



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/71/24  
7 November 2013

ORIGINAL: ENGLISH



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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-first Meeting  
Montreal, 2-6 December 2013

**2014 CORE UNIT COSTS FOR UNDP, UNIDO AND THE WORLD BANK**

## Background

1. This document assesses the core unit costs requests and administrative cost<sup>1</sup> requirements from UNDP, UNIDO and the World Bank, provides an assessment of the extent to which resources available for total administrative costs in 2013 could cover expected 2014 costs, and concludes with the recommendations of the Fund Secretariat.

2. In line with decision 67/15(b), the Executive Committee approved the requests for core unit funding for 2013: US \$1,998,453 for UNDP, US \$1,998,453 for UNIDO, and US \$1,725,000 for the World Bank (decision 68/19(b)).

3. The implementing agencies have provided actual core and administrative cost for 2012, estimated costs for 2013, and proposed budget for 2014 as well as the other information required by decision 56/41.

## **UNDP**

4. Table 1 presents the core unit budget and other information on administrative costs provided by UNDP.

Table 1

### **THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE YEARS 2009-2014 FOR UNDP (US \$)**

Cost items	2009		2010		2011		2012		2013		2014
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Core unit personnel and contractual staff	1,420,994	1,490,937	1,947,108	1,756,568	1,884,735	1,912,090	2,066,543	2,171,918	2,231,536	2,237,075	2,304,187
Travel	257,863	265,119	273,751	283,323	292,293	276,818	312,364	261,674	305,192	274,758	288,495
Space (rent and common costs)	100,000	89,096	100,000	86,059	100,000	103,991	109,191	104,805	114,650	110,045	115,548
Equipment supplies and other costs (computers, supplies, etc.)	30,000	15,541	30,000	23,176	30,000	28,285	30,000	25,052	30,000	30,000	30,000
Contractual services (firms)	10,000	10,150	10,000	17,520	25,000	0	25,000	0	30,000	30,000	30,000

<sup>1</sup> The allocation of administrative costs for UNDP, UNIDO, and the World Bank was changed in November 1998 (decision 26/41) from a flat rate of 13 per cent applied to all projects to a graduated scale. The costs were changed again in December 2002 to a lower scale that included a core unit grant of US \$1.5 million per agency (decision 38/68). Annual increases have occurred for most agencies since the 46<sup>th</sup> meeting. Decision 41/94(d) requested the Secretariat to conduct an annual review of the current administrative costs regime. Decision 56/41 extended the operation of decision 38/68 and its administrative costs regime to apply to the 2009-2011 triennium. At its 67<sup>th</sup> meeting, the Committee decided to apply a new administrative cost regime for the 2012-2014 triennium to UNDP, UNIDO and the World Bank, consisting of annual core unit funding for which an annual increase of up to 0.7 per cent could be considered subject to annual review, and to apply the following agency fees on the basis of funding per agency: an agency fee of 7 per cent for projects with a project cost above US \$250,000, as well as institutional strengthening projects and project preparation; an agency fee of 9 per cent for projects with a project cost at or below US \$250,000; an agency fee no greater than 6.5 per cent, to be determined on a case-by-case basis for projects in the production sector (decision 67/15(b)).

