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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eightieth Meeting  
Montreal, 13-17 November 2017

**2018 CORE UNIT COSTS FOR UNDP, UNIDO AND THE WORLD BANK**

Background

1. This document assesses the 2018 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 2018 could cover expected 2018 costs; and concludes with the Secretariat's observations and recommendation.
2. In line with decisions 67/15(b) and 73/62(b), the Executive Committee approved the requests for core unit funding for 2017 as follows: US \$2,055,000 for UNDP; US \$2,055,000 for UNIDO; and US \$1,725,000 for the World Bank (decision 77/39(b)).

<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 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 the 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)). At the 73<sup>rd</sup> meeting, the Committee decided to apply the existing administrative cost regime for the bilateral and implementing agencies during the 2015-2017 triennium; to review the administrative cost regime and its core unit funding budget at the first meeting of 2017 (decision 73/62(b) and (c)). At the 79<sup>th</sup> meeting, the Committee decided to apply the existing administrative cost regime for the implementing agencies during the 2018-2020 triennium; and to request UNDP, UNIDO and the World Bank to present their annual reports on core unit funding using the revised format for reporting (decision 79/41(c) and (e)).

3. The implementing agencies have provided actual core and administrative costs for 2016, estimated costs for 2017, and proposed budget for 2018. They have also used the revised format for reporting administrative costs<sup>2</sup> pursuant to decision 79/41(e).

## UNDP

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

**Table 1: Core unit budget data and other administrative costs for the years 2011-2018 for UNDP (US \$)**

Cost item	2011	2012	2013	2014	2015	2016	2017		2018
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>A. Core unit</b>									
Core unit personnel and contractual staff	1,912,090	2,171,918	2,076,816	2,050,914	1,991,859	2,043,505	2,113,164	2,301,252	2,370,290
Travel (staff and consultant)	276,818	261,674	249,131	163,639	168,418	155,061	178,674	250,000	257,500
Space (rent and common costs)	103,991	104,805	101,236	105,219	109,380	159,872	120,592	167,866	176,259
Equipment supplies and other costs (computers, supplies, etc.)	28,285	25,052	17,781	16,967	19,442	16,485	22,000	20,000	20,000
Contractual services (firms)	0	0	18,461	22,955	16,175	0	28,000	25,000	26,000
Reimbursement of central services for core unit staff	389,935	258,332	384,704	311,137	317,160	251,317	350,000	350,000	350,000
Adjustments (+ = underuse and - = overrun)	-740,353	-837,220	-849,676	-658,389	-595,905	-585,526	-757,430	-1,059,118	-1,130,663
Return of funds (- = returned funds)	0	0	0	0	0	0	0	0	0
<b>A. Sub-total core unit costs*</b>	<b>1,970,766</b>	<b>1,984,561</b>	<b>1,998,453</b>	<b>2,012,442</b>	<b>2,026,529</b>	<b>2,040,715</b>	<b>2,055,000</b>	<b>2,055,000</b>	<b>2,069,385</b>
<b>B. Agency fee/ implementation</b>									
Reimbursement of country offices and national execution, including overheads	1,961,063	1,828,279	2,442,896	1,694,992	1,775,969	1,472,814	1,925,000	1,925,000	1,925,000
Executing agency support cost (internal), including overheads	27,975	612	0	0	0	0	0	0	0
Financial intermediaries, including overheads	67,142	0	0	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)									
Cost recovery	389,935	258,332	384,704	311,137	317,160	251,317	350,000	350,000	350,000
Adjustments (+ = overrun and - = underuse)	740,353	837,220	849,676	658,389	595,905	585,526	757,430	1,059,118	1,130,663
Project costs (- = to be deducted and thus removed)	0	0	0	0	0	0	0	0	0
<b>B. Sub-total agency fee/ implementation costs</b>						<b>2,309,657</b>	<b>3,032,430</b>	<b>3,334,118</b>	<b>3,405,663</b>
<b>Total Administrative Support Costs</b>	<b>5,157,233</b>	<b>4,909,004</b>	<b>5,675,729</b>	<b>4,676,959</b>	<b>4,715,563</b>				
Supervisory costs incurred by MPU	49,250	47,028	47,801	53,814	56,970		75,000		
<b>Grand total (A + B)**</b>	<b>5,206,483</b>	<b>4,956,032</b>	<b>5,723,531</b>	<b>4,730,773</b>	<b>4,772,532</b>	<b>4,350,371</b>	<b>5,087,430</b>	<b>5,389,118</b>	<b>5,475,048</b>

<sup>2</sup> Annex XVIII to document UNEP/OzL.Pro/ExCom/79/51.

