



directing council

PAN AMERICAN
HEALTH
ORGANIZATION

XXVIII Meeting

regional committee

WORLD
HEALTH
ORGANIZATION

XXXIII Meeting



Washington, D.C.
September-October 1981

Provisional Agenda Item 36

CD28/25 (Eng.)
27 July 1981
ORIGINAL: ENGLISH

COSTS OF ADMINISTERING EXTRABUDGETARY FUNDS

The annexed Documents CE86/18 and CE86/18, ADD. I, were examined by the Executive Committee at its 86th Meeting, held in Washington, D.C., in June 1981. The Executive Committee adopted the following Resolution XXXI:

THE EXECUTIVE COMMITTEE,

Having considered the report and recommendations of the Director included in Document CE86/18 and ADD. I relating to the costs of administering extrabudgetary funds;

Recalling Resolution XXXII of the XX Pan American Sanitary Conference dealing with the costs of administering grant funds;

Bearing in mind that the application of a standard program support cost rate of 13 per cent does not cover the full program support costs; and

Having noted the recent decisions adopted by the WHO Executive Board and the World Health Assembly,

RESOLVES:

To recommend to the XXVIII Meeting of the Directing Council that it approve a resolution along the following lines:

THE DIRECTING COUNCIL,

Having reviewed the Organization's current policies concerning program support costs which were established by the Director and approved in 1978 by Resolution XXXII of the XX Pan American Sanitary Conference;

Considering the WHO Executive Board's Resolution EB67.R21 and the adoption by the Thirty-fourth World Health Assembly in Resolution WHA34.17 of a standard 13 per cent charge in partial reimbursement for the cost of related technical and non-technical support and services on technical cooperation expenditures under UNDP and all other extrabudgetary sources of funds; and

Bearing in mind that the establishment of a standard program support cost rate of 13 per cent does not cover the full program support cost,

RESOLVES:

1. To maintain the general policy established by the Director that the full cost of the technical and administrative services and support for the efficient and effective implementation by PAHO of projects financed from extrabudgetary funds should as far as possible be financed from such funds.

2. To authorize the Director to apply, as from 1 January 1982, a standard minimum 13 per cent program support cost rate, the application of this standard rate to be waived only under very exceptional circumstances.

3. To authorize the Director to negotiate higher program support cost rates whenever this is acceptable to donors or funding institutions.

Annexes



*executive committee of
the directing council*

PAN AMERICAN
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CD28/25 (Eng.)
ANNEX I
*working party of
the regional committee*

WORLD
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86th Meeting
Washington, D.C.
June-July 1981

Provisional Agenda Item 26

CE86/18 (Eng.)
29 April 1981
ORIGINAL: ENGLISH

COSTS OF ADMINISTERING EXTRABUDGETARY FUNDS

1. Introduction

Program support costs (PSC) are those expenditures which an organization has to incur in order to provide the necessary technical and non-technical support and services required by extrabudgetary financed projects. In the early 1960's, the Administration of PAHO considered the concept of including a charge for program support costs for extrabudgetary projects. Different studies were made but no final decision was reached.

During the late 1960's and in the 1970's the financial conditions of the Organization changed dramatically. A significant increase in the level of both regular and extrabudgetary programs meant that the resources available were generally insufficient to meet the rising costs of program support for the extrabudgetary funded activities.

In 1975 the Director resumed the study of indirect costs for administering extrabudgetary funded activities.

In 1976, after extensive negotiations, with the United States Government agency specifically designated to handle such studies, and staffed with experts in the field, an indirect cost rate or program support cost rate for PAHO was approved by that agency and adopted by the Administration as the PAHO program support cost rate.

Since 1976 the PSC rate has been computed annually by the Organization and submitted to the United States Department of Health and Human Services (DHHS) for review. Once approved by DHHS, the PSC rate is accepted by all United States Government agencies providing grants or contracts to PAHO.