Cost items	2009		2010		2011		2012		2013		2014
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Reimbursement of central services for core unit staff	200,000	375,000	350,000	214,667	250,000	389,935	250,000	258,332	350,000	350,000	350,000
Adjustment*	-161,221	-388,257	-797,494	-467,949	-611,262	-740,353	-808,537	-837,220	-1,062,926	-1,033,425	-1,105,788
<b>Total core unit cost</b>	<b>1,857,636</b>	<b>1,857,586</b>	<b>1,913,365</b>	<b>1,913,365</b>	<b>1,970,766</b>	<b>1,970,766</b>	<b>1,984,561</b>	<b>1,984,561</b>	<b>1,998,453</b>	<b>1,998,453</b>	<b>2,012,442</b>
Reimbursement of country offices and national execution	600,000	2,171,980	1,050,000	1,240,298	1,500,000	1,961,063	1,500,000	1,828,279	1,925,000	1,925,000	1,925,000
Executing agency support cost (internal)	50,000	15,747	50,000	11,496	30,000	27,975	20,000	612	30,000	3,000	5,000
Financial intermediaries	200,000	159,372	100,000	0	100,000	67,142	100,000	0	100,000	75,000	75,000
Cost recovery	200,000	375,000	350,000	214,667	250,000	389,935	250,000	258,332	350,000	350,000	350,000
Adjustment*	161,221	388,257	797,494	467,949	611,262	740,353	808,537	837,220	1,062,926	1,033,425	1,105,788
<b>Total administrative support costs</b>	<b>3,068,857</b>	<b>4,967,941</b>	<b>4,260,859</b>	<b>3,847,775</b>	<b>4,462,029</b>	<b>5,157,233</b>	<b>4,663,098</b>	<b>4,909,004</b>	<b>5,466,379</b>	<b>5,384,878</b>	<b>5,473,230</b>
Supervisory costs incurred by MPU	50,000	41,050	75,000	45,250	75,000	49,250	75,000	47,028	75,000	50,000	75,000
<b>Grand total administrative support costs</b>	<b>3,118,857</b>	<b>5,008,991</b>	<b>4,335,859</b>	<b>3,893,025</b>	<b>4,537,029</b>	<b>5,206,483</b>	<b>4,738,098</b>	<b>4,956,032</b>	<b>5,541,379</b>	<b>5,434,878</b>	<b>5,548,230</b>

\*The cost of the core unit is higher than the allowed subtotal of US \$1,857,636 in 2009; US \$1,913,365 in 2010, US \$1,970,766 in 2011, US \$1,984,561 in 2012 and US \$1,998,453 in 2013. An adjustment line and a negative adjustment were therefore introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

### Core unit costs

5. UNDP is requesting a 2014 core unit budget of US \$2,012,442, despite the fact that it expects the costs of its core unit to exceed this amount by US \$1,105,788 (indicated as "Adjustment" in Table 1, above). UNDP has normally exceeded its budget allocation for its core unit and recouped those costs from support costs earned through implementing Multilateral Fund projects. The level by which it exceeded its costs during the last three years has ranged from US \$740,353 in 2011 to US \$837,220 in 2012 and an estimated US \$1,033,425 in 2013. As the level of this adjustment is expected to increase by 7 per cent and as there is no subsidy from UNDP for Montreal Protocol activities, these funds are made available from realized agency fees.

6. The Secretariat indicated that this appears to represent a movement from implementation to programme administration. UNDP responded that there was not such movement because core unit staff are not exclusively for implementation or programme administration, and do both. Moreover, it indicated that the non-core unit component of the administrative budget does not have a staff component.

7. Seventy-four per cent of UNDP's proposed core unit budget is for staff. Reimbursement of central services represents the next largest cost item amounting to 11 per cent, followed by 9 per cent for travel and 4 per cent for space rental. Staff costs are expected to increase by 3 per cent in line with standard UN practice for budgetary purposes. The agency's request of US \$2,012,442 for 2014 represents a 0.7 per cent increase in the budget approved in 2013 which is allowed by decision 67/15 for the current triennium.

8. The proposed budget for staff is a 3.3 per cent increase over the 2013 budget and a 3 per cent increase over the estimated costs for 2013. UNDP will maintain the same staff composition in 2014 as it

had in 2013. The UNDP Montreal Protocol staff contains 9.5 professional staff and 3.5 general service staff. The staff devotes 100 per cent of their time to Montreal Protocol activities.

9. The proposed travel budget is a 5.5 per cent decrease from the 2013 budget and 5 per cent increase from the estimated costs for 2013. The Secretariat noted that UNDP's core unit travel has been around US \$300,000 since 2012 and was the largest travel budget of the three implementing agencies with core units. It noted that all travel costs are included in this category because several staff at UNDP headquarters and regions have core unit and implementation support tasks and sometimes they cannot be delinked. It further indicated that it had conducted 50 mission in 2012 most of which (37) had been for policy support and programme oversight with the remainder for attending Montreal Protocol related meetings such as coordination and Executive Committee meetings, Meeting of the Parties, and network meetings. This suggests that most of the travel costs were for project implementation-related activities instead of attendance at meetings related to the Montreal Protocol that are for administrative activities. UNDP's policy for attendance at Montreal Protocol-related meetings allows travel depending upon the agendas of meetings with a view toward cost savings by limiting international staff travel to such meetings with only professional staff travelling on behalf of UNDP.

