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DU FONDS MULTILATERAL AUX FINS  
D'APPLICATION DU PROTOCOLE DE MONTREAL  
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**ÉVALUATION DU RÉGIME DE COÛTS ADMINISTRATIFS POUR LA PÉRIODE  
TRIENNALE 2015-2017 (DÉCISION 66/17 e)**

Les documents de présession du Comité exécutif du Fonds multilatéral aux fins d'application du Protocole de Montréal sont présentés sous réserve des décisions pouvant être prises par le Comité exécutif après leur publication.

1. Le régime des coûts administratifs devant être évalué au début de toute nouvelle période triennale, le Comité exécutif, à sa 62<sup>e</sup> réunion, a été invité à préciser s'il souhaitait que l'évaluation soit menée par une entité indépendante ou par le Secrétariat. Le Comité exécutif a décidé « que la prolongation du régime des coûts administratifs pour la période triennale 2012-2014 pourra s'appuyer sur le rapport sur les coûts de base pour 2012 préparé par le Secrétariat du Fonds d'ici à la 65<sup>e</sup> réunion » (décision 62/25 c).

2. Dans son évaluation de la pertinence du régime actuel à la lumière de l'évolution des rôles et des portefeuilles des agences d'exécution, et des conséquences de la simplification des rapports, le Secrétariat a demandé aux agences d'exécution de fournir de l'information sur la mesure dans laquelle leurs coûts administratifs servaient à la préparation des rapports et à la mise en œuvre de projets, et à satisfaire aux exigences administratives internes. Bien que le PNUE ait fourni une estimation et que le PNUD et la Banque mondiale aient indiqué qu'ils devraient effectuer une analyse approfondie afin d'examiner les différents éléments de leurs coûts administratifs, le Secrétariat n'a reçu aucune information. Comme le Comité exécutif a été incapable de convenir d'un régime de coûts administratifs avant le début de la période triennale 2012-2014 ainsi qu'à la première réunion du triennat, le régime de coûts administratif a été appliqué à la première réunion de 2012-2014.

3. À la 65<sup>e</sup> réunion, le Secrétariat a demandé au Comité exécutif s'il souhaitait demander aux agences d'exécution de soumettre une analyse de l'utilisation des coûts de l'utilisation des coûts administratifs pour la préparation des rapports, la mise en œuvre des projets et les exigences internes et autres évaluations des coûts administratifs, en vue de l'examen des coûts administratifs pour la période triennale 2015-2017. La question a été abordée à la 66<sup>e</sup> réunion, où le Comité exécutif a décidé « de continuer la discussion à la 68<sup>e</sup> réunion sur le besoin possible d'un cahier des charges pour l'évaluation du régime des coûts administratifs pour la période triennale 2015-2017 et sur la façon de modifier ce cahier des charges à la lumière du précédent » (décision 66/17 e).

4. Ce document se penche sur cette question en examinant l'historique des coûts administratifs du Fonds multilatéral et leurs évaluations, ainsi que les mandats antérieurs, et présente des observations et recommandations.

### **Historique des coûts administratifs et de leurs évaluations**

5. Le Fonds multilatéral a appliqué quatre régimes de coûts administratifs depuis sa création. À l'origine, le PNUD, le PNUE et l'ONUDI recevaient un taux fixe par agence de 13 pour cent de la valeur des projets approuvés et des activités de préparation des projets et des programmes de pays, tandis que la Banque mondiale recevait un budget administratif, juridique et financier dans le cadre du financement de son programme de travail annuel, dans lequel les activités de préparation des projets et des programmes de pays représentaient des coûts administratifs. Elle recevait également 3 pour cent des coûts d'appui sur les sommes déjà approuvées pour les projets individuels, afin de payer les honoraires de ses intermédiaires financiers responsables de l'exécution des projets.