2. Current PAHO Policy

The current policies governing the Organization's PSC procedures were established by the Director and approved by Resolution XXXII of the XX Pan American Sanitary Conference in October 1978. Since that time the general policy of the Organization has been to include a provision for the Organization's PSC in all projects financed by extrabudgetary funds.

The current PSC rate is 30.3 per cent of the total direct costs. This rate is included in all extrabudgetary funded activities unless a lower rate or a waiver of the PSC has been approved by the Director.

Since its establishment, the Organization's PSC rate has, as much as possible, provided for recovery of the full technical and administrative costs of programs/activities financed from extrabudgetary funds. When a lower rate or a waiver is approved by the Director, the PSC to be absorbed by PAHO is considered in the budget of the extrabudgetary project as a contribution by PAHO.

3. WHO Policy

In Resolution EB67.R21, the Sixty-seventh Session of the WHO Executive Board recommended to the Thirty-fourth World Health Assembly the adoption of a standard PSC rate of 13 per cent to be included in all projects financed by extrabudgetary funds, commencing 1 January 1982. A copy of Resolution EB67.R21 is attached. The rate of 13 per cent was recommended in order to be consistent with other United Nations agencies. It is recognized that the rate of 13 per cent does not cover the full program support costs.

4. Conclusions/Recommendations

For the sake of uniformity with WHO and other UN Agencies, to eliminate extensive negotiations with funding agencies which cannot accept the PSC rate of 30.3 per cent, and to decrease the requests for a lower PSC rate or for a waiver, the Director recommends the establishment of a minimum PSC rate of 13 per cent, with the option of negotiating higher rates with donor agencies which are willing to accept a more realistic rate. Waivers of PSC will be kept to the absolute minimum. These new procedures will become effective 1 January 1982.

Annex

Sixty-seventh Session

EB67.R21

30 January 1981

COLLABORATION WITH THE UNITED NATIONS SYSTEM -
GENERAL MATTERS

Programme support costs

The Executive Board,

Having considered the report of the Director-General on collaboration with the United Nations system with particular reference to programme support costs;¹

RECOMMENDS to the Thirty-fourth World Health Assembly the adoption of the following resolution:

The Thirty-fourth World Health Assembly,

Having considered the report of the Director-General on collaboration with the United Nations system, with particular reference to programme support costs, and the Executive Board's recommendations thereon;

Recalling resolution WHA27.33 and previous resolutions dealing with policy questions relating to the financing of programme support costs incurred by the Organization in respect of activities financed from extrabudgetary funds;

Recalling further that according to a special cost measurement exercise undertaken in 1973 the cost of technical and nontechnical support and services for technical cooperation projects financed by UNDP and executed by WHO approximated to 27% of project expenditures, and that, in recognition of the principle of partnership between the Organization and other entities in the United Nations development system, the costs of providing such support and services to activities financed from extrabudgetary funds have traditionally been met in part by the regular budget;

Having noted the decisions and recommendations adopted on this subject during 1980 by the Governing Council of the United Nations Development Programme (decision 80/44) and endorsed by the Economic and Social Council (resolution 1980/65);

Having noted further the decision in this respect of the United Nations General Assembly in its resolution 35/217,

1. ENDORSES the new formula approved by the United Nations General Assembly for the reimbursement by the United Nations Development Programme, as from 1982, of support costs relating to operational activities financed by UNDP and by other similar programmes or funds under the jurisdiction of its Governing Council, such reimbursement to be made at the standard rate of 13% of annual project expenditures;
2. DECIDES that in the interest of consistency and uniformity of application throughout the United Nations system, a standard 13% charge in partial reimbursement for the cost of related technical and nontechnical support and services shall be made by the Organization as from 1982 on technical cooperation project expenditures incurred under all other extrabudgetary sources of funds, including trust funds or

¹ Document EB67/29 Add.1.

similar funds, except that account will be taken of special WHO programmes financed from several sources of funds in which provision for the cost of the required support and services is already included in the budgets for such activities;