10. Space rent is budgeted at a 0.8 per cent increase over the budget and 5 per cent increase from the estimated costs for 2013. Three items are the same as the budget and estimated costs for 2013 ("Equipment", "Contractual services" and "Reimbursement of central services").

11. As of the end of 2012, UNDP was implementing 154 projects, compared to 179 projects in 2011. On a project basis, UNDP's 2013 estimated core unit costs were US \$20,248 per project based on the number of on-going projects at the end of 2012.

#### Total administrative costs

12. The level of funding for reimbursement to country office and national execution has increased by about 28 per cent from 2012 budget level to a similar estimate for 2013 and 2014 (US \$1,925,000). UNDP indicated that its country offices receive 100 per cent of the fees paid.

13. The Secretariat also requested information on the level of agency fee by UNDP from the Multilateral Fund that had been transferred for implementing projects under the implementation modality used in China. UNDP responded that in the past until 2009 it had provided around 2.25 per cent but that its payments were based on delivery.

14. UNDP had executing agency costs for 2013 (US \$3,000) and 2014 (US \$5,000). It indicated that these costs are budgeted for the few remaining projects executed by the United Nations Office for Project Services (UNOPS).

15. The budget for financial intermediaries proposed for 2014 is the same as the estimated costs for 2013 (US \$75,000). The budget had been maintained for possible intermediaries in future.

16. Supervisory costs representing operating costs incurred at regional locations are estimated for 2014 at the same level as the 2013 budget (US \$75,000). UNDP's Montreal Programme has offices in three regional locations which involve payment of operating costs. Central services involve reimbursement for corporate services. Operating costs at regional locations are not covered by central services and have to be cost shared by the offices that have staff at those locations.

17. Total administrative costs were US \$5 million in 2009, US \$3.9 million in 2010, US \$5.2 million in 2011, US \$4.9 million in 2012 and US \$5.4 million in 2013. The non-core unit cost components are paid as a percentage of delivery. UNDP expects administrative costs to amount to US \$5.5 million in 2014.

18. The Secretariat requested UNDP to indicate why overall administrative costs had increased since 2007 when the level of approvals had been similar. UNDP indicated that one of the larger cost components for the administrative budget had been the reimbursement of country offices/national execution, which is based on the disbursement of projects funds.

19. The expected resources available to UNDP for administrative costs include both the core unit costs and the agency fees released on the basis of a disbursement against a project cost plus any balance of income for administrative costs not previously used. Table 2 presents this information for the years 2002 to 2013. The table assumes that approved funds are disbursed, therefore there may be a time lag before UNDP has access to all of the approved funds.

Table 2

**ASSESSMENT OF AVAILABILITY OF INCOME FOR FUTURE ADMINISTRATIVE COSTS  
FOR UNDP (US \$)**

UNDP	2002*	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net support costs plus core unit costs	6,239,121	4,458,093	3,470,821	4,080,191	2,962,502	2,751,613	3,707,126	3,001,726	3,483,484	6,554,637	4,506,969	4,567,722**
Total administrative cost	3,668,458	2,511,570	3,666,437	3,563,004	2,908,219	3,189,494	3,313,122	4,967,941	3,847,775	5,157,233	4,909,004	5,384,878
Balance per year	2,570,663	1,946,523	-195,616	517,187	54,283	-437,881	394,004	-1,966,215	-364,291	1,397,404	-402,035	-817,156
Running balance	2,570,663	4,517,186	4,321,570	4,838,758	4,893,041	4,455,160	4,849,164	2,882,949	2,518,658	3,916,062	3,514,027	2,696,871

\* Excludes any balance from previous years.

\*\* Including support costs approved in 2013, support costs and core unit costs submitted to the 71<sup>st</sup> meeting (as of 31 October 2013).

20. The table shows that UNDP could have an accumulated balance of around US \$2.7 million in administrative cost income at the end of 2013 if UNDP receives all of the agency fees for projects submitted to the 71<sup>st</sup> meeting; however, it would not be sufficient to cover UNDP's expected total 2014 administrative costs of US \$5.5 million. It should be noted that UNDP only has access to these agency fees when there is accompanying project expenditures, so a balance should be higher than requirements.