6. La première évaluation indépendante a été réalisée par le directeur exécutif adjoint du PNUE et a eu pour résultat que toutes les agences, y compris la Banque mondiale, ont reçu des coûts d'appui de 13 pour cent (voir UNEP/OzL.Pro/ExCom/12/6, paragraphe 41, UNEP/OzL.Pro/ExCom/14/12 et la décision 18/10 b)). La deuxième évaluation indépendante, menée par Coopers and Lybrand, a mené à un troisième changement au régime de coûts administratifs (voir la décision VIII/4, paragraphe 6 de la Réunion des Parties et UNEP/OzL.Pro/ExCom/26/27). Le nouveau régime de coûts administratifs a été appliqué à toutes les agences, à l'origine, mais ne s'applique plus intégralement qu'aux agences d'exécution et de façon partielle au PNUE (décisions 26/41 et 67/15 a)). Avant la 38<sup>e</sup> réunion, le Comité exécutif attribuait les ressources selon la participation des agences aux projets d'investissement (45 pour

cent à la Banque mondiale, 30 pour cent au PNUD et 25 pour cent à l'ONUDI). Ce changement a eu pour effet que le PNUD, l'ONUDI et la Banque mondiale ont reçu un budget de base et un taux réduit de coûts d'appui pour les activités individuelles (voir les décisions 37/68 e) et 38/68). Ce régime demeure inchangé pour ces agences.

7. Une autre évaluation indépendante a été réalisée dans le cadre du mandat examiné à la 51<sup>e</sup> réunion (UNEP/OzL.Pro/ExCom/51/44 et décision 51/38). L'étude a été menée par Price Waterhouse Coopers et présentée à la 55<sup>e</sup> réunion (UNEP/OzL.Pro/ExCom/55/48 et décision 55/44), et elle a été suivie d'un document de réflexion présenté par le Secrétariat du Fonds (UNEP/OzL.Pro/ExCom/56/19). Le Comité exécutif a convenu de maintenir le régime de coûts administratifs en vigueur pour les agences bilatérales et d'exécution pour la période triennale 2009-2011 et a prié les agences d'exécution de fournir suffisamment de données réelles pour effectuer un suivi des différences entre les revenus associés aux coûts administratifs et les coûts engagés (décision 56/41 b) et c)).

8. Le Comité exécutif, à sa 64<sup>e</sup> réunion, a chargé le Secrétariat du Fonds, dans le contexte des rapports périodiques, « de voir, dans le cadre de son examen des coûts administratifs devant être présenté à la 65<sup>e</sup> réunion en vertu de la décision 62/25 c) : a) si le système actuel des coûts administratifs continue à être bien adapté, compte tenu de l'évolution des rôles et des portefeuilles des agences d'exécution; b) quelles sont les options qui permettraient que le pourcentage des coûts administratifs continue à être égal ou inférieur à la moyenne constatée jusqu'à présent » (décision 64/6 c) iii)).

9. Le Comité exécutif, à sa 67<sup>e</sup> réunion, a adopté un nouveau régime de coûts administratifs et a décidé d'examiner le régime de coûts administratifs et son budget de financement de base à sa 74<sup>e</sup> réunion, c'est-à-dire, à la dernière réunion de la période triennale 2012-2014 (décision 67/15 b) c)).

10. Dans son examen de l'évaluation des coûts administratifs en fonction des dépenses probables au lieu des approbations, le Secrétariat a soulevé la possibilité d'un régime de coûts administratifs fondé sur les budgets annuels préalablement approuvés et potentiellement examinés, à partir de la période triennale 2015-2017, car cela éliminerait l'obligation d'avoir en main des sommes en attente de dépenses et permettrait de mieux comprendre l'application du volet des coûts d'appui aux agences compris dans les coûts administratifs. Les coûts d'appui aux agences représentent un pourcentage sur la prestation pour les agences des Nations Unies, ce qui crée une possibilité de dépassement ou de sous-utilisation des fonds à moins que le système ne soit modifié. Le Secrétariat a aussi indiqué que si le Comité exécutif souhaite examiner un régime de coûts administratifs différent pour la période triennale 2015-2017, il doit le faire avant cette période triennale, afin que la deuxième étape des plans de gestion de l'élimination des HCFC (PGEH) puisse être réalisée sous le nouveau régime de coûts administratifs.

