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GOVERNING COUNCIL
INTERGOVERNMENTAL WORKING GROUP ON OVERHEAD COSTS
First Meeting
January 1978

AGENCY OVERHEAD COSTS

Note by the Administrator

1. The intergovernmental Working Group on Overhead Costs, established by the Governing Council of the United Nations Development Programme at its twenty-fourth session, will convene on 16 and 17 January 1978 in New York at United Nations Headquarters. The Group could continue to meet during the remaining part of the week, as needed, at the same time as the Governing Council which convenes on 18 January.

Terms of reference

2. The terms of reference of the intergovernmental Working Group are contained in paragraph 3 of the attached decision of the Council, establishing the Group.

Membership

3. In accordance with the decision of the Council, the Group is "open to participation by all members of the Council, as well as observers" and "the Administrator of UNDP and the heads of the Executing Agencies or their representatives are invited to participate actively in the work of the Group" (paragraph 1). The Administrator and the Executive heads of the Agencies were also requested to "render all necessary assistance to the Group in its task" (paragraph 4).

Documentation

4. The deliberations of the Council leading to its decision to establish the Group are contained in the report of the Governing Council on its twenty-fourth session (E/6013/Rev.1, paragraphs 324 to 347). The Council had before it, at that time, a report of the Administrator on agency overhead costs (DP/259 and Add.2); a note on the views of the Inter-Agency Consultative Board (DP/259/Add.1); and the comments of the Advisory Committee on Administrative and Budgetary Questions, (DP/284).

5. The Council invited the United Nations Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions, the Joint Inspection Unit as well as the Administrator and the Executing Agencies to submit "an expression of their views on the question of overheads including, inter alia, a clear definition of the term "overhead" and the cost elements involved as a starting basis for the work of the Group." The comments received from the Joint Inspection Unit and the Board of Auditors are reproduced in documents DP/WGOC/1 and 8, respectively. The views received from the Executing Agencies are contained in the following documents: DP/WGOC/2 (ICAO); DP/WGOC/3 (WHO); DP/WGOC/4 (UNIDO); DP/WGOC/5 (FAO); DP/WGOC/6 (WMO); DP/WGOC/7 (World Bank); DP/WGOC/9 (ILO); DP/WGOC/10 (ACABQ). Comments from other organizations will be reproduced as and when received.

Meetings and reports

6. In accordance with the Council's decision, the Group is to "work during sessions [of the Council] and only if necessary between sessions" (paragraph 1 of the attached decision). As regards reporting requirements, the Group is to "report back to the Governing Council at its session in June 1979, with an interim report at the session in June 1978" (paragraph 5).

Extract from a decision adopted by the Governing Council of UNDP
at its 588th meeting on 29 June 1977

The Governing Council,

Having considered the Administrator's report in documents DP/259 and Add.2, the views of the Inter-Agency Consultative Board as contained in document DP/259/Add.1 and the related report of the Advisory Committee on Administrative and Budgetary Questions in document DP/284,

Taking account of the statements made and views expressed during the discussion of this item in the Budgetary and Finance Committee,

Recognizing that this question has broader aspects of a policy nature going beyond purely financial considerations and that a long-term solution must be sought through a consensus of Governments, based not only on sound technical factors but also on broader **considerations of policy.**

1. Decides to establish an Intergovernmental Working Group on Overhead Costs, to work during sessions and only if necessary between sessions, open to participation by all members of the Council as well as observers, at no additional cost to the approved budget of UNDP; invites the Administrator of UNDP and the heads of the Executing Agencies or their representatives to participate actively in the work of the Group;

2. Invites the United Nations Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions and the Joint Inspection Unit, the Administrator and Executing Agencies to submit through the Administrator of UNDP to the President of the Governing Council for submission to the Working Group an expression of their views on the question of overheads including inter alia a clearer definition of the term "overheads" and the cost elements involved as a starting basis for the work of the Group;

3. Requests the Working Group to meet as required and examine comprehensively all aspects of this question in the light of the documents provided to the Council and the statements made and views expressed during the discussion of this item in the Budgetary and Finance Committee at the twenty-fourth session, including the question of reduction of overhead costs with the purpose of achieving an over-all reduction in programme support costs in United Nations technical co-operation programmes and to recommend a long-term system for meeting overhead costs which, while being consistent with the following requirements, would also take into account relationships with the assessed budgets and programmes of work of the Executing Agencies:

(a) Any system should include a clear and detailed enumeration of the expenditures involved in the term "overheads", and should reflect clearly the identifiable additional costs of administrative and technical support provided to technical co-operation programmes;

(b) It should be so designed as to provide an incentive to all parties concerned to minimize overhead costs;

(c) It should include adequate flexibility to take account of the special situation of the different agencies;

(d) It should reflect the fact that support for technical co-operation activities has increasingly become a function of the agencies, as well as the principle of full partnership between UNDP and the agencies in accordance with the Consensus of 1970;

(e) It should be easy to understand, simple to operate and be applicable to all forms of technical co-operation activities in the United Nations system, including all types of cost sharing where necessary support costs of the Executing Agencies as well as UNDP have to be covered;

4. Requests the Administrator of UNDP and the Executive Heads of the agencies to render all necessary assistance to the Working Group in its task;

5. Requests the Working Group to report back to the Governing Council at its session in June 1979, with an interim report at the session in June 1978;

6. Decides that, in the meantime, the present arrangements for reimbursement at 14 per cent of project expenditures, together with the existing flexibility arrangements for the smaller agencies, will continue for the years 1978 and 1979 and, if after this period no final decision is taken on the basis of recommendations of the Working Group, the present percentage shall be reviewed; further decides that cases of particular hardship due primarily to currency exchange fluctuation and heavy programme reduction should be dealt with on an ad hoc basis;

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