3. CONFIRMS that the structure, staffing and working methods of the Organization are being regularly reviewed, and that this has already resulted in the transfer of considerable financial resources from establishment and administrative costs to increased technical cooperation with and services to governments;

4. CONSIDERS that an attempt by the Organization to determine with precision such details on elements of support costs as the number and grades of staff or staff years and the objects of expenditures involved in programme support activities relating to a particular source of financing is neither feasible nor likely to produce accurate or meaningful information, since WHO's activities, in line with previous recommendations of the United Nations Economic and Social Council and General Assembly, are planned and carried out in a fully integrated manner, irrespective of the many different sources of funds involved, and the costs of the related technical and nontechnical support and services are consolidated in the regular budget;

5. AUTHORIZES the Director-General, upon request, to furnish to funding agencies and donors such information on programme support costs as might already be largely available, for example, in the biennial programme budget, and financial report, or any other report or documentation submitted to the Executive Board and the Health Assembly from time to time.

Thirtieth meeting, 30 January 1981
EB67/SR/30

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*executive committee of
the directing council*

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*working party of
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WORLD
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CD28/25 (Eng)
ANNEX II



86th Meeting
Washington, D.C.
June-July 1981

Provisional Agenda Item 26

CE86/18, ADD. I (Eng.)
18 June 1981
ORIGINAL: ENGLISH-SPANISH

COSTS OF ADMINISTERING EXTRABUDGETARY FUNDS

The annexed resolution on the subject of program support costs was adopted by the Thirty-fourth World Health Assembly.

20 May 1981

COLLABORATION WITH THE UNITED NATIONS SYSTEM - GENERAL MATTERS

Programme support costs

The Thirty-fourth World Health Assembly,

Having considered the report of the Director-General on collaboration with the United Nations system, with particular reference to programme support costs,¹ and the Executive Board's recommendations thereon;

Recalling resolution WHA27.33 and previous resolutions dealing with policy questions relating to the financing of programme support costs incurred by the Organization in respect of activities financed from extrabudgetary funds;

Recalling further that, according to a special cost measurement exercise undertaken in 1973, the cost of technical and non-technical support and services for technical cooperation projects financed by the United Nations Development Programme and executed by WHO approximated to 27% of project expenditures;

Having noted the decisions and recommendations adopted on this subject during 1980 by the Governing Council of the United Nations Development Programme (decision 80/44) and endorsed by the Economic and Social Council (resolution 1980/65);

Having noted further the decision in this respect of the United Nations General Assembly in its resolution 35/217;

1. ENDORSES the new formula approved by the United Nations General Assembly for the reimbursement by the United Nations Development Programme, as from 1982, of support costs relating to operational activities financed by the United Nations Development Programme and by other similar programmes or funds under the jurisdiction of its Governing Council, such reimbursement to be made at the standard rate of 13% of annual project expenditures;
2. DECIDES that, in the interest of consistency and uniformity of application throughout the United Nations system, a standard 13% charge in partial reimbursement for the cost of related technical and non-technical support and services shall be made by the Organization as from 1982 on technical cooperation project expenditures incurred under all other extrabudgetary sources of funds, including trust funds or similar funds, except that account will be taken of special WHO programmes financed from several sources of funds in which provision for the cost of the required support and services is already included in the budgets for such activities;
3. CONFIRMS that the structure, staffing and working methods of the Organization are being regularly reviewed, and that this has already resulted in the transfer of considerable financial resources from establishment and administrative costs to increased technical cooperation with and services to governments;

¹ Document EB67/1981/REC/1, Annex 10.

4. AUTHORIZES the Director-General, upon request, to furnish to funding agencies and donors such information on programme support costs as might already be largely available, for example, in the biennial programme budget, the financial report, or any other report or documentation submitted to the Executive Board or the Health Assembly from time to time.

Fourteenth plenary meeting, 20 May 1981
A34/VR/14