### **Mandats antérieurs**

11. Les annexes I-III présentent les mandats des évaluations indépendantes ayant été réalisées. Elles comprennent également le mandat de la dernière étude des coûts administratifs menée par le Fonds pour l'environnement mondial (FEM). Le mandat du FEM précise les objectifs, les questions particulières et les sujets à aborder, la méthodologie à utiliser et le calendrier et les étapes de l'évaluation.

### **Observations**

12. Conformément à la décision 67/15 c), l'examen du régime de coûts administratifs et son budget de financement de base doivent être présentés à la 74<sup>e</sup> réunion du Comité exécutif. Les agences d'exécution ont manifesté la volonté de maintenir le régime actuel pour la prochaine période triennale, mais comme la prochaine période triennale accueillera plusieurs deuxièmes étapes de PGEH qui

pourraient durer plus d'une période triennale, les coûts d'appui aux agences devront être examinés dans le contexte de l'orientation fournie pour la deuxième étape des PGEH.

13. L'examen pourrait être réalisé par un consultant indépendant, le Secrétariat du Fonds ou des experts, comme par le passé. L'expérience acquise lors du recours aux consultants indépendants a révélé qu'ils coûtent cher et que les équipes de consultants réalisant les analyses font face à longue courbe d'apprentissage. Les agences d'exécution n'ont pas fourni l'analyse de coût sur l'utilisation des coûts administratifs pour la préparation des rapports, la mise en œuvre des projets et les exigences internes, et toute autre évaluation demandée par le Secrétariat du Fonds pour qu'il puisse déterminer les sommes à consacrer aux coûts administratifs. De plus, aucun mandat n'a été approuvé, si ce n'est que pour examiner les choix permettant de maintenir le pourcentage des coûts administratifs à un niveau égal ou inférieur à la moyenne constatée jusqu'à présent.

14. Un mandat fondé sur la collaboration du Comité exécutif et des agences d'exécution sera préférable à l'absence d'un mandat, quelles qu'en soient les modalités, afin de déterminer ce sur quoi portera l'évaluation. Le Comité exécutif pourrait souhaiter présenter son point de vue sur le mandat et charger le Secrétariat de proposer, en collaboration avec les agences d'exécution, un mandat, les questions à aborder, une méthodologie, les étapes et les coûts de l'évaluation demandée à la décision 67/15 c).

15. Le régime de coûts administratifs de la période triennale 2012-2014 ne produira pas le pourcentage de coûts administratif de 11,54 pour cent atteint dans le passé, car il devrait aboutir à un taux moyen de 11,55 pour cent pour la période triennale. Le régime de coûts administratifs n'a pas encore atteint l'objectif de la huitième Réunion des Parties de réaliser un pourcentage inférieur à 10 pour cent (décision VIII/4). Le mandat devrait examiner des moyens d'atteindre ces objectifs pour la période triennale 2015-2017.

## **RECOMMANDATIONS**

16. Le Comité exécutif pourrait souhaiter :

- a) Faire connaître son point de vue sur le mandat de l'évaluation du régime de coûts administratifs pour la période triennale 2015-2017;
- b) Charger le Secrétariat de proposer, en collaboration avec les agences d'exécution, un mandat, les questions à aborder, une méthodologie, des étapes et des coûts qui s'appliqueraient à l'évaluation demandée à la décision 67/15 c), ainsi que diverses propositions, notamment pour atteindre les objectifs de la décision 67/15 c) du Comité entre autres et de la décision VIII/4 de la Réunion des Parties.