\*The cost of the core unit is higher than the allowed subtotal of US \$1,970,766 in 2011, US \$1,984,561 in 2012, US \$1,998,453 in 2013, US \$2,012,442 in 2014, US \$2,026,529 in 2015, US \$2,040,715 in 2016 and US \$2,055,000 in 2017. An adjustment line and a negative adjustment were therefore introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided under agency fee/implementation to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

\*\*Reflects total annual amount provided by the Multilateral Fund. In the transition to the revised reporting format, the budget lines “total administrative support costs”, and “supervisory costs incurred by MPU” are reflected in order to show trends in the period between 2011 and 2015. These lines will be removed over time.

### Core unit costs

5. UNDP’s request of US \$2,069,385 for its 2018 core unit budget represents a 0.7 per cent increase in the budget approved for 2017. This level of funding is being requested despite that UNDP expects the costs of its core unit to exceed this amount by US \$1,130,663 (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.

6. The level by which it exceeded its costs has been more than US \$800,000 at least two times over the past six years: US \$837,220 in 2012 and \$849,676 in 2013. For 2017 and 2018, UNDP will exceed its budget by a million dollars, i.e., US \$1,059,118 (about 40 per cent over budget) and US \$1,130,663 respectively. The increase between 2017 and 2018 is 6.75 per cent. As there is no subsidy from UNDP for Montreal Protocol activities and no other sources of income for its core unit costs, these funds are from realized agency fees. UNDP has indicated that part of its core unit staff functions is related to administering projects, and the estimated 2017 staff costs are higher than the budget because positions that were vacant in 2016 had been filled. UNDP has in the past indicated that it does not pro-rate such activities from its core unit costs thereby requiring the adjustment.

7. Overall, 74 per cent of UNDP’s proposed 2018 core unit budget is for staff salaries, which remains in the same range as been the case over the past four years. At 11 per cent of the budget, reimbursement of central services is the second next largest cost, followed by eight per cent for travel and six per cent for space rental.

8. The proposed travel budget (US \$257,500) is a three per cent increase from the estimated costs for 2017 (US \$250,000) as well as a 66 per cent increase over the actual 2016 costs (US \$155,061). These travel budgets are, however, at the higher end of the range of costs since 2011 (US \$155,061 to US \$276,818). Other costs (space, equipment and contractual services) are budgeted at near or the same levels as the estimated costs for 2017.

### Total administrative costs

9. UNDP expects administrative costs to amount to US \$5,475,048 in 2018, slightly above the estimated 2017 costs of US \$5,389,118.

10. The level of funding for reimbursement of country offices and national execution is expected to remain the same as in 2017 (US \$1,925,000). This is also within the range of costs since 2011 (US \$1,472,814 to US \$2,442,896).

11. 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 2009 to 2017. It is assumed that the 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	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Net support costs plus core unit costs	2,926,053	3,459,525	6,307,162	4,502,929	4,512,461	3,663,842	4,489,907	5,084,697	5,811,988
Total administrative cost	5,008,991	3,893,025	5,206,483	4,956,032	5,723,531	4,730,773	4,772,532	4,350,371	5,389,118
Balance per year	-2,082,938	-433,500	1,100,679	-453,103	-1,211,070	-1,066,931	-282,625	734,326	422,870
Running balance**	2,551,863	2,118,363	3,219,042	2,765,940	1,554,870	487,939	205,314	939,640	1,362,510

\* Including support costs approved at the 79<sup>th</sup> meeting, and the value of agency fees and core unit costs from submissions to the 80<sup>th</sup> meeting.

\*\* Excludes any balance from years prior to 2002.

