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

Views of the Universal Postal Union

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 2 December 1977 from the Director-General of the Universal Postal Union (UPU) together with a note containing the views of UPU on the subject of Overhead Costs.

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Communication from the Director-General of UPU to the
Administrator of UNDP, dated 2 December 1977

In reply, I can inform you that UPU shares the general view, expressed inter alia at the last session of the Inter-Agency Consultative Board (IACB), favouring retention of the present provisions for reimbursement of overheads to UNDP Executing Agencies (14 per cent of project expenditures) and of the flexibility arrangements for the smaller Agencies.

While understanding the reasons which have prompted the Governing Council of UNDP to give special consideration to this matter, one may question the real usefulness of the projected new study, for it would seem that - so far as the technical aspects are concerned - all the relevant factors have already been determined.

Be that as it may, and subject to any action taken on the document on this subject submitted to the United Nations General Assembly by the United Nations Secretary-General, I enclose herewith a brief statement of UPU's position with regard to overhead costs.

So far as the term "overheads" itself is concerned, UPU could agree - as you will see from the attached document - to its covering indiscriminately all the cost elements involved in project and programme preparation, implementation, evaluation and follow-up, in accordance with the definition you suggested in document DP/65 of 8 May 1974 concerning programme support costs, para. 2, last seven lines. However, it might be useful to take a closer look at the possibility of charging to the appropriate assistance projects those portions of the aforesaid cost elements which are clearly identifiable as bearing a direct relationship to the projects in question.

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Position of the UPU with regard to overhead costs

The Executive Council and Congress (Lausanne 1974)^{1/} of UPU consider that the administrative and operational costs of UPU technical assistance under UNDP must be borne to the fullest possible extent by UNDP.

As regards the reimbursement of its overhead costs by UNDP, UPU wishes to opt for the negotiation of a direct agreement with UNDP (Administrator) on the basis of the flexibility accorded to the smaller Agencies and of a minimum total cost of US\$500,000 for the indispensable nucleus of staff required for carrying out the essential technical co-operation functions connected with UNDP activities.

The above option is, at least for the time being, compatible with the decision taken by the Governing Council of UNDP at its 588th meeting (29 June 1977) to the effect that "cases of particular hardship due primarily to currency exchange fluctuation and heavy programme reduction shall be dealt with on an ad hoc basis" and that the present provisions (14 per cent of expenditures) and the flexibility arrangements for the smaller Agencies will be continued.

As regards a more precise definition of the term "overheads", UPU's position is as follows:

Overheads should include all expenditures on technical and non-technical support activities (including administrative costs) connected with project and programme preparation, implementation, evaluation and follow-up, insofar as these cost elements are not easily identifiable as bearing a direct relation to the projects. In calculating the overheads, factors such as inflation and currency fluctuations should also be taken into account.

^{1/} Resolution C 84

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