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## Annex I

### **TERMS OF REFERENCE OF PROPOSED ENQUIRY FOR THE ADMINISTRATIVE COST ANALYSIS PRESENTED TO THE 14<sup>TH</sup> MEETING OF THE EXECUTIVE COMMITTEE**

1. Define what should be regarded as admissible administrative costs of operating the Multilateral Fund, taking into account different practices amongst the implementing agencies and as far as practical comparable practices in other aid agencies.
2. On basis of figures reported to the Treasurer and such other supplementary figures as may be provided by the implementing agencies, calculate the administrative costs that fell within the definition of such costs and were charged to the Financial Mechanism by each implementing agency and by the Secretariat separately in the years 1991-1993.
3. Relate the calculated administrative costs over the period 1991-1993 in each implementing agency with the actual programme of activities implemented by each agency in those years, and relate the aggregate of all identified administrative costs, including the Secretariat administrative costs, to the programme of the Multilateral Fund overall in each year.
4. Establish how far a comparison of administrative costs can be made with the administrative cost ratios of the Global Environment Facility and other aid programmes.
5. Endeavour to define norms for admissible administrative costs involved in implementing the Multilateral Fund's approved programme of activities.
6. Advise how administrative costs of the implementing agencies might be made more transparent in future within the proposed norms.

Source: "The administrative costs of the financial mechanism", UNEP/OzL.Pro/ExCom/14/12, Annex A.

## Annex II

### TERMS OF REFERENCE OF THE CONSULTANCY ON THE ADMINISTRATIVE COSTS OF THE IMPLEMENTING AGENCIES

1. Decision VIII/4 of the Eighth Meeting of the Parties requested:

“That the Executive Committee should, over the next three years, work toward the goal of reducing agency support costs from their current level of 13 per cent to an average of below 10 per cent to make more funds available for other activities. The Executive Committee should report to the Parties annually on their progress, and the Parties may adjust the goal accordingly;”
2. In accordance with this decision, the consultant will work with the Secretariat and the implementing agencies to identify options and approaches for reducing the overall level of administrative costs focusing on revising the current uniform, fee-based approach.
3. Options to be considered could include:
  - (a) Establishment of different rates of support costs for different types of projects and projects in different sectors;
  - (b) Establishment of a sliding scale of support costs for different sized investment projects.
4. The option of deciding support costs on a project-by-project basis is excluded.
5. In undertaking this work, the consultant should take account of the previous reports prepared on this subject.
6. The consultant should also take account of experience in similar multilateral funding mechanisms.
7. The consultant will provide a report on progress to the Executive Committee at its Twenty-second Meeting.

### Annex III

#### **DRAFT TERMS OF REFERENCE FOR A COMPREHENSIVE INDEPENDENT ASSESSMENT OF THE ADMINISTRATIVE COSTS REQUIRED FOR THE 2009-2011 TRIENNIUM (FOLLOW-UP TO DECISION 50/27)**

##### **Items to be considered by the Consultant**

10. At its 50<sup>th</sup> Meeting, during its review of proposed 2007 core unit costs, the Executive Committee was informed that there was a substantial balance in support costs amounting to between US \$30.8 and US \$40.8 million. Although this amount could have been used as it represented balances as at 31 December 2005 (in the first case) and only approved amounts for 2006 (in the second case), implementing agencies would continue to receive support costs on approvals and core unit costs at least until the end of the current triennium. Moreover, this amount could have theoretically covered support costs for an additional two to three years of overall administrative costs.

11. During the 2009-2011 triennium, CFCs, halons and CTC will be phased out by 2010. After 2010, only 20 per cent of the baseline for methyl bromide and 30 per cent of the baseline for TCA remain to be phased-out, along with the HCFC phase-out that is currently scheduled to occur by 2040. The assessment of administrative costs should take into account the costs associated with closing activities for the 2010 phase-outs.

12. Support costs are provided to enable the implementing agencies to complete the supervision, technical assistance and monitoring obligations at the programme level through 2010 and beyond until projects are completed, completion reports and assessments have been conducted, and accounts have been reconciled and closed and all commitments in multi-year agreements have been fulfilled. They would also be used to monitor any projects with activities following 2010.