**UNIDO**

21. Table 3 presents the core unit budget and administrative costs provided by UNIDO. The figures listed as "actual" are based on a model prepared by UNIDO to estimate the support cost of the Montreal Protocol programme.

Table 3

**THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE  
YEARS 2009-2014 FOR UNIDO (US \$)**

Cost items	2009		2010		2011		2012		2013		2014
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Core unit personnel and contractual staff	1,651,800	1,490,500	1,434,800	1,319,500	1,372,400	1,390,300	1,584,300	1,550,900	1,440,600	1,714,100	1,550,000
Travel	192,400	170,200	134,600	120,600	118,800	139,700	134,900	175,100	188,000	261,700	190,000
Space (rent and common costs)	100,900	84,700	82,100	81,000	79,000	90,600	91,100	89,300	85,100	103,400	78,000

Cost items	2009		2010		2011		2012		2013		2014
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Equipment supplies and other costs (computers, supplies, etc.)	64,100	66,800	54,900	39,100	44,000	54,100	47,700	30,900	39,300	61,800	53,800
Contractual services (firms)	10,000	33,700	37,900	1,800	29,500	200	43,200	700	39,500	14,600	30,500
Reimbursement of central services for core unit staff	564,100	533,300	412,800	438,200	413,900	510,400	421,600	414,200	394,300	488,000	422,100
Adjustment*	-725,664	-521,564	-243,735	-86,835	-86,834	-214,534	-338,239	-276,539	-188,347	-645,147	-311,958
<b>Total core unit cost</b>	<b>1,857,636</b>	<b>1,857,636</b>	<b>1,913,365</b>	<b>1,913,365</b>	<b>1,970,766</b>	<b>1,970,766</b>	<b>1,984,561</b>	<b>1,984,561</b>	<b>1,998,453</b>	<b>1,998,453</b>	<b>2,012,442</b>
Reimbursement of country offices and national execution	2,181,000	2,769,800	1,902,400	2,430,400	3,085,600	2,857,600	3,019,300	1,818,300	3,222,600	1,600,100	1,891,600
Executing agency support cost (internal)	2,946,900	2,302,500	3,124,200	2,255,500	2,799,400	2,226,400	3,118,800	2,900,900	2,881,500	2,924,400	3,559,700
Adjustment*	725,664	521,564	243,735	86,835	86,834	214,534	338,239	276,539	188,347	645,147	311,958
<b>Total administrative support costs</b>	<b>7,711,200</b>	<b>7,451,500</b>	<b>7,183,700</b>	<b>6,686,100</b>	<b>7,942,600</b>	<b>7,269,300</b>	<b>8,460,900</b>	<b>6,980,300</b>	<b>8,290,900</b>	<b>7,168,100</b>	<b>7,775,700</b>
Minus project-related costs	Not provided	-1,711,810	Not provided	-1,688,408	-2,081,159	-1,779,869	-2,376,725	-1,798,710	-1,798,425	-1,991,545	-2,114,087
<b>Net total administrative support costs</b>	Not provided	<b>5,739,690</b>	Not provided	<b>4,997,692</b>	<b>5,861,441</b>	<b>5,489,431</b>	<b>6,084,175</b>	<b>5,181,590</b>	<b>6,492,475</b>	<b>5,176,555</b>	<b>5,661,613</b>

\*The cost of the core unit is higher than the allowed subtotal of US \$1,857,636 in 2009; US \$1,913,365 in 2010; US \$1,970,766 in 2011; US \$1,984,561 in 2012; and US \$1,998,453 in 2013. An adjustment line and a negative adjustment were therefore introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

### Core unit cost

22. UNIDO is requesting a 2014 core unit budget of US \$2,012,442, despite the fact that it expects the costs of its core unit to exceed this amount by US \$311,958 (indicated as “Adjustment” in Table 3, above). UNIDO exceeded its 2009 budget by US \$521,564; its 2010 budget by US \$86,835; its 2011 budget by US \$214,534; and its 2012 budget by US \$276,539. It is estimating that it will exceed its 2013 budget by US \$645,147. In the case of UNDP, any funds exceeding that approved for the core unit would have to come from the agency’s fees, while for the World Bank, support from agency fees for core unit activities is not allowed.

