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GOVERNING COUNCIL
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AGENCY SUPPORT COSTS

Corrigendum

Note by the Administrator

Subsequent to the receipt of the replies from the Agencies as issued in DP/WGOC/28, the following additional information has been received from the International Civil Aviation Organization and the World Meteorological Organization.

Insert on page 22 in continuation

Additional information received from the International Civil Aviation Organization

ICAO supports draft operative decision Part I with the qualification that the words "and cost-beneficial" be added between "adequate" and "arrangements" in paragraph 1, line 3. This qualification is considered necessary to ensure that any "arrangements and accounting systems" to be instituted should not be an unduly costly burden to an Agency.

ICAO supports Part II of the draft decision with preference for the 75 per cent/7 per cent option with respect to paragraph 3 B(iii) as stated above.

Insert on page 35 in continuation of WMO comments

WMO has very few comments to make on other points included in the operative parts of the draft decision. Being a small Agency implementing less than two per cent of the overall UNDP programme, WMO is dependent on special financial arrangements being made to meet its support cost needs. The flexibility provision applicable to the smaller Agencies promises to satisfy those needs, at least for the next few years, and therefore the other provisions of the draft formula will have no effect on the receipt of support costs until WMO's level of delivery has significantly increased.

We agree that projects consisting primarily of equipment and subcontracts could logically be reimbursed at a support cost rate less than 14 per cent of delivery. We do not believe, however, that equipment and subcontracts should necessarily be reimbursed at the same rate. Some projects which are comprised largely of equipment may involve a large number of individual procurement actions, considerable analysis of technical detail and numerous financial actions; whereas most of the projects which consist basically of subcontracts require comparatively little administrative support after the subcontract has been let. It is proposed therefore that projects consisting of 75 per cent or more of equipment and/or subcontracts should be reimbursed at 10 per cent when equipment procurement is the principal expenditure and at 7 per cent when subcontracts predominate.

We agree that, in the case of Government execution, Agencies should be reimbursed at 14 per cent of the amount of the project elements they are asked to execute. This is easy to state in principle and also easy to apply when Agencies are requested to carry out all functions associated with a particular component. However, this rule will not be so easily applied when Agencies are asked to perform only part of the work involved in implementing specific components, such as, recruitment of experts, placement of fellows, establishment of equipment specifications or obtention of procurement proposals when the actual employment of experts, award of fellowships, procurement of equipment and the associated financial actions are to be accomplished by Governments. Some recognition should be given to this possibility and an appropriate provision made for Agency reimbursement or, if Agencies are to negotiate with Governments for such services, a general understanding should be reached within the United Nations system on the reimbursement to be requested for such services.

The administrative support costs received by WMO for implementing extrabudgetary financial technical assistance projects are credited to a separate account, termed the Technical Co-operation Fund; and, in turn, all readily identifiable administrative costs incurred by the Organization in implementing technical assistance projects are charged against this account. The amount of support costs to be received from all extrabudgetary sources, including UNDP, and credited to the Technical Co-operation Fund as well as the expenditures to be charged against the Fund are identified annually to UNDP in WMO's request for flexibility. At the close of the year the account is audited by WMO's External Auditor. These cost data are readily available and we would be willing to provide them if all Agencies were requested to provide similar data. We would however, oppose the resumption of elaborate and time-consuming cost measurement studies since the previous exercise of this type indicated the value of the information received did not justify the additional work involved.