



**Programa de las
Naciones Unidas
para el Medio Ambiente**



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COMITÉ EJECUTIVO DEL FONDO MULTILATERAL
PARA LA APLICACIÓN DEL
PROTOCOLO DE MONTREAL
Sexagésima octava Reunión
Montreal, 3 – 7 de diciembre de 2012

**EVALUACIÓN DEL RÉGIMEN DE COSTOS ADMINISTRATIVOS
PARA EL TRIENIO 2015-2017 (DECISIÓN 66/17 e)**

Los documentos previos al período de sesiones del Comité Ejecutivo del Fondo Multilateral para la Aplicación del Protocolo de Montreal no van en perjuicio de cualquier decisión que el Comité Ejecutivo pudiera adoptar después de la emisión de los mismos.

1. Puesto que los regímenes de los costos administrativos se han venido analizando a principios de cada trienio, al Comité Ejecutivo se le preguntó en su 62ª Reunión si deseaba que la evaluación la ejecutara la Secretaría o si, por el contrario, deseaba que la misma se ejecutara independientemente. El Comité decidió “que la extensión del régimen de costos administrativos para cubrir el trienio 2012-2014 podría justificarse fundamentándose en el informe de los costos de unidad central para 2012 que prepare la Secretaría del Fondo para presentarlo a la 65ª reunión.” (Decisión 62/25 c)).

2. En el proceso de evaluación de la idoneidad del régimen vigente, habida cuenta de lo variable de los papeles a jugar y de las carteras de los organismos de ejecución, y de las repercusiones que pudieran derivarse de simplificar las prescripciones de notificación, la Secretaría pidió a los organismos de ejecución que facilitaran información sobre la medida en que sus costos administrativos se utilizaban para atender a las prescripciones de notificación, la ejecución de proyectos y las prescripciones administrativas del reglamento interno. Si bien el PNUMA facilitó una estimación, y el PNUD y el Banco Mundial indicaron que necesitarían efectuar un análisis pormenorizado para evaluar los diversos componentes de sus costos administrativos, la Secretaría del Fondo no recibió información alguna. El Comité no pudo convenir un régimen de costos administrativos antes de principios del trienio 2012-2014, ni tampoco durante la primera reunión del mismo. Por ende, a la primera reunión de 2012-2014 se le aplicó el régimen de costos administrativos vigente.

3. En su 65ª Reunión, la Secretaría preguntó si el Comité Ejecutivo deseaba pedir a los organismos de ejecución que facilitaran un análisis de costos sobre el empleo de los costos administrativos para fines de notificación, ejecución de proyectos, prescripciones de reglamento interno y cualesquiera otras evaluaciones de costos administrativos en el contexto de un análisis de costos administrativos para el trienio 2015-2017. La cuestión se trató en la 66ª Reunión, en la que el Comité Ejecutivo decidió: “retomar el examen de la cuestión en la 68ª reunión para determinar si se requiere un mandato para la evaluación del régimen de costos administrativos para el trienio 2015-2017 y cómo debería modificarse el mandato a la luz del mandato anterior.” (Decisión 66/17 e)).

4. En el presente documento se aborda esta cuestión analizando para ello los costos administrativos del Fondo Multilateral y sus evaluaciones, los mandatos anteriores, las observaciones y las recomendaciones.

Antecedentes de los costos administrativos y de sus evaluaciones

5. Desde la creación del Fondo Multilateral hasta la fecha ha habido cuatro sistemas de costos administrativos. En un principio el PNUD, el PNUMA y la ONUDI recibieron unos honorarios fijos por organismo a una tasa del 13 por ciento del valor de los montos de financiación aprobados para los proyectos, además de los correspondientes a los montos para la preparación de los mismos y los montos para las actividades de preparación de los programas de país, mientras que el Banco Mundial recibía un presupuesto para fines administrativos, jurídicos y financieros a incluir como financiación en su programa anual de trabajo en el que se engrosaban los costos de preparación de los programas de país y los montos de los proyectos propiamente dichos a guisa de costos administrativos. Así mismo, el Banco Mundial recibía un 3 por ciento en concepto de gastos de apoyo por todos los fondos aprobados para cada proyecto individual a fin de cubrir los honorarios de sus intermediarios financieros responsables de la ejecución de los proyectos.