12. The table shows that UNDP could have an accumulated balance of US \$1,362,510 at the end of the year. UNDP would have to generate at least US \$4,112,538 in agency fees and core unit costs in 2018 to cover its expected total 2018 administrative costs of US \$5,475,048. It should be noted that UNDP only has access to these agency fees when there are accompanying project expenditures, so a balance should be higher than required.

## UNIDO

12. 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 unit pursuant to decision 56/41.<sup>3</sup> UNIDO has never had an appropriate cost centre accounting system that could facilitate reporting based on actual data with an audit trail. UNIDO has indicated that an alignment was established in 2017 to reflect the total administrative costs, including those which as per current UNIDO methodology may have been termed as possible project-related administrative costs.

**Table 3: Core unit budget data and other administrative costs for the years 2011-2018 for UNIDO (US \$)**

Cost item	2011	2012	2013	2014	2015	2016	2017		2018
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>A. Core unit</b>									
Core unit personnel and contractual staff	1,390,300	1,550,900	1,445,700	1,380,600	1,293,800	1,383,600	1,337,300	1,504,900	1,375,700
Travel (staff and consultant)	139,700	175,100	284,000	161,800	147,700	161,100	164,800	188,000	188,000
Space (rent and common costs)	90,600	89,300	99,400	71,800	75,400	76,200	87,400	78,800	79,600
Equipment supplies and other costs (computers, supplies, etc.)	54,100	30,900	51,800	41,100	52,600	30,900	59,600	53,100	57,200
Contractual services (firms)	200	700	700	2,000	17,500	1,000	51,300	44,500	16,700
Reimbursement of central services for core unit staff	510,400	414,200	498,800	454,200	447,300	432,900	495,900	475,800	487,700
Adjustments (+ = underuse and - = overrun)	-214,534	-276,539	-381,947	-99,058	-7,771	-44,985	-141,300	-290,100	-135,515
Return of funds (- = returned funds)						0	0	0	0

<sup>3</sup> UNIDO was requested to provide the assumption for its administrative costs model, and in future requests for core unit funding to furnish administrative cost information distinguishing project-related activities from administrative costs. Subsequently, through decision 59/28(c), the Executive Committee took note of the methodology for identifying project-related costs in UNIDO’s annual report on administrative costs (UNEP/OzL.Pro/ExCom/60/51).

Cost item	2011	2012	2013	2014	2015	2016	2017		2018
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>A. Sub-total core unit costs*</b>	<b>1,970,766</b>	<b>1,984,561</b>	<b>1,998,453</b>	<b>2,012,442</b>	<b>2,026,529</b>	<b>2,040,715</b>	<b>2,055,000</b>	<b>2,055,000</b>	<b>2,069,385</b>
<b>B. Agency fee/implementation</b>									
Reimbursement of country offices and national execution, including overheads	2,857,600	1,818,300	3,602,000	1,814,900	1,327,500	1,145,400	1,137,700	990,400	1,125,300
Executing agency support cost (internal), including overheads	2,226,400	2,900,900	3,302,800	2,913,500	2,289,600	1,600,400	3,583,900	1,837,000	1,871,100
Financial intermediaries, including overheads						0		0	0
Reimbursement of central services for core unit staff (including overhead)									
Cost recovery						0		0	0
Adjustments (+ = overrun and - = underuse)	214,534	276,539	381,947	99,058	7,771	44,985	141,300	290,100	135,515
Project costs (- = to be deducted and thus removed)						-187,800		-121,700	-132,700
<b>B. Sub-total agency fee/implementation costs</b>						<b>2,602,985</b>	<b>4,862,900</b>	<b>2,995,800</b>	<b>2,999,215</b>
<b>Total administrative support costs</b>	<b>7,269,300</b>	<b>6,980,300</b>	<b>9,285,200</b>	<b>6,839,900</b>	<b>5,651,400</b>				
<b>Minus project-related costs</b>	<b>-1,779,869</b>	<b>-1,798,710</b>	<b>-2,464,200</b>	<b>-2,308,000</b>	<b>-977,800</b>		<b>-1,426,900</b>		
<b>Grand total (A + B)**</b>	<b>5,489,431</b>	<b>5,181,590</b>	<b>6,821,000</b>	<b>4,531,900</b>	<b>4,673,600</b>	<b>4,643,700</b>	<b>5,491,000</b>	<b>5,050,800</b>	<b>5,068,600</b>

