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GOVERNING COUNCIL
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Draft decision

AGENCY SUPPORT COSTS

The Governing Council,

Recalling the provisions of its decision 80/44 on agency support costs,

Having considered the report of the Administrator prepared pursuant to that decision contained in document DP/556 and addenda,

Reiterating its recommendation in decision 80/44 to agencies to review their operational support systems, working methods, arrangements and staffing with a view to bringing about significant reductions in over-all support costs,

1. Decides that the support cost reimbursement arrangements being applied at present for capital assistance and technical co-operation activities financed from resources of the United Nations Capital Development Fund and the United Nations Sudano-Sahelian Office shall continue pending completion of further consultations between the Administrator and the agencies on a support cost reimbursement formula reflecting the particular support requirements of capital assistance, bearing in mind the desirability of such a formula reflecting previously agreed principles including, inter alia, simplicity and universality of application, as well as the principle set out in paragraph 2 (d) of decision 80/44, which provides that where actual support costs can be identified no reimbursement in excess of actual costs shall take place;

2. Requests the Administrator to submit appropriate proposals related to operative paragraph 1 above to the twenty-ninth session of the Governing Council;

3. Decides that only autonomous organizations within the United Nations system shall be eligible for support cost flexibility arrangements;

4. Approves support cost flexibility arrangements for eligible executing agencies whose levels of annual delivery do not exceed \$15 million, according to the following scale:

(a) Delivery level of \$5 million or less: reimbursement of support costs provided that the total reimbursement to the agency, consisting of 13 per cent of delivery plus the amount granted under flexibility arrangements, does not exceed 22 per cent of delivery;

(b) Delivery level between \$5 and \$10 million: reimbursement of support costs provided that the total reimbursement to the agency, as defined in (a) above, does not exceed 19 per cent of delivery;

(c) Delivery level between \$10 and \$15 million: reimbursement of support costs provided that the total reimbursement to the agency, as defined in (a) above, shall decrease by 1 per cent of delivery, from 18 per cent to 13 per cent for every increase of \$1 million in delivery from \$10 million to \$15 million;

The Administrator shall ensure that at no time would an executing agency receive less in total reimbursement for delivering a higher programme level than it received for delivering a lower programme level;

5. Decides that in respect of currency exchange fluctuations dealt with in paragraph 2 (e) of its decision 80/44, the following guidelines and procedures shall apply:

(a) In cases of particular hardship, executing agencies which are organizations within the United Nations system and not eligible for support cost flexibility arrangements may submit to the Governing Council, through the Administrator, requests for compensation for losses sustained in respect of support cost reimbursements as a result of currency fluctuations. Such requests will be considered only in those cases where the average annual currency exchange rate of an agency's headquarters location has appreciated by at least 11 per cent vis-à-vis the United States dollar between one year and the next and provided that the total support cost reimbursement to an agency does not exceed 14 per cent of its United Nations Development Programme project delivery for the year in question;

(b) Executing agencies which are organizations within the United Nations system and not eligible for support cost flexibility arrangements shall return to UNDP all gains realized in respect of support cost reimbursement resulting from currency fluctuations when the average annual currency exchange rate of an agency's headquarters location depreciates by more than 11 per cent vis-à-vis the United States dollar between one year and the next unless the agency concerned can demonstrate to the Governing Council, by data submitted through the Administrator, that its actual support costs for the year in question exceed 13 per cent of its UNDP project delivery and provided that as a result of the gains returned to UNDP the total support cost reimbursement to an agency does not fall below 12 per cent of its UNDP project delivery for the year in question;

(c) The minimum 11 per cent fluctuations in annual currency exchange rates quoted in (a) and (b) above shall not be cumulative from year to year; each current year shall constitute the base against which the next year's average annual exchange rate is compared (i.e. a rolling base);

(d) Paragraphs (a) and (b) above shall take effect as from 1 January 1982 with 1981 serving as the base year for the calculation of 1982 exchange rate fluctuations, it being understood that, where an executing agency has not availed itself of the provisions of paragraph (a) above, those of paragraph (b) will not apply;

6. Decides to review the provisions of operative paragraph 5 above at its thirty-first session;

7. Approves reimbursement of support costs to the Office for Projects Execution and the United Nations Volunteers in respect of its executing agency functions at the same rates as those in effect for other executing agencies within the limits set forth in paragraph (d) of decision 80/44 which provides that no agency shall be reimbursed in excess of the actual support costs associated with the execution of projects funded by UNDP;

8. Urges the Administrator and the agencies to continue their efforts to develop a suitable format for ex post facto reporting to the Governing Council on agency support costs, providing such information as mentioned in paragraph 2 (g) of decision 80/44 and to report thereon to the Governing Council at its twenty-ninth session;

9. Takes note of the report of the Administrator on support cost flexibility arrangements for smaller agencies (DP/556/Add.2) and the views and comments thereon;

10. Authorizes the Administrator to treat the request of the World Meteorological Organization for flexibility reimbursement in respect of 1981 delivery on the basis of criteria for support cost flexibility reimbursement for 1982 onwards.