13. Support cost funds associated with projects cannot be used by the United Nations' implementing agencies until there is a project-related disbursement freeing the funds for use for administrative purposes. There may therefore be a cash flow issue to consider in determining whether funds are sufficient for the agencies to administer their existing and approved-in-principle portfolios to achieve the 2010 compliance targets. The assessment of the balance of support costs should take into account any such concerns with cash flow that might arise for the implementing agencies.

14. At its 49<sup>th</sup> Meeting, the Executive Committee agreed to consider the capacity of UNDP, UNIDO and the World Bank to complete projects on time in the context of its review of administrative costs at its 50<sup>th</sup> Meeting (decision 49/7(c)). The assessment should include a review of the administrative cost regimes of these agencies for Article 5 countries to achieve their compliance efforts during the next triennium, and meet their fiduciary responsibilities, and provide reporting to the Executive Committee. This should take into account current plans for the use of the balance of support costs and any related cash flow issues.

15. Although UNEP does not receive core unit costs, previous independent assessments also considered UNEP's administrative costs. As indicated above, decision 26/41 is the basis for administrative costs for UNEP and bilateral agencies. In determining the level of administrative costs in decision 26/41, Coopers and Lybrand considered historical costs for UNEP and the other agencies. Similarly, a review of UNEP administrative costs along the categories identified by Coopers and Lybrand should be undertaken. Since bilateral agencies have not been included in any assessment of administrative costs to-date, a similar review should be undertaken for existing agencies engaged in ongoing bilateral activities.

16. In undertaking this work, the consultant should take account of the previous reports prepared on this subject both by independent consultants and by the Secretariat. The information should be used to establish norms of the costs of administration of Fund projects. The categories of administrative costs employed in previous studies may also be used as a basis for the analysis but may be added to, or revised, as necessary. The extent to which existing resources could be used to address future administrative cost requirements should also be considered. The consultant should identify the services provided with administrative costs taking into account the different administrative cost regimes for UNEP and the other multilateral and bilateral implementing agencies.

17. The consultant should also take into account different implementation modalities used by the multilateral and bilateral implementing agencies. In some cases, administrative costs are used to administer programmes through other agencies while some agencies use their own staff to execute projects approved by the Executive Committee. In some cases, agency fees are transferred to the executing agency (for example, some agencies transfer funds to national executing agencies and/or financial intermediaries) and in other cases the fees are maintained to varying degrees by the agency administering the project.

18. The offices of implementing agencies dealing with Multilateral Fund matters are also involved in implementing activities funded for other multilateral environmental agreements (MEAs). At its 50<sup>th</sup> Meeting, the Executive Committee decided that the UNEP's compliance "CAP budget should only be spent in accordance with the terms of reference for the financial mechanism contained in Article 10 of the Montreal Protocol and should not be spent on inter-multilateral environmental agreement coordination activities" (decision 50/26, para. a (iii)). The consultant should ascertain how this is being achieved for all agencies since the offices involved in activities for the Multilateral Fund are, for the most part, also involved in activities funded for other MEAs.

19. The consultant should also take into account the experience of the implementing agencies with similar multilateral funding mechanisms. In this respect, the administrative costs used for the Global Environmental Facility and other global and regional funds as applicable should be reviewed to inform a recommendation for future administrative costs of the Fund.

20. The consultant should propose any changes to the existing administrative cost regimes that would enable the implementing agencies to provide sufficient administrative support to Article 5 countries to help them achieve compliance during the next triennium with a view to providing sufficient capacity to complete all activities necessary for Article 5 countries to achieve their compliance efforts during the next triennium, enable implementing agencies to exercise their fiduciary responsibilities, and to provide sufficient oversight and reporting for the Executive Committee. In this respect, challenges for the next triennium (2009-2011) should be taken into account as mentioned above, in particular with respect to future control measures as well as the need to ensure that all commitments and financial accounts are closed. Any possible additional costs after 2011 would also have to be assessed taking into account any project activities expected to occur after 2010.

