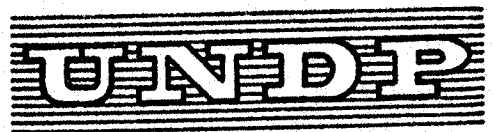


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GOVERNING COUNCIL
INTERGOVERNMENTAL WORKING GROUP ON OVERHEAD COSTS
First meeting
January 1978

AGENCY OVERHEAD COSTS

Views of the World Health 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 14 November 1977 from the Director-General of the World Health Organization (WHO), and a paper on WHO legislative history with regard to overhead costs.

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Communication from the Director-General of WHO
to the Administrator of UNDP dated 14 November 1977

As you rightly point out, this matter has been thoroughly studied and discussed in recent years and we have little to add to the position previously taken by the Administrative Committee on Co-ordination (ACC) on the principles involved. Our main concern is that any new arrangements for the reimbursement of Executing Agencies for programme support costs relating to UNDP-financed activities should be applied to all extrabudgetary resources and not just to those of UNDP.

In connexion with the preparation of document DP/259, we submitted certain material to you last February which fairly comprehensively described the situation in WHO with respect to programme support costs. Although some of this material may not be of immediate interest to the intergovernmental Working Group, we believe that the section dealing with "Agency Legislative History" might prove helpful. We therefore attach additional copies of the relevant pages previously submitted to you on this subject from which you will note that when the World Health Assembly last considered this question (1974) it took the position that in principle the full cost of the technical and administrative services and support necessary for the efficient and effective implementation by WHO of programmes financed from extrabudgetary funds should be met by such funds. At the same time the Health Assembly requested the Director-General to co-operate in the Administrative Committee on Co-ordination in the development of a system for the allocation of programme support or overhead costs of programmes financed from extrabudgetary funds, which could be uniformly applied to all extrabudgetary-funded activities. The Health Assembly finally expressed its willingness to consider any future long-term proposals which the Economic and Social Council might make to the organizations in the United Nations system on the question of the allocation between regular budget funds and extrabudgetary funds of programme support or overhead costs of activities financed from extrabudgetary funds.

As we have had occasion to state in recent meetings of CCAQ(FB) and PWG/WGAFFM, we feel that in terms of making the best possible contribution to the intergovernmental Working Group's study of this complex matter the Executing Agencies, in accordance with long established practice, should present a commonly agreed position on the various aspects involved. If, as a result of its initial consideration of the views of all concerned, the Working Group should decide to request further inputs from the organizations in the United Nations system we would, therefore, hope that such an effort would be co-ordinated through the setting up of a working party under the auspices of IACB or ACC as appropriate.

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ANNEX

AGENCY LEGISLATIVE HISTORY

18 February 1977

1. The Executive Board and the World Health Assembly have addressed themselves from time to time to certain questions relating to the issue of overhead costs. In 1959, the Board expressed the view that "the question of whether or not the regular budgets of participating organizations should assume all or a specific part of the administrative and operational services costs of the Expanded Programme of Technical Assistance is for decision by the Governments which are assessed to finance the regular budgets of the participating organizations". In addition, the Board also considered "that the regular budget of the World Health Organization already bears a substantial part of the costs of administrative and operational services required by the Expanded Programme". Finally, the Board expressed the hope that "should changes be made in future in the way the administrative and operational services costs are allocated between the Expanded Programme and regular budgets of the participating organizations, the Technical Assistance Committee and the Economic and Social Council will take into account the normal budgetary processes and time-tables of the organizations concerned so that suitable arrangements may be made in due time". 1/ In the same year, the World Health Assembly, after concurring with the Board's resolution, expressed its willingness "to consider any long-term proposal which the Economic and Social Council may make to the participating organizations on the question of the allocation of administrative and operational services costs between regular and expanded programme budgets". 2/

2. The next time that the World Health Assembly took a position on the question of agency overhead costs relating to UNDP-financed activities was in 1971 when the Health Assembly, in its resolution WHA24.52, requested the Director-General to take all possible steps to ensure that agency or overhead costs necessary for the efficient implementation of WHO's responsibilities for activities financed by UNDP are adequately covered by UNDP.

3. Following a report by the Director-General to the fifty-third session of the Executive Board in January 1974 on the initial results of the implementation of the CCAQ-designed cost measurement system, and on the various options or combinations of options which CCAQ had suggested might be taken into account in the consideration of future arrangements to govern the reimbursement of Executing Agencies for overhead costs for the

1/ Resolution EB23.R.79.

2/ Resolution WHA12.31.

execution of UNDP-financed projects, the Board, in its resolution EB53.R47, expressed the view that the policies and principles governing the financing of the support costs necessary for the efficient and effective implementation of extrabudgetary programme activities have important implications for the Organization's regular programme and budget. In having thus expanded the issue to cover not only programme support costs (or overhead costs) relating to UNDP-financed activities, but to all activities financed from extrabudgetary funds, the Board recommended to the Health Assembly that it adopt a position as reflected in a recommended resolution as contained in the above-mentioned resolution EB53.47. Consequently, in its resolution WHA27.33, the Twenty-seventh World Health Assembly in 1974 expressed the belief that the full cost of the technical and administrative services and support necessary for the efficient and effective implementation by WHO of programmes financed from extrabudgetary funds should, in principle, be financed from such funds. At the same time, the World Health Assembly expressed its willingness "to consider any future long-term proposals which the Economic and Social Council may make to the organizations in the United Nations system on the question of the allocation between regular budget funds and extrabudgetary funds of programme support or overhead costs of activities financed from extrabudgetary funds".

4. On the basis of a long established policy and practice the Organization has for many years carried out its programme of technical co-operation with Governments on a fully integrated basis irrespective of the sources of financing. Similarly, all administrative and operational services' costs relating to this integrated programme have traditionally been consolidated in the regular budget. This integrated approach to programme budget planning and presentation of the Organization's activities is also in line with various Economic and Social Council and United Nations General Assembly resolutions on these subjects. Consequently, the annual amounts received by the Organization from various extrabudgetary resources as reimbursement for programme support costs relating to technical co-operation activities financed from such sources are being treated as an income item used to help finance each year's regular budget, thereby reducing the assessments on Member States correspondingly and, in turn, to help finance at least in part the actual costs being incurred (under the regular budget) to provide technical and non-technical support and services to activities financed from extrabudgetary funds. It follows that to the extent that this income is reduced or eliminated the regular budget (and consequently the assessments on Member States) would have to be correspondingly increased.

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