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 28 November 1977 from the Director of the International Relations Department of the World Bank on the subject of Overhead Costs.
Communication from the Director of the International Relations Department of the World Bank to the Administrator of UNDP, dated 28 November 1977

As you know, the Bank receives reimbursement at 11 per cent of its project expenditures, a figure fixed in 1974. As recently as the middle of this year, we found that current receipts are still adequate to cover our overhead costs. By "overhead costs" we mean the costs of staff time involved in programme preparation, project formulation, technical and non-technical backstopping, and project evaluation, plus an appropriate allocation of costs of office space, secretarial services, communication and travel.

The Bank has considered proposals for alternative ways of establishing a formula for overhead costs as presented at a task force meeting in Geneva in February of this year. Several of the suggested procedures have merit. However, in our judgement, these other proposals would not meet the Governing Council's directive that the system should be "easy to understand, simple to operate, and be applicable to all forms of technical co-operation activities in the United Nations system". The current method under which the Executing Agency is reimbursed at a fixed percentage of expenditures has worked well for the Bank. We, therefore, recommend that the present system be retained.