21. Any changes to the existing administrative cost regimes should also take into account current plans for the use of the balance of support costs and any related cash flow issues mentioned above. To do this, the consultant should consider project implementation trends for the existing portfolio of approved projects, earned versus unearned support costs, and fixed versus variable costs.



**Deliverables**

22. The consultant will provide a report on progress to the Executive Committee at its 53<sup>rd</sup> Meeting in the context of the annual assessment of core unit costs. A draft report should be submitted by 15 January 2008. The final report would be submitted by 15 February 2008 for consideration of the Executive Committee at its 54<sup>th</sup> Meeting.

UNEP/OzL.Pro/ExCom/51/44, paragraphs 10 to 22

**Annex IV**

**Terms of reference**

**FORMAT FOR REPORTING ON RESOURCES PROVIDED TO THE  
AGENCIES FOR ADMINISTRATIVE PURPOSES**



GEF/C.40/Inf.11  
April, 26, 2011

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GEF Council Meeting  
May 24-26, 2011  
Washington, D.C.

**FORMAT FOR REPORTING ON RESOURCES PROVIDED TO THE  
AGENCIES FOR ADMINISTRATIVE PURPOSES**

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## ANNEX 1 – TERMS OF REFERENCE

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In 2007, the GEF Secretariat, in response to a request from the GEF Council, contracted an external consulting firm to review administrative costs at the three GEF Agencies (UNDP, UNEP, and the World Bank) in order to estimate the costs of undertaking GEF-financed projects and engaging with the GEF partnership. Despite cooperation from the Agencies, the Consultant encountered difficulties in acquiring and assembling comparable data on administrative costs across the three agencies. The report from the consultant will be provided as background to the selected consultant undertaking this review of GEF Administrative Expenses.

Subsequently, a working group comprised of staff from the GEF Secretariat and all ten GEF Agencies convened in 2008 and agreed on common definitions of project cycle activities and a reporting format that would allow for an assessment of GEF administrative costs across Agencies. However, this agreed reporting format was insufficient to allow a comparison among agencies, and a recent paper presented to the GEF Council in November 2010<sup>87</sup> once again highlighted the commonality issues among Agencies and the difficulty to compile comparable information with regard to administrative expenses. The GEF Secretariat and all ten Agencies are now engaged through another inter-agency working group to develop an agreed common format to report on expenditures related to administrative resources provided by the GEF. This exercise is expected to be completed by mid-April 2011.

The term "administrative costs/expenses" is utilized in these terms of reference to refer to the costs incurred by all ten Agencies in the delivery of results using GEF resources towards project activities in recipient countries. For the purposes of this exercise, "administrative costs/expenses" capture two categories of expenses. The first category of administrative costs is met from the fees that are provided to Agencies. The fees are provided to the Agencies to cover their costs for two purposes: (a) to fulfill corporate responsibilities related to institutional relations, policy and program development/ management/ coordination, outreach/knowledge management/external relations, management and finance and monitoring and evaluation; and (b) to provide project cycle management services, including due diligence management, quality assurance and oversight of a project through the entire project cycle – development, preparation, supervision, and evaluation.<sup>88</sup>

A second category relates to project management costs included in the GEF project grant. It is recognized that resources to finance these costs are not always provided to the Agency and that they often flow directly to the executing entity of the project. Nevertheless, the review is expected, through a review of a sample of projects, to provide information on the level and use of project management resources.

### **Objectives of the Review**

The overall objective of the Review was to examine the current level of fees paid by the GEF to Agencies to cover project cycle management costs and corporate costs, and project management

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<sup>87</sup> *Rules and Guidelines for Agency Fees and Project Management Costs*: October 20, 2010, GEF/C.39/09

<sup>88</sup> *Proposal for A Fee-Based System for Funding GEF Project Implementation*, April 7, 1999, GEF/C.13/11.