6. La primera evaluación independiente la ejecutó el Director Ejecutivo Ajunto del PNUMA, de la que resultó que todos los organismos, incluido el Banco Mundial recibía una tasa del 13 por ciento (véase el párrafo 41 del documento UNEP/OzL.Pro/ExCom/12/6; el documento UNEP/OzL.Pro/ExCom/14/12, y la Decisión 18/10 b)). La segunda evaluación independiente la realizó Coopers & Lybrand, de la que resultó un tercer cambio al régimen de costos administrativos (véase el párrafo 6 de la Decisión VIII/4 de

la Reunión de las Partes; y el documento UNEP/OzL.Pro/ExCom/26/67). Este nuevo régimen de costos administrativos fue aplicado inicialmente por todos los organismos, aunque, actualmente, sólo sigue plenamente operativo en el caso de los organismos bilaterales, y se aplica, tan sólo parcialmente, en el PNUMA (Decisiones 26/41 y 67/15 a)). Con anterioridad a la celebración de la 38ª Reunión, el Comité Ejecutivo asignaba los recursos para los proyectos de inversión conforme a las acciones de cada organismo (45 por ciento para el Banco Mundial, 30 por ciento para el PNUD, y 25 por ciento para la ONUDI). Como consecuencia de este cambio, el PNUD, la ONUDI y el Banco Mundial recibieron un presupuesto para unidad central bajo un régimen reducido de gastos de apoyo para las actividades individuales (véanse las Decisiones 37/68 c) y 38/68). Este es el régimen vigente para dichos organismos.

7. Otra evaluación independiente se basó en el mandato analizado en la 51ª Reunión (documento UNEP/OzL.Pro/ExCom/51/44 y Decisión 51/38). Este estudio lo ejecutó Price Waterhouse Coopers que lo presentó a la 55ª Reunión (documento UNEP/OzL.Pro/ExCom/55/48 y Decisión 55/44), al que siguió una ponencia en la que se recogían diversas cuestiones y que fue presentada por la Secretaría del Fondo (documento UNEP/OzL.Pro/ExCom/56/19). El Comité Ejecutivo acordó que se mantuvieran los regímenes de costos administrativos vigentes para los organismos bilaterales y de ejecución durante el trienio 2009-2011 y pidió a éstos últimos que facilitaran los suficientes datos reales para poder supervisar las diferencias entre los ingresos por costos administrativos y los costos realmente incurridos (apartados b) y c) de la Decisión 56/41).

8. La 64ª Reunión del Comité Ejecutivo pidió a la Secretaría del Fondo que, en el contexto de la notificación sobre la marcha de las actividades “considere, en el contexto del examen de costos administrativos por presentar a la 65ª reunión conforme a la decisión 62/25 c): a. si el actual régimen de costos administrativos sigue siendo apropiado, habida cuenta de los cambios en las funciones y carteras de los organismos de ejecución; b. opciones para asegurar que la relación general de los costos administrativos se mantuviese en el promedio histórico o en un valor inferior” (inciso iii) del apartado c) de la Decisión 64/6).

9. En su 67ª Reunión, el Comité Ejecutivo adoptó un nuevo régimen de costos administrativos y decidió analizar el mismo y su presupuesto de financiación de unidad central en su 74ª Reunión, es decir, la última reunión del trienio 2012-2014 (apartados b) y c) de la Decisión 67/15).

10. Al abordar la evaluación de los costos administrativos desde la perspectiva de los posibles desembolsos y no de los montos de financiación aprobados, la Secretaría planteó la posibilidad de un régimen de costos administrativos que se fundamentara en los presupuestos anuales aprobados provisionalmente que pudieran considerarse, comenzando por el trienio de 2015-2017, puesto que de ello se desprendería no tener fondos con saldos a la espera de que se produzcan desembolsos y facilitaría una mayor comprensión del empleo al que se destina el componente de los costos administrativos que se integra en los gastos de apoyo a los organismos. El componente de los honorarios por gastos constituye un porcentaje de lo que los organismos de la ONU ejecutan, por lo que podría producirse un desembolso por exceso o por defecto a menos que se cambie el sistema. La Secretaría mencionó también que si el Comité estima oportuno analizar un régimen de costos administrativos diferente para el trienio 2015-2017 deberá hacerlo antes de dicho periodo, de forma que la etapa II de los planes de gestión de eliminación de HCFC pueda tener en cuenta el nuevo régimen.