\*The cost of the core unit is higher than the allowed subtotal of US \$1,970,766 in 2011, US \$1,984,561 in 2012, US \$1,998,453 in 2013, US \$2,012,442 in 2014, US \$2,026,529 in 2015, US \$2,040,715 in 2016 and US \$2,055,000 in 2017. An adjustment line and a negative adjustment were therefore introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided under agency fee/implementation to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

\*\*Reflects total annual amount provided by the Multilateral Fund. In the transition to the revised reporting format, the budget lines "total administrative support costs", and "minus project-related costs" are reflected in order to show trends in the period between 2011 and 2015. These lines will be removed over time.

### Core unit cost

13. UNIDO's request of US \$2,069,385 for its 2018 core unit budget represents a 0.7 per cent increase in the budget approved for 2017. The increased level of funding is being requested despite that UNIDO expects the costs of its core unit to exceed this amount by US \$135,515 (indicated as "Adjustment" in Table 3, above). UNIDO has estimated that it will exceed its 2017 budget by US \$290,100, with US \$170,000 spent on HFC matters and the balance of US \$120,100 on standard non-HFC related core functions. UNIDO used its operational budget to meet these costs, and expects to spend US \$100,000 in 2018 for additional consultancy related to HFC activities. In consultation with the Secretariat, UNIDO indicated that it would not request a reimbursement for HFC activities in 2017. However, it stated that HFC activities in 2018 would be an additional cost.

14. Sixty-two per cent of UNIDO's proposed core unit budget is for salaries of 9.6 staff members. In 2017, the staff budget was 64 per cent of the overall budget, ranging from 61 to 69 per cent since 2011; the staff size proposed for 2018 is the same as 2015 and 2016. In 2017, the current estimates for contractual staff are expected to be US \$76,100 higher than previously estimated due to additional requirements related to HFCs and the Kigali Amendment.

15. The contractual services budget for 2018, which is established by its governing body, is almost three times less than that estimated for 2017. This budget includes career development training costs as well as printing and translation costs related to Montreal Protocol activities of a core unit nature as reported by UNIDO's Enterprise Resource Planning System.

16. The proposed travel cost budget (US \$188,000) is the same as estimated for 2017, and within the range of travel costs incurred since 2011 (US \$139,700 to US \$284,000). The central services budget item represents the next largest cost item, amounting to 22.1 per cent of the budget, followed by 8.5 per cent for travel and 3.6 per cent for space rental.

17. UNIDO indicated that space costs reflect contribution to Joint and Common Services and the Major Repairs and Replacement Fund. The total equipment and other costs, which reflect general service operating and information technology costs, are divided by the total number of staff and multiplied with the number of staff of the core unit. The total administration costs under reimbursement of central services for core staff include total general management costs and those of its secretariat of governing bodies. The total administration costs are directly proportional to number of staff in the organization.

#### Total administrative costs

18. Total net administrative costs are proposed at US \$5,201,300 for 2018, which is higher than the 2017 estimated costs of US \$5,172,500 but in the range of costs between 2011 and 2017 (from US \$4,531,900 to US \$6,821,000).

19. The reimbursement of country offices was budgeted at US \$1,125,300 for 2018. This is higher than the estimated costs from 2017 (US \$990,400) but lower than previous years (e.g., US \$1,327,500 in 2015; US \$1,814,900 in 2014; US \$3,602,000 in 2013).

20. By contrast, executing agency cost is increasing with a proposed US \$1,871,100 in 2018, US \$34,100 more than the 2017 budget estimate. These costs have ranged from US \$1,600,400 to US \$3,302,800 for the 2011-2017 period. The 2016 costs reflect the actual expenditures recorded in UNIDO's accounts, the 2017 estimates are based on this year's allotments, and the 2018 estimates are based on the proposed programme and budgets, as submitted to the 45<sup>th</sup> session of UNIDO's Industrial Development Board, which was held in June 2017.