23. UNIDO has not agreed with the analysis that suggests support from agency fees from implementation to administrative activities. UNIDO has indicated that any costs beyond the core unit costs and agency fees would be subsidized through UNIDO’s regular budget since the Organization provides a budget for its office and it constitutionally supports its technical cooperation programme. As such, the apparent subsidy from agency fees intended for programme implementation to core unit costs which are strictly for administration was twice that budgeted in 2013 (US \$188,347) to an estimated US \$645,147 in 2013.

24. In fact all of the line items of UNIDO’s core unit budget were exceeded except contractual costs where over 50 per cent of the funds were used by other budget items. If the items of the core unit budget were treated as a budget line instead of a lump sum, the maximum level of adjustment would be 20 per cent among budget lines.

25. Sixty-seven per cent of UNIDO's proposed core unit budget is for 9 staff members. The central services budget item represents the next largest cost item, amounting to 18 per cent of the budget followed by 8 per cent for travel and 3 per cent for space rental. The agency's request for US \$2,012,442 for 2014 represents a 0.7 per cent increase in the budget approved in 2013 which is allowed by decision 67/15 for the current triennium.

26. The proposed budget for staff is an 8 per cent increase from the 2013 budget and a 10 per cent decrease over the estimated costs for 2013. UNIDO indicated that it was maintaining the same number of core unit staff for several years and that the fluctuation in cost is related to its Euro-based budgeting system.

27. The proposed travel cost budget is a 1 per cent increase over the 2013 budget but a 27 per cent decrease from the estimated costs for 2013. UNIDO had expenditures (US \$261,700) that exceeded its travel budget for the 2012 actual costs (US \$175,100) by 49 per cent and the 2013 budget (US \$188,000) by 39 per cent. UNIDO indicated that the increase in the component was due to the increase of ticket prices and the number of missions considered necessary for programme implementation. It should be noted that this use of travel funds is for project implementation-related activities instead of those for administrative matters such as attendance to Montreal Protocol-related meetings.

28. UNIDO had explained the budget increase from 2012 to 2013 was due to the participation in network meetings of more than one staff member and that it planned to attend conferences on new alternatives.

29. Space rent is budgeted at an 8 per cent decrease from the 2013 budget and a 25 per cent decrease over the estimated costs for 2013. Reimbursement of central services is budgeted at a 7 per cent increase from the 2013 budget but a 14 per cent decrease over the estimated costs for 2013. While space and equipment costs were significantly higher than in 2012, UNIDO indicated that the increase in cost is due to the fact that costs are allocated on the basis of the number of staff and there had been a reduction in headquarters staff.

#### Total administrative costs

30. UNIDO has indicated that some of the costs associated with non-core unit costs are project-related costs. Therefore, UNIDO provides an adjustment to deduct such costs to arrive at a comparable figure with other agencies' administrative costs. When UNIDO implements cost accounting, there should not be a need to make this adjustment as budgetary items could reflect actual costs. UNIDO indicated that it is in the early phase of implementing some of the elements of cost-accounting. However, it also stated that the system may be completed by 2014 although it will not be comprehensive and cannot determine when the system will be fully utilized.

31. The reimbursement of country offices was budgeted at US \$3,222,600 for 2013 but half of that amount (US \$1,600,100) is estimated as having been disbursed<sup>2</sup>. UNIDO defines this item to include costs for the implementation modality used in China and a proportion of procurement staff costs. The rate of agency fees transferred for the implementation modality in China was not provided.

32. Executing agency costs slightly exceeded the budgeted amount in 2013 and are expected to increase from US \$2,881,500 in 2013 to a proposed US \$3,559,700 (an increase of over 23 per cent).

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<sup>2</sup> The total amount of Montreal Protocol related technical cooperation expenditure is divided by the total amount of technical cooperation expenditure to arrive at a percentage which represents the Montreal Protocol related costs within the total technical cooperation expenditure. This percentage is then applied to the total field representation costs to calculate the Montreal Protocol related field representation costs.

33. Total net administrative costs were US \$5.7 million in 2009, US \$5 million in 2010, US \$5.5 million for 2011, US \$5.2 million in 2012, an estimated of US \$5.2 million in 2013 and a proposed US \$5.7 million for 2014.