**Table 7-1: Summary of Recommendations and Other Options**

Cost Area	Recommendation	Other Options
(4) Corporate costs	On the assumption the GEF wishes to pay only those "corporate costs" strictly required of each GEF Agency in regard to its direct engagement with the GEF on administrative and policy matters, and the assumption that these core corporate tasks and their costs are very similar across Agencies, a standard annual payment per Agency is an appropriate instrument. GEFSEC has made an estimate of average corporate costs under these assumptions. However the complexities and uncertainties are sufficient in our opinion to justify further study and discussion of the approach and the amount of the subvention.	<ul style="list-style-type: none"> <li>• The status quo of a notional one tenth of the fee allocated to corporate cost or some variant of that approach such as a higher or lower notional percentage within a 10% fee, or within a 9% fee.</li> <li>• Customized subventions that have been tried before and found less satisfactory than a fixed fee approach.</li> <li>• An additional supplement provided to GEF Agencies in a replenishment year, either a standard amount for all Agencies or a variable amount linked to their individual plans to participate.</li> </ul>
(5) Project oversight (management and technical oversight of the EA by the IA)	Fee of 9% on top of each project budget available to the GEF Agency upon project endorsement by the GEF CEO.	<ul style="list-style-type: none"> <li>• Supplementary "Development Grants" to Agencies that propose to upgrade their portfolio in a particular GEF Focal Area, and propose a detailed work plan to do so in the coming year. Activities and outputs could include thematic evaluations or reviews, producing strategy documents, general programming plans, or "Country Investment Plans" in a GEF Focal Area.</li> <li>• Lower fee for program-based approaches involving a series or cluster of projects.</li> <li>• Lower fee for a project where the IA is also the executing agency.</li> <li>• Lower fee when the GEF grant is fully blended with a larger loan. (not as a strict rule but open to GEFSEC or Agencies to negotiate on a case-by-case basis).</li> <li>• An additional fee, similar to the CIF fee of 0.25% of the project budget paid to the IA by the recipient country out of its own resources.</li> </ul>
(6) Project management by the executing agency.	A ceiling of 5% of the project budget above which the financial proposal to the GEF would be subject to additional scrutiny.	<ul style="list-style-type: none"> <li>• A somewhat higher ceiling, in the range of 5% to 10%, not to signal that a higher PMC can be routinely applied but to limit the demand on GEFSEC resources for review time.</li> <li>• Over time, the development by GEFSEC of a risk-based approach to identifying grant proposals that require higher levels of budget scrutiny prior to approval, including but not limited to scrutiny of PMCs.</li> </ul>

costs; and to determine whether those administrative costs are reasonable relative to the services provided.

As far as possible within its constraints the External Review provides an assessment of whether GEF resources are being used effectively and efficiently, and makes recommendations, as appropriate, on ways to improve the management of administrative costs.

The consultant is required to prepare a brief report (about 50 pages + annexes) focusing on the following:

- a) Establish the current usage of fees (including provisions for corporate activities) and project management costs provided to Agencies;
- b) Estimate the core corporate activity costs required of all Agencies, based on GEF specifications of requirements.<sup>89</sup> (Requested by GEFSEC.)
- c) Assess whether deliverables in each category are in-line with the expenditures;
- d) Determine options and measures needed to rationalize Agency fees as appropriate;
- e) In carrying out this exercise, a sample of projects will be examined. This sample should be extracted from GEF-4 projects approved between fiscal years 2007 and 2010. The GEF Secretariat shall provide access to project information from the project database to facilitate the exercise.
- f) Review and apply the lessons learned from a previously conducted study by an independent consultant for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer.
- g) Compare the GEF's fee system to other similar institutions to be selected by the consultant based on past experience.