21. The expected resources available from the Multilateral Fund to UNIDO 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 4 presents this information for the years 2009 to 2017. The table assumes that approved funds are disbursed, therefore, there may be a time lag before UNIDO has access to all of the approved funds.

**Table 4: Assessment of availability of income for future administrative costs for UNIDO (US \$)**

UNIDO	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Net support costs plus core unit costs	3,081,896	5,494,271	7,765,234	4,473,785	4,226,417	4,032,893	4,782,891	4,689,799	5,015,784
Total administrative cost excluding project-related costs	5,739,690	4,997,692	5,489,431	5,181,590	6,821,000	4,531,900	4,673,600	4,831,500	5,172,500
Balance per year	-2,657,794	496,579	2,275,803	-707,805	-2,594,583	-499,007	109,291	-141,701	-156,716
Running balance	-829,525	-332,946	1,942,857	1,235,052	-1,359,531	-1,858,538	-1,749,247	-1,890,948	-2,047,664

\* Including support costs approved at the 79<sup>th</sup> meeting, and the value of agency fees and core unit costs from submissions to the 80<sup>th</sup> meeting.

\*\* The Secretariat had estimated a running balance in 2007 since 2002 of US \$2,127,930, but UNIDO's balance of US \$1,828,243 is used instead of the Secretariat's calculation.

22. The table shows that UNIDO could have a negative accumulated balance at the end of 2017 amounting to US \$2,047,664. UNIDO would have to generate at least US \$7,248,964 in agency fees and core unit costs in 2018 to cover the total 2018 administrative costs of US \$5,201,300.

### World Bank

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

**Table 5: Core unit budget data and other administrative costs for the years 2011-2018 for the World Bank (US \$)**

Cost item	2011	2012	2013	2014	2015	2016	2017		2018
	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>A. Core unit</b>									
Core unit personnel and contractual staff	867,586	1,184,796	984,571	1,022,179	827,111	1,089,481	1,110,000	1,179,000	1,192,000
Travel (staff and consultant)	183,893	205,425	111,021	155,778	205,498	216,356	250,000	185,000	195,000
Space (rent and common costs)	47,232	55,607	56,906	44,130	434	1,027	2,000	1,000	1,000
Equipment supplies and other costs (computers, supplies, etc.)	52,953	92,303	31,169	55,508	19,618	33,178	50,000	30,000	25,000
Contractual services (firms)	47,491	25,769	13,389	14,828	49,989	96,839	95,000	105,000	95,000
Reimbursement of central services for core unit staff	123,160	156,762	113,539	90,624	210,909	225,643	218,000	225,000	227,000
Adjustments (+ = underuse and - = overrun)	0	0	0	0	0	62,476	0	0	0
Return of funds (- = returned funds)	-390,685	-3,981	-414,405	-341,953	-411,441	-62,476	0	0	0
<b>A. Sub-total core unit costs</b>	<b>931,630</b>	<b>1,716,681</b>	<b>896,190</b>	<b>1,041,094</b>	<b>902,118</b>	<b>1,662,524</b>	<b>1,725,000</b>	<b>1,725,000</b>	<b>1,735,000</b>
<b>B. Agency fee/implementation</b>									
Reimbursement of country offices and national execution, including overheads	1,725,528	1,829,418	1,611,939	1,298,103	1,210,733	1,249,361	1,640,000	1,640,000	2,000,000
Executing agency support cost (internal), including overheads		0	0	0	0	0	0	0	0
Financial intermediaries, including overheads	160,777	121,740	10,000	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)									
Cost recovery	0	0	0	0	0	0	0	0	0
Adjustments (+ = overrun and - = underuse)	0	0	0	0	0	0	0	0	0
Project costs (- = to be deducted and thus removed)									
<b>B. Sub-total agency fee/implementation costs</b>						<b>1,249,361</b>	<b>1,640,000</b>	<b>1,640,000</b>	<b>2,000,000</b>
<b>Grand total (A + B)</b>	<b>2,817,935</b>	<b>3,667,839</b>	<b>2,518,129</b>	<b>2,339,197</b>	<b>2,112,851</b>	<b>2,911,885</b>	<b>3,365,000</b>	<b>3,365,000</b>	<b>3,735,000</b>

### Core unit costs

24. The World Bank's request of US \$1,735,000 for its 2018 core unit budget represents a US \$10,000 or 0.58 per cent increase of its 2017 core unit budget as originally approved. The increased budget provides for the Bank to meet the costs of implementing its new policy to fully charge trust funds the benefits paid

to staff, and for a core unit with a new configuration of team members. Unlike UNDP and UNIDO, the World Bank is not subsidized by revenue from agency fees or its general fund.