Table 4

**ASSESSMENT OF AVAILABILITY OF INCOME FOR FUTURE ADMINISTRATIVE COSTS  
FOR UNIDO (US \$)**

UNIDO	2002*	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net support costs plus core unit costs	5,552,199	3,820,903	3,980,726	5,701,127	3,324,433	3,630,268	4,397,644	3,211,434	5,553,437	7,773,768	4,507,749	4,477,334**
Total administrative cost excluding project-related costs	3,684,996	4,258,971	3,459,257	4,128,045	3,610,750	5,065,086	4,957,161	5,739,690	4,997,692	5,489,431	5,181,590	5,176,555
Balance per year	1,867,203	-438,068	521,469	1,573,082	-286,317	-1,434,818	-559,517	-2,528,256	555,745	2,284,337	-673,841	-699,221
Running balance	1,867,203	1,429,135	1,950,604	3,523,686	3,237,369	1,802,551	1,243,034	-1,285,222	-729,477	1,554,860	881,019	181,798

\* Excludes any balance from previous years.

\*\* Including support costs approved in 2013, support costs and core unit costs submitted to the 71<sup>st</sup> meeting (as of 31 October 2013).

34. The table shows that UNIDO could have an accumulated balance of almost US \$181,798 in administrative cost income at the end of 2013 if UNIDO receives all of the agency fees for projects submitted to the 71<sup>st</sup> meeting. Although additional agency fee income and core unit costs should be provided in 2014, the accumulated balance in 2013 would not be sufficient alone to cover UNIDO's expected total administrative costs for 2014.

**World Bank**

35. Table 5 presents the core unit budget and other information on administrative costs provided by the World Bank.

Table 5

**THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE  
YEARS 2009-2014 FOR THE WORLD BANK (US \$)**

Cost items	2009		2010		2011		2012		2013		2014
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Core unit personnel and contractual staff	1,210,267	888,671	1,060,237	787,450	1,100,000	867,586	1,077,014	1,184,796	1,155,000	1,100,000	1,180,040
Travel	170,000	328,475	297,000	283,892	348,000	183,893	277,558	205,425	240,000	160,000	244,800
Space (rent and common costs)	63,000	25,520	36,223	22,516	35,000	47,232	39,776	55,607	58,000	58,000	59,160
Equipment supplies and other costs (computers, supplies, etc.)	87,000	35,911	74,375	77,797	45,000	52,953	83,733	92,303	62,000	52,000	62,000
Contractual services (firms)	10,000	12,487	112,500	13,452	35,000	47,491	96,163	25,769	50,000	50,000	51,000
Reimbursement of central services for core unit staff	123,080	167,420	121,132	125,654	150,000	123,160	150,400	156,762	160,000	160,000	128,000
Adjustment	0	0	0	0	0	0	0	0	0	0	0
<b>Total core unit cost</b>	<b>1,663,347</b>	<b>1,458,484</b>	<b>1,701,466</b>	<b>1,310,760</b>	<b>1,713,000</b>	<b>1,322,315</b>	<b>1,724,644</b>	<b>1,720,663</b>	<b>1,725,000</b>	<b>1,580,000</b>	<b>1,725,000</b>



Cost items	2009		2010		2011		2012		2013		2014
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Return of funds		204,863		390,706		390,685		3,981		145,000	
Reimbursement of country offices and national execution	2,300,000	1,420,599	2,300,000	1,959,418	2,000,000	1,725,528	1,866,510	1,829,418	1,765,050	1,765,050	1,765,050
Executing agency support cost (internal)	0	0	0	0	0	0	0	0	0	0	0
Financial intermediaries	2,100,000	810,697	2,100,000	512,371	1,000,000	160,777	435,000	121,740	75,000	75,000	75,000
Cost recovery	0	0	0	0	0	0	0	0	0	0	0
Adjustment	0	0	0	0	0	0	0	0	0	0	0
Supervisory costs incurred by MPU	0	0	0	0	0	0	0	0	0	0	0
<b>Grand total administrative support costs</b>	<b>6,063,347</b>	<b>3,689,780</b>	<b>6,101,466</b>	<b>3,782,549</b>	<b>4,713,000</b>	<b>3,208,620</b>	<b>4,026,154</b>	<b>3,671,821</b>	<b>3,565,050</b>	<b>3,420,050</b>	<b>3,565,050</b>

### Core unit costs

36. The World Bank requested a 2014 core unit budget of US \$1,725,000. Unlike UNDP and UNIDO, the Bank does not expect its core unit costs to exceed its budget, and it is not subsidized by revenue from agency fees or the general fund of the Bank.

