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AGENCY OVERHEAD COSTS

Views of the World Meteorological 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 21 November 1977 from the Deputy Secretary-General of the World Meteorological Organization (WMO), together with the attachment containing views of WMO on the subject of Overhead Costs.

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Communication from the Deputy Secretary-General of WMO to the Administrator
of UNDP, dated 21 November 1977

I am pleased to send herewith a brief paper outlining a decision taken by WMO's governing body regarding the receipt of overheads for participation in technical co-operation activities and a definition of "overheads" which I believe is consistent with the decision of the WMO Congress. The paper also indicates the types of functions performed by WMO in implementing UNDP projects which are reimbursed from UNDP overheads and other functions of a highly technical nature that are borne by the regular budget of the Organization.

If you should like to have further information on any of the cost elements included in "overheads", please let me know or request WMO's representative to the first meeting of the intergovernmental Working Group on Overhead Costs to elaborate on this aspect of the problem.

Definition of Overheads in the United Nations System

1. The Governing Council of UNDP, when it established the intergovernmental Working Group on Overhead Costs, recognised that there could be some variation in understanding the meaning of the term "overhead" within the United Nations system and invited inter alia the Executing Agencies to express their views on the question of overheads, including a clearer definition of the term and the cost elements involved as a starting basis for the work of the group. The following expression is believed to define the term "overheads" as it is used in WMO.

2. "Overheads" pertaining to technical co-operation activities within the United Nations system is considered to be the general expenditure incurred by an Agency in executing the technical co-operation projects that cannot be attributed to the direct cost of project inputs. That is to say, "overheads" is a comprehensive term referring to the additional costs incurred by an Agency as a result of technical co-operation field projects that would not have been incurred if these projects had not been planned and implemented.

3. The Fourth World Meteorological Congress, during its session in 1963, decided that WMO should "take over from the United Nations the responsibility for administering its technical assistance projects under United Nations technical co-operation programmes, subject to the proviso that all costs resulting therefrom would be borne by the respective programmes in which the WMO participates". Subsequent Congresses of WMO have reviewed and reaffirmed this policy. The term "overheads" as used in this paper therefore refers to all costs resulting from WMO's administering of UNDP technical assistance projects as stipulated by the WMO Congress.

4. The activities which entail UNDP overhead costs resulting from the UNDP portion of WMO's technical co-operation programme include project planning, formulation and implementation, as well as project evaluation and follow-up. The cost elements involved in these activities include, inter alia, recruitment of experts, placement of fellows, procurement of equipment, financial and accounting actions including payment of disbursements, project monitoring,

expenditures in the WMO Secretariat for service operating costs such as expendable supplies and office equipment and mandatory contributions to joint Executing Agency activities within the United Nations system which result from technical co-operation field projects funded by UNDP. An example of the latter cost element is the contribution to the United Nations Joint Medical Service resulting from its provision of medical examinations and advice for recruitment and duty service of field experts.

5. The staff of WMO funded by the regular budget of the Organization provides highly specialized technical advice and assistance when the specific expertise required is not available among the professional staff of the WMO who are funded from UNDP overheads. The costs involved in such cases are borne without reimbursement from UNDP overhead allocations.
