

Multilateral Branch
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NOTE ON THE NEW AGENCY SUPPORT COSTS ARRANGEMENTS

For the past two decades, the United Nations has implemented its development projects under the so-called "trilateral arrangement". The three parties were the developing country concerned, the UNDP, and one of the UN specialized agencies which would implement the project. The country concerned and the UNDP would jointly plan how the available aid funds were to be spent, and once it was decided to allocate a certain part of the budget to a specific sector, such as education, the relevant UN specialized agency, such as UNESCO, would be requested to implement the projects.

It has been recognized from the outset that specialized agencies have two major types of responsibilities. One is the "normative" work of the organization, such as collecting world wide statistics, and setting global standards or "norms". UNESCO, for example, has declared certain historic sites all over the world to be part of mankind's universal heritage. This is a normative activity. The other type of responsibility is to implement development projects, and these types of activities are also known as "operational activities". The line between normative activities and operational activities is not always clear, and there is a considerable grey area where activities are both normative and operational.

The original understanding was that Specialized Agencies should use their assessed contributions for the normative activities, and that the money they received from the UNDP through the tri-lateral arrangement was for operational activities.

The support cost issue concerns the overhead costs of the operational activities. It has always been agreed that the Specialized Agencies should pay some of these overhead costs themselves using part of their assessed contributions, since there usually is an overlap between project work and the normative activities which are their core mandate. The agreement was (and is) that the overhead costs should be shared between the UNDP and the specialized agency. Until January 1, 1992 this sharing was done through a very simple formula, the UNDP paid 13 % of the project budget to the specialized agency. Specialized agencies would typically have overhead costs of 25 % to 40 %, and the remaining overhead costs would be paid by the agency itself.