37. Sixty-eight per cent of the Bank's proposed core unit budget is for staff. The travel budget represents the next largest cost item, amounting to 14 per cent of the budget, followed by central services (7 per cent), equipment (4 per cent), and space and contractual services (3 per cent each). The agency's request of US \$1,725,000 for 2014 represents a zero per cent increase in the budget approved in 2013.

38. The proposed budget for staff is a 2 per cent increase over the 2013 budget and a 7 per cent increase over the estimated costs for 2013. The Bank indicated that it had aligned projections for 2014 with 2012 actual costs as it is more representative of the level of labour the Bank anticipates in the light of approaching stage II of HCFC phase-out management plans (HPMPs). The Bank's Montreal Protocol operations include eight professional staff (including one budget officer and an extended-term consultant) and two support staff. While this budget is for the same staff composition as in the past, it always uses cross-support of Montreal Protocol from other staff and their staffs also support other activities. The Bank indicated that, for Montreal Protocol activities, four staff could spend from 15 to 100 per cent of their time, while four other staff worked full time. In 2014, the Bank anticipates additional time for Bank Ozone Operations Resource Group (OORG) experts and staff time to Montreal Protocol operations.

39. The Bank's 2013 estimated travel costs were almost 33 per cent less than budgeted (US \$240,000). The Bank indicated that the increase in the budget over estimated 2013 costs may be overstated due to travel during the last quarter of 2013. It also stated that there had been a Bank policy to save travel costs in combined mission travel or other cost-saving measures such as smaller missions and greater selectivity in meeting attendance. It also noted that it had participated in only a limited number of regional network meetings in 2013.

40. The Bank is proposing a travel cost budget for 2014 (US \$244,800) which is a 2 per cent increase over the 2013 budget (US \$240,000) and a 53 per cent increase over the estimated costs for 2013 (US \$160,000). It indicated that it is planning participation at several regional network meetings and expects some contractual staff travel for OORG experts.

41. Space rental is budgeted at a 2 per cent increase over the budget and estimated costs for 2013. Reimbursement of central services decreased over the 2013 budget and estimated costs for 2013 by 20 per

cent. Equipment costs are the same as the amount budgeted for 2013 but increased by 19 per cent over estimated costs for 2013. The Bank indicated that there is a standard rate for computers and other office equipment, maintenance and repair that is applied to all Bank units. There are also some recurring costs for equipment supplies, communications and global remote services that are applied to this budget item.

42. The Bank will be returning approximately US \$145,000 from core unit costs from 2013 once actual 2013 data is known. The Executive Committee may wish to note, with appreciation, that the Bank's core unit operation was again below its budgeted level and that it would be returning unused balances.

#### Total administrative costs

43. The budget for reimbursement of country offices proposed for 2014 is expected to remain the same as 2013 (US \$1,765,050). For the Bank, this budget item means the project fees received on approved projects that are channelled to the project teams for project supervision and management. Project teams are mapped to what are known as the "the Regions," i.e. the Bank's operational arm.

44. The Bank stated that no agency fees were provided to countries for national execution except in the case where financial intermediaries are utilized in Thailand (US \$75,000).

45. The Secretariat also requested the Bank to indicate the percentage of the agency fees received by the Bank for implementation that was transferred for the implementation modality used in China. The Bank indicated that no agency fees were provided for its implementation modality.

46. Total administrative costs were US \$3.7 million in 2009, US \$3.8 million in 2010, US \$3.2 million in 2011, US \$3.7 million in 2012 and an estimated of US \$3.4 million in 2013. Administrative costs are estimated at US \$3.6 million in 2014 representing no increase in that budgeted for 2013, but an increase of 4 per cent over estimated 2013 costs.

