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GOVERNING COUNCIL
INTERGOVERNMENTAL WORKING GROUP ON OVERHEAD COSTS
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AGENCY OVERHEAD COSTS

Views of the United Nations Industrial Development 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 16 November 1977 from the Officer-in-Charge of the United Nations Industrial Development Organization (UNIDO) on the subject of Overhead Costs.

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Communication from the Officer-in-Charge of UNIDO to the Administrator of
UNDP, dated 16 November 1977

Definition of Overheads

CCAQ(FB), in the context of the Cost Measurement Survey, made a careful and detailed analysis of agency overhead costs. This analysis was reviewed by ACC and the Joint Inspection Unit: there was general agreement with the CCAQ approach which was subsequently used as a basis for the introduction of the Cost Measurement Survey in several major Executing Agencies in 1973. CCAQ/SEC/281(FB) dated 20 December 1972 provides a useful listing of the support functions identified by CCAQ.

I suggest that the work done by CCAQ be brought to the attention of the Working Group.

Reimbursement

As we are both aware, the present arrangement whereby the Agencies are reimbursed 14 per cent to cover their support costs is the result of many years of negotiations between the Agencies and UNDP. It is a compromise which for many Agencies represents significantly less than what it costs them to support their UNDP activities: on the other hand, the Governing Council still feels that Agencies should cover an even higher proportion of their support costs from their regular budgets.

At IACB in April this year, this subject was discussed and there was, I think, general agreement that the present arrangement represented the best that could be achieved. However, UNIDO encounters two problems which taken together mean that the subsidy provided from our regular budget for the support of our UNDP activities is greater in relative terms than, I think, any other Agency's. First, UNIDO operates a very considerable number of small projects which attract a proportionately larger amount of support costs. The second factor is one which applies also to other Agencies and that is that Vienna is a high-cost location, which is reflected, inter alia, in a high post adjustment.

I am sure that when the Working Group begins its study it will bear in these factors in mind, particularly if it pursues the concepts raised at ACABQ when it last reviewed this subject.