Mandatos anteriores

11. Los Anexos I-III recogen los anteriores mandatos utilizados para las evaluaciones independientes. Se incluyen además los mandatos empleados para realizar el estudio más reciente sobre costos administrativos que ejecutó el Fondo para el Medio Ambiente Mundial (FMAM). El mandato del FMAM

identificó objetivos, planteamientos específicos y cuestiones a abordar, metodología y calendarios e hitos para la evaluación.

Observaciones

12. A la 74ª Reunión del Comité Ejecutivo se presentará un análisis del régimen de costos administrativos y del presupuesto de financiación de unidad central de conformidad con el apartado c) de la Decisión 67/15. Los organismos de ejecución han manifestado también su deseo de mantener el actual régimen para el próximo trienio. Empero, el próximo trienio albergará un gran número de acuerdos de etapa II de plan de gestión de eliminación de HCFC que pueden durar más de tres años, por lo que los honorarios de los organismos habrán de analizarse en el contexto de las orientaciones para la etapa II de tales planes de gestión.

13. El análisis podrá ejecutarlo un asesor independiente, la Secretaría del Fondo, o cualquier experto, como se ha hecho en el pasado. La experiencia que se deriva de trabajar con asesores independientes es que en su análisis se incurre en elevados costos y en largos periodos de aprendizaje de los equipos asesores. Los organismos de ejecución no facilitaron un análisis de costos del empleo de los costos administrativos para fines de notificación, ejecución de proyectos, requisitos internos, ni ninguna otra evaluación encomendada por la Secretaría del Fondo que pudiera habilitarla a evaluar el alcance de la financiación necesaria para sufragar los costos administrativos. Lo que es más, no se dispone de un mandato aprobado, a no ser que se consideren las opciones para alcanzar la media de la tasa histórica de tales costos administrativos.

14. Al margen de la modalidad que se utilice, un mandato en el que se reciban aportaciones del Comité Ejecutivo y de los organismos de ejecución sería preferible a no tenerlo y no poder aclarar lo que se incluye en la evaluación. El Comité Ejecutivo puede estimar oportuno presentar sus puntos de vista al respecto del mandato y pedir a la Secretaría que, en cooperación con los organismos de ejecución, proponga dicho mandato, cuestiones a abordar, una metodología, hitos y costos, según sea aplicable a la evaluación conforme al párrafo c) de la Decisión 67/15.

15. No se prevé que el régimen de costos administrativos para el trienio 2012-2014 alcance la tasa histórica de costos administrativos del 11,54 por ciento dado que se prevé sea del 11,55 por ciento para el trienio. El régimen de costos administrativos no ha alcanzado el objetivo de la 8ª Reunión de las Partes que era el de lograr una tasa de costos inferior al 10 por ciento (Decisión VIII/4). El mandato habrá de explorar los medios para alcanzar tales objetivos en el trienio 2015-2017.

RECOMENDACIÓN

16. El Comité Ejecutivo puede estimar oportuno:

- a) Facilitar sus puntos de vista sobre el contenido del mandato para realizar una evaluación de los costos administrativos con miras al trienio 2015-2017; y
- b) Pedir a la Secretaría que, en cooperación con los organismos de ejecución, proponga el mandato, cuestiones a abordar, una metodología, hitos y costos, según sea aplicable a la evaluación conforme al párrafo c) de la Decisión 67/15 en el que se recojan propuestas que incluyan sin exclusividad el logro de los objetivos del párrafo c) de la Decisión 67/15 del Comité Ejecutivo y la Decisión VIII/4 de la Reunión de las Partes.

Annex I

TERMS OF REFERENCE OF PROPOSED ENQUIRY FOR THE ADMINISTRATIVE COST ANALYSIS PRESENTED TO THE 14TH 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 50th 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 49th 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 50th 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 50th 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 53rd 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 54th 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

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

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 2010⁸⁷ 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.⁸⁸

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

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

⁸⁸ *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"> • 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. • Customized subventions that have been tried before and found less satisfactory than a fixed fee approach. • 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.
(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"> • 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. • Lower fee for program-based approaches involving a series or cluster of projects. • Lower fee for a project where the IA is also the executing agency. • 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). • 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.
(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"> • 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. • 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.

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.⁸⁹ (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)?⁹⁰

⁸⁹ 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.

⁹⁰ 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.⁹¹
- 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.)

⁹¹ 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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