47. The expected resources available to the World Bank for administrative costs include the core unit costs and the agency fees plus any balance of income for administrative costs not previously used. Table 6 presents this information for the years 2003 to 2013.

Table 6

#### **ASSESSMENT OF AVAILABILITY OF INCOME FOR FUTURE ADMINISTRATIVE COSTS FOR THE WORLD BANK (US \$)**

<b>World Bank</b>	<b>2003*</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Net support costs plus core unit costs	7,284,915	7,455,510	7,315,360	6,456,098	6,479,388	4,616,907	3,560,106	1,868,548	5,099,184	2,765,746	4,547,077
Total administrative cost	6,118,162	5,914,544	6,658,371	7,106,215	6,030,398	5,454,473	3,689,780	3,782,549	3,208,620	3,671,821	3,420,050
Balance per year	1,166,753	1,540,966	656,989	-650,117	448,990	-837,566	-129,674	-1,914,001	1,890,564	-906,075	1,127,027
Running balance	1,166,753	2,707,719	3,364,709	2,714,592	3,163,582	2,326,016	2,196,342	282,341	2,172,905	1,266,830	2,393,857

\* Excludes any balance from previous years.

\*\* Including support costs approved in 2013, support costs and core unit costs submitted to the 71<sup>st</sup> meeting (as of 31 October 2013).

48. The table shows that the World Bank could have accumulated a balance of US \$2.4 million based on approvals to-date in 2013 and submissions to the 71<sup>st</sup> meeting. Although additional agency fee income and core unit costs should be provided in 2014, the accumulated balance in 2013 would not be sufficient alone to cover the expected administrative costs for 2014.

## Observations

49. UNDP and UNIDO indicated that their core unit costs will exceed their requested budgets, thereby requiring the use of income generated from agency fees, or from the agency's general fund in the case of UNIDO, to cover the balance of core unit costs. UNDP's proposed 2014 core unit budget appears to be subsidized by income from agency fees estimated at US \$1,105,788, but UNDP indicated that there were project-related costs included as core unit costs. It is difficult to assess whether this apparent subsidy has an impact on transferring implementation resources to administrative activities if project-related costs are included with administrative costs. The Executive Committee may wish to consider requesting that future studies on administrative costs propose means by which project implementation-related costs should be isolated from administrative costs in order to effectively assess the requirements of core unit costs.

50. UNIDO's core unit appears to have been subsidized by US \$645,147 in 2013 with US \$311,958 proposed for 2014. UNIDO maintains that this cannot be assessed based on its budgetary practice since it views core unit costs as a lump sum project cost with one budget line and not a budget with those budget items specified in its core unit submissions. It also notes that any costs beyond that provided by the Fund would be supported by the Organization. The Secretariat is suggesting that implementing agencies should identify additional income to enable the Fund to assess the use of the funds it provides for administrative costs. There were several cases where the agencies exceeded the budget items of its core unit including some cases where budget items were exceeded by more than 20 per cent. The Executive Committee may wish to consider requesting that future studies on administrative costs consider the merits of requesting agencies to use core unit funds as budgets and stay within established agency norms for exceeding the allocated budget amounts.

51. UNDP and UNIDO requested a 0.7 per cent increase for core unit budgets in 2014 over the amounts approved for 2013. The World Bank requested the same level of budget in 2014 as 2013. The World Bank's core unit is not subsidized and has returned funds since 2008 and estimates that it might return US \$145,000 from its 2013 budget.

## RECOMMENDATIONS

52. The Executive Committee may wish to consider:

- (a) Noting:
  - (i) The report on 2014 core unit costs for UNDP, UNIDO and the World Bank as presented in document UNEP/OzL.Pro/ExCom/71/24;
  - (ii) With appreciation, that the World Bank's core unit operation was again below its budgeted level and that it would be returning unused balances;
- (b) Whether to approve the requested core unit budgets for UNDP for \$2,012,442, UNIDO for \$2,012,442, and the World Bank for US \$1,725,000;
- (c) Requesting that future studies on administrative costs should:
  - (i) Propose means by which project implementation-related costs should be isolated from administrative costs in order to effectively assess the requirements of core unit costs; and

- (ii) Consider the merits of requesting UNDP, UNIDO and the World Bank to use core unit funds as budgets and stay within established agency norms for exceeding the allocated budget amounts.

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