#### **Specific Questions and Issues to be Addressed**

As the contractor develops the specific recommendations, the following questions and issues need to be considered:

**Are the resources provided through fees and project management costs (in the projects sampled) in compliance with the GEF Secretariat's rules and guidelines? (See Annex 1) If not, identify the specific issues where the use of GEF administrative funds (fees and project management costs) are not properly used or applied.**

**Are the ten GEF Agencies using GEF project management costs to pay part of their own administrative expenses for non-GEF activities (in particular staff time)?<sup>90</sup>**

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<sup>89</sup> Corporate activities would include *inter alia* participation in Council meetings, task force meetings, network meetings, and review of documents.

What expenses are included in the project management costs, and which are integrated with other components of the project financing request?

Are the ten Agencies delivering expected services for the level of resources they receive? *For example: Some project level funds may be used by the Agency's GEF coordinating unit. By the time the funds are received by the task manager of the project, is the level of funds adequate to perform proper supervision?*

Is the 1% corporate fee levied on the overall project amount used for corporate activities only?

Are there overlaps among the different resources provided by the GEF? Are there alternative ways to manage these resources?

Can there be a cost-neutral systematic tracking and reporting of usage of resources at a project level? Clarify why this may or may not be desirable, at what stage would it be most informative? Clarify how benefits compare to costs of introducing additional reporting and transaction costs of receiving a GEF grant.

How are other similar institutions tracking the proper use and management of administrative resources provided to implementing and executing entities?

### **Methodology**

Meet with GEF Secretariat, all ten GEF Agencies and GEF Trustee to gather information and further refine the review approach.

In coordination with stakeholders, determine an appropriate methodology and sampling size of projects and obtain specific information on fees and project management costs provided for each of the sampled project. Assess how the resources provided by the GEF to cover Agencies' costs for project management and corporate activities are used.

The project samples should include projects from all Agencies and for all project types (full-sized, medium-sized and enabling activities) including SGP (Small Grant Program) projects. The samples should cover projects endorsed between FY2008 and FY2010. A relevant sampling size should be taken for each fiscal year to properly capture corporate expenditures related to the GEF-5 replenishment, more specifically in FY2009 and FY2010.

For each fiscal year, the 1% corporate fee should be computed for all CEO endorsed projects. Subsequently, the consultant should obtain the actual expenditures on corporate activities incurred by all GEF Agencies and provide an analysis on how the resources were used.

Similarly, for project cycle activities, the consultant should determine the activities that were undertaken for each project by the Agencies and analyze how they were delivered.

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<sup>90</sup> See Appendix 12 of GEF Operations Manual: "The treatment of any projects that are to be implemented and internally executed by GEF Agencies", November 3, 2009.



The review should look at the resources allocated for project management costs and analyze how they were expended.

Conduct a comparative study with one or two similar institutions selected by the consultant to help assess the adequacy of the fee level.

Review the commonalities and differences in the data across Agencies to allow a more uniform reporting matrix and the ability to compare data across Agencies.

#### **Time Frame/Milestones**

- Initial meetings with GEF Secretariat, GEF Evaluation Office, GEF Agencies and GEF Trustee. Include meetings with other institutions as necessary.
- Assessment of existing usage of fees.<sup>91</sup>
- Interim report with initial findings and possible options to rationalize fees as appropriate.
- Circulate interim report to the working group on GEF Fees for comments and feedback.
- Further meetings with GEF Secretariat and GEF Agencies.
- Final report. Report should include all findings identified in c) above and an Executive summary of the findings Due by October 14, 2011. (Changed to October 1 during the Inception Phase.)

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<sup>91</sup> The report should include but is not limited to the following: identification of existing usage of fee, assessment of appropriation of fees and project management costs in line with established rules and guidelines, analysis of existing overlap issues among agency fee and project management costs, assessment of deliverable of expected services by GEF Agencies, draft findings and recommendations regarding management of administrative resources at the GEF Agencies, draft findings and recommendations regarding the fee-based system of the GEF. a sample tool to track and report uses of resources at a project level.

**ANNEX 2 – AGENCY REPRESENTATIVES FOR THE ADMINISTRATIVE COST REVIEW**

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