25. The Bank indicated that for 2017, the proposed core unit budget had been revised due to trends in expenditures in the first half of the year. The revision involved a reallocation of funds from the travel and equipment budget lines to staff costs (and related indirect costs captured in the central services row). On 1 July 2017, the Bank introduced a new policy as part of its three-year plan towards full cost recovery of expenses related to trust fund management. This fiscal year's change focused on the increase in the recovery rate from 50 to 70 per cent to ensure full coverage of non-salary cost for staff at headquarters. Preliminary estimates on the annual increased cost to Montreal Protocol (MP) core unit staff is \$230,000 of which more than half has been incorporated into the revised budget.

26. Sixty-nine per cent of the World Bank's proposed core unit budget is for staff salaries. The central services budget represents the next largest cost item, amounting to 13 per cent, followed by travel (11 per cent), contractual services (5 per cent) and equipment (1 per cent). Due to the Bank's overall policy reform directive on cost recovery cited above, higher non-salary costs of staff at headquarters will impact the budget for half of 2017, and for 2018 onwards.

27. The proposed budget for staff (US \$1,192,000) reflects the estimated cost for 2017 (US \$1,179,000) but is higher than the actual costs in 2016 (US \$1,089,481). Compared to the last two years during which the World Bank had eight staff, the Bank indicated that nine staff, including two support staff, work on the World Bank's MP core unit activities. Of the seven professional staff, three work full time on MP activities, but not full time for the core unit (i.e. "cross-support" is provided to, and paid for by MP project fees). The remaining four staff also provide support on the Global Environment Facility (GEF) coordination and other separately funded activities in the Bank's larger coordination/fund management unit. The Bank's MP core unit is most likely use more time of the Bank Coordination/Fund Management Unit's data engineer given some required changes to the current data system/platform.

28. The World Bank's proposed travel costs (US \$195,000) are slightly higher than those estimated for 2017 (US \$185,000) but lower than the actual costs in 2016 (US \$216,356).

29. Reimbursement of central services is budgeted at almost the same level as the estimated costs for 2017. The World Bank indicated in 2016, cost recovery arrangements for its trust funds were changed and as a result services such as cost of offices, security, legal services, accounting, and human resources were now covered through an indirect rate that is calculated on staff cost. Therefore, the higher costs seen in the staffing line item of Table 5, are also seen in the sixth line item on reimbursement of central services.

30. Equipment costs will decrease by 17 per cent over estimated costs for 2017. The World Bank noted these costs were also 25 per cent below the budget for 2016 with savings from cheaper IT products and other operating costs, and a delay in phasing in new computers for the department (it was effected in 2017).

31. The World Bank will return a total of US \$62,476 from core unit costs from 2016. The Executive Committee may wish to note, with appreciation, that the World Bank would be returning unused balances.

#### Total administrative costs

32. The budget for reimbursement of country offices<sup>4</sup> proposed for 2018 is expected to increase over the estimated costs for 2017 by 22 per cent. The Bank has five country office staff who work on MP projects. The planned increase in rates for country office staff (the next phase of the directive towards full

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<sup>4</sup> For the World Bank, this budget item means the project fees received on approved projects 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 World Bank's operational arm.



cost recovery from trust funds) working on MP projects would be covered by the fees received from approved projects (not the core unit budget). The increase is targeted for implementation on 1 July 2018.

33. Total administrative costs are estimated at US \$3,735,000 in 2018, slightly above the estimated costs in 2017 of US \$3,365,000.

34. 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 2009 to 2017.

**Table 6: Assessