correspondence;
- (b) weighing (where necessary) and stamping or franking of the envelopes, and maintenance of the related postage imprest accounts;
- (c) listing despatches and recording expenditure incurred on behalf of the various organizations.

Once again, the only accurate basis for reimbursement would be a charge "per man hour", but it is impracticable to keep the records which would be needed under such a system. It was therefore agreed that the cost of the mailing section should be shared pro rata to the annual expenditure on postage by the section in respect of each organization. The postage itself is borne by the organization concerned.

The cost of the mailing section to be shared is regarded as:

Net salaries and common staff costs of the whole mailing section,
including the chief clerk.

Cost of servicing space occupied by the section.

7. Loans of staff

Generally speaking, staff are loaned to agencies only when they are not for the time being required for United Nations purposes, the most frequent case being that of interpreters.

The salary and common staff cost of a regular United Nations staff member are normally more than the amount for which temporary assistance can be engaged locally, if available, for comparable functions, though semi-local temporary assistance would normally cost more than regular staff.

From a budgetary point of view, therefore, specialized agencies would have an incentive to recruit local temporary assistance rather than utilize United Nations staff were the charge for the latter based on actual salary and allowances. To avoid this possibility, the Administrative Committee on Co-ordination agreed that reimbursement rate for inter-organization loan of staff should equal the rate of pay for corresponding local temporary assistance. This

system appears to work well: it involves the United Nations in no loss, since, even if loaned staff do have to be replaced through unforeseen circumstances, the United Nations can generally recruit temporary assistance at no greater cost than the amount it is receiving for the loan of its regular official.

8. Sales of publications

The services provided consist of:

- (a) supplying (through the Distribution Service) initial stocks of agency publications to United Nations sales agents;
- (b) receiving and dealing with orders from sales agents for additional stocks;
- (c) invoicing stocks issued; receiving and accounting for remittances from dealers; maintenance of dealers' accounts and reconciliation of these accounts with dealers' reports of stocks held.

Normally, 40 per cent of the sales price of any publication is taken by the retailer: the balance represents the price paid by the retailer to the Sales Section.

Initially, in 1947, the United Nations offered to handle specialized agency sales for a commission of 15 per cent of the price paid by the retailers. This commission, which was fixed arbitrarily in the absence of experience, represents 9 per cent of the sales price of the document, so that under this arrangement the agency would receive 51 per cent of the price paid by the public, the retailer 40 per cent and the United Nations 9 per cent.

The cost of the Sales Section is not proportional to the amount of receipts for sales: it is more nearly proportional to the volume of work dealt with in terms of numbers of invoices and letters, though, even there, there is no direct relationship as the following figures show:

	<u>No. of invoices etc.</u>	<u>No. of staff</u>	<u>Cost of section</u>	<u>Receipts</u>		
				<u>United Nations</u>	<u>Agency</u>	<u>Total</u>
1950	17,582	6	\$23,500	\$44,100	\$31,114	\$75,214
1951	22,386	7	27,500	48,865	23,050	71,915
1952	27,285	7	29,000	75,511	29,416	104,927

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Approximately 30 per cent of the invoices and letters dealt with related to agency work. It is clear from the figures that the 15 per cent commission paid by the agencies represents only about a half of the cost of the work involved, whether judged by the proportion of receipts or the proportion of invoices etc., though there is probably less difference between the commission and the extra cost to the United Nations. When some years ago it was suggested to the agencies who use the service that they should pay not a 15 per cent commission but a proportionate share of the cost of the Section, they indicated that they would prefer to set up their own services rather than pay higher charges, and the matter could only have been pressed at the risk of breaking up the common service. Experience may now have convinced the agencies which use the United Nations service that the cost of selling official publications is relatively high, and that to set up an independent sales section might be more costly than a proportionate share of the United Nations section.

ANNEX D

Obligations of the United Nations under the Agreement
Concerning Premises of 10 February 1950, regarding the
provision of certain services to the WHO

Article VIII - Use of Assembly Hall and other conference rooms

The WHO shall have the right to use the Assembly Hall, the Council Chamber and all other rooms in the Palais intended for meetings for such periods and on such terms and conditions as shall be agreed upon from time to time between the parties hereto.

Article IX - Use of the Library

1. The WHO shall be entitled to use the Library of the United Nations in Geneva under the same conditions as other specialized agencies in accordance with the terms of the resolution adopted by the Economic and Social Council on 6 July 1949 (Resolution 260 (IX)).
2. In addition, the United Nations shall, insofar as its own requirements permit, make available to the WHO storage space in the Library for such parts of the WHO's own library collections, books and periodicals as are not in current use. Such collections, books and periodicals shall be under the care of the WHO library staff which shall observe the rules established by the United Nations for the security and proper use of the Library premises.

Article XII - Management and maintenance

1. The United Nations shall be solely responsible for the management and maintenance of the Palais together with its annexes and grounds including those parts of the building housing the various services of the headquarters of the WHO.
2. Without restricting the generality of the provisions of paragraph 1 of this article, the United Nations shall in pursuance of the terms of paragraph 1 furnish the WHO with such utilities (e.g. gas, electricity, heating, hot and cold water, telephones) as will assure the WHO the normal enjoyment of the premises forming the subject of this Agreement.

3. The United Nations shall provide suitable insurance coverage against all normal risks incidental to the occupation of the Palais by the United Nations and the WHO. Without restricting the generality of the foregoing such risks shall include fire, theft and damage by water.

4. Subject to the provisions of article XIV the costs involved in furnishing any of the items or services specified in this article shall be borne by the WHO on a proportionate basis under the terms of a separate agreement to be worked out between the parties.

Article XIII - Other conference and general services

1. The United Nations shall, in order to avoid any duplication, place at the disposal of the WHO all conference and general services not heretofore provided for under the terms of this Agreement which are already in operation or which might be later installed in the Palais.

2. The United Nations shall be solely responsible for the administration of the services referred to in paragraph 1 of this article.

3. The services provided for in paragraph 1 of this article shall be available to the WHO on the basis of equality of treatment with the United Nations.

4. The WHO shall, in addition, have the right to utilize all services of a public nature installed in the Palais, including, without restricting the generality of the foregoing, the Post Office, the Bank, the restaurant and its annexes.

5. The expenses arising out of furnishing the services referred to in the preceding paragraphs of this article shall be borne proportionately by the WHO under terms to be fixed under separate agreement between the parties hereto.

6. Should the United Nations in agreement with the WHO wish to utilize any particular service provided by the WHO, the provisions of the present article shall apply, mutatis mutandis, to the parties.

Article XIV - Repairs

1. Repairs to the Palais including those parts occupied by the WHO shall be executed by the United Nations. Minor repairs to the premises necessary to ensure normal use shall be at the expense of the WHO, while major repairs shall be at the expense of the United Nations, in accordance with local usage.

2. In the event of any cost being incurred due to the negligence of wilful act of either party, such cost shall be borne entirely by the party responsible.

Article XV - Interior modifications

Any interior modification desired by the WHO shall be carried out only after agreement with the United Nations. Furthermore, any such modification shall only be carried out by the United Nations and at the expense of the WHO.

Article XVI - Right of access to premises

All persons in the service of the WHO or having official business with it shall have right of access to the premises forming the subject of this Agreement and the grounds of the Palais. All such persons shall also have the right to park their vehicles (motorcars, motorcycles, bicycles) on the sites reserved for this purpose under the same conditions as those affecting persons having official business with the United Nations.

Article XVII - Movable property of WHO

1. The WHO shall furnish the premises which it occupies.
2. All movable property acquired by the WHO shall remain under its exclusive ownership, whether obtained gratuitously or subject to consideration, including books, collections, library periodicals, office equipment and furniture other than fixtures.
3. All furniture, office equipment and objects made available gratuitously to the WHO by the United Nations, shall be described in a detailed inventory drawn up and signed by the parties. The said furniture, office equipment and other objects shall be returned on demand to the United Nations. In such case the WHO shall be given reasonable notice.

Article XVIII - Continuance of services

Should the United Nations be compelled to discontinue the maintenance of the buildings or the operation of the services mentioned in article XII, XIII and XIV of this Agreement the WHO shall have the right to undertake such maintenance and operation insofar as its own requirements shall dictate.

Article XIX - Arbitration

1. Any dispute which may arise with regard to the execution or interpretation of the present Agreement shall be referred to a board of arbitrators composed of three members.