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GOVERNING COUNCIL
INTERGOVERNMENTAL WORKING GROUP ON OVERHEAD COSTS
First Meeting
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AGENCY OVERHEAD COSTS

Views of the United Nations Educational, Scientific and Cultural Organization

Note by the Administrator

At the request of the President of the Governing Council, the Administrator transmits herewith to the intergovernmental Working Group on Overhead Costs the text of a letter dated 29 December 1977 from the Assistant Director-General of the United Nations Educational, Scientific and Cultural Organization (UNESCO), containing views on the subject of Overhead Costs.

Communication from the Assistant Director-General of UNESCO,
dated 29 December 1977, to the Administrator of UNDP

I do not think it necessary to go again into the technical and historical aspects of the question as they have been well covered in your report to the Governing Council (DP/259), prepared by a UNDP/Agencies Working Group in which UNESCO participated. I would also refer to the Secretary-General's reports on "Services provided by the United Nations to activities funded from extrabudgetary resources" (A/C.5/31/33 and A/C.5/32/29) which contain an excellent summary of the historical and legislative background of the matter.

As concerns our general views on the question of overhead costs, I would like to make the following observations: we note that the UNDP Governing Council, by creating an intergovernmental Working Group, has recognized "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". Considering the fact that the regular budgets of the United Nations and its Specialized Agencies are mainly financed by assessed contributions from Member States, whereas UNDP is primarily funded from voluntary contributions, the question as to whether UNDP should bear the full cost of its operation, including agency overhead costs, is a matter for decision at the intergovernmental level. Consequently, the overriding objectives of the intergovernmental Working Group should be to arrive at solutions once and for all applicable to all extrabudgetary operations and to ensure that member Governments take consistent positions in the fund-raising bodies, as well as in the fund-receiving Agencies. To this I would add that at its recent 103rd session, the Executive Board of UNESCO took note of the Director-General's intention to propose in the Draft Programme and Budget for 1979-1980 the continuation of the current practice concerning UNDP's contribution to UNESCO for overhead costs (103 EX/Decision 4.2, para. 51). During the relevant discussion, Board Members expressed the opinion that the administrative and overhead costs of all extrabudgetary operations in general, and of fund-in-trust projects in particular, should be borne by the donor countries or organizations concerned.

We had on earlier occasions expressed our willingness to go along with any formula as long as Member States take a consistent stand on all occasions and in all fora. However, we have since had a most useful discussion of the subject at IACB, where all Agencies expressed themselves in support of the present system. The Advisory Committee on Administrative and Budgetary Questions, in its report submitted to the twenty-fourth session of the Governing Council (DP/284) also rallied the above position, although it mentioned the possibility of a "sliding scale" of reimbursement according to the over-all volume of assistance managed by an Agency.

In conclusion, I would thus like to reiterate our support for the "status quo". However, should any other formula be recommended by the intergovernmental Working Group, it could not be applied by UNESCO prior to 1981, when the new budgetary period of the Organization begins.

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