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GOVERNING COUNCIL
INTERGOVERNMENTAL WORKING GROUP ON SUPPORT COSTS
Fourth Session
June 1979

AGENCY SUPPORT COSTS

Draft decision of the Working Group

The intergovernmental Working Group on Support Costs

Recalling its decision of 9 June 1978 in which it outlined the criteria and guidelines on the basis of which the Administrator was requested to recommend a modified formula, in consultation with the Executing Agencies, for reimbursement of support costs; recalling further that in that decision the Working Group had specifically underlined the importance of adjustments to take account of economies of scale, nature and component mix of projects and method of execution,

Having reviewed, with appreciation, the report of the Administrator (DP/WGOC/25 and Corr.1) and the comments thereon by the Advisory Committee on Administrative and Budgetary Questions (A/33/7/Add.21) and the Joint Inspection Unit (DP/WGOC/26), and the additional information received from the Agencies (DP/WGOC/28, Corr.1, and Add.1, 2, and 3),

Taking into account the comments, observations and suggestions made during the discussion of this question,

Having continued the examination of this question bearing in mind the terms of reference and criteria laid down by the Governing Council in its decision establishing the Working Group at its 588th meeting on 29 June 1977, in which reference was made, inter alia, to the question of the reduction of overhead costs with the purpose of achieving an over-all reduction in programme support costs,

Recalling the statements in its decision of 9 June 1978 that over-all programme and project support costs have reached significantly large levels, that any new reimbursement formula should provide an incentive to review and reduce over-all support costs and that any UNDP funds released by a reduction of support costs would be fully available for additional programmes in developing countries through a corresponding increase in resources available for IPF's,

Believing that any reduction in UNDP reimbursement of support costs cannot be regarded as automatically calling for an increase from other sources of funds or as a mere redistribution of costs among different sources,

Noting at the same time that the several organizations have not provided or are not in a position, under present organizational and accounting arrangements and procedures, to provide specific information on identified support cost elements or comparable cost data relating to them,

Considering, therefore, that the Working Group does not have adequate information on the costs of administering technical co-operation activities in the United Nations system to enable it to make a recommendation at its June 1979 session of a long-term solution acceptable to all parties concerned,

Convinced that efforts should be continued to seek ways and means of instituting adequate arrangements and systems in the organizations designed to generate cost data which would give a clear picture of the support costs arising in respect of technical co-operation activities, with a view to the over-all reductions of these costs,

1. Considers that a limited study should be commissioned, to be undertaken by an independent consultant, to be appointed by the Administrator, to provide the Working Group with the information and other elements it requires to enable it to recommend long-term arrangements for the reimbursement of Agency support costs associated with the administration of technical co-operation activities of the United Nations system, with a view to bringing about an over-all true reduction in such costs including the part met by Agency regular budgets. The considerations which should be borne in mind in undertaking the study and the terms of reference for it are contained in the Annex to this decision. The study should be submitted to the Working Group, through the Administrator of the UNDP, by 1 March 1980 in order to permit the members of the Working Group to study its contents prior to the twenty-seventh session of the Governing Council in June 1980;

2. Expresses the hope that a recommendation for long-term arrangements and for any interim period after 1981 if necessary for the reimbursement of support costs with respect to technical co-operation activities will be formulated in June 1980 in the light of the findings and conclusions of the study;

3. Considers that the costs related to support services warrant greater inter-governmental scrutiny and that the Economic and Social Council should be invited to request the Agencies to consider the possibility of bringing together in an annex to their budget documents information on their technical co-operation programmes and the related support costs financed from different sources based on agreed definitions of the elements to be included in support costs;

4. Requests the Governing Council to invite the Executing Agencies to consider the feasibility of advising the recipient governments of the projected utilization of the support costs reimbursed by UNDP or, to the extent applicable, covered from the Agency's regular budget corresponding to the total UNDP-financed projects being executed by the Agency in a national programme;

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5. Considers further that, in the meantime, the existing arrangements which have been authorized until the end of 1979 should be continued until the end of 1981;

6. Decides in view of the foregoing that the Governing Council should be requested to authorize the continuation of the Working Group until the end of the twenty-seventh session of the Governing Council in June 1980;

7. Recommends that the Governing Council adopt the following decision:

The Governing Council,

Having considered the report of the intergovernmental Working Group on Support Costs (),

Taking account of the comments and observations made during the discussion of this item,

1. Takes note of the decision adopted by the Working Group at its current (June 1979) session;

2. Approves the commissioning of the limited study by an independent consultant as recommended by the Working Group as well as its proposed terms of reference and timetable, as contained in the decision of the Working Group and the Annex thereto;

3. Invites the Economic and Social Council to request the Agencies to consider the possibility of bringing together in an Annex to their budget documents information on their technical co-operation programmes and the related support costs financed from differing sources based on agreed definitions of the elements to be included in support costs;

4. Invites the Executing Agencies to consider the feasibility of advising the recipient governments of the projected utilization of the support costs reimbursed by UNDP or, to the extent applicable, covered from the Agency's regular budget corresponding to the total UNDP-financed projects being executed by the Agency in a national programme;

5. Decides that, in the meantime, the existing arrangements for reimbursement of Agency support costs which have been authorized until the end of 1979 should be continued until the end of 1981;

6. Decides to continue the Working Group until the close of the twenty-seventh session of the Council (June 1980).

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Annex to the Decision of the Working Group

Terms of reference

1. The objective of the study, which will be carried out in full co-operation with the Executing Agencies and the UNDP, will be to provide the Working Group with the information on the cost of administering technical co-operation activities and other elements it requires to enable it to recommend long-term arrangements for meeting support costs associated with the administration of United Nations technical co-operation programmes with a view to bringing about an over-all reduction in such costs.
2. The study should keep in view the mandate given to the Working Group by the Governing Council in its decision of June 1977 (E/6013, para. 348).
3. The study should be based on a clear definition of the elements of costs to be included in support costs along the lines of the criteria for such definition as outlined by the Joint Inspection Unit in paragraphs 10-11 of its Note (DP/WGOC/1) and endorsed by the Working Group and accepted by the Administrative Committee on Co-ordination (DP/WGOC/22, para. 17).
4. The study should also address:
 - (a) the elements included under paragraph II, 3(b) of the Annex in document DP/WGOC/27, the suggestions contained in the Administrator's report (DP/WGOC/25), and the comments of the Agencies in document DP/WGOC/28, and Corr.1 and Addenda 1, 2 and 3;
 - (b) the feasibility of the proposal contained in the document DP/GC/XXVI/WGOC/CRP.2 and its impact on the budgets of the Agencies;
 - (c) ways and means of instituting adequate arrangements and accounting systems in the Executing Agencies designed to generate cost data which would give a clear picture of actual support costs in respect of technical co-operation activities.
5. The limited nature of the study should not preclude the submission of any conclusions that the consultant may wish to submit within the framework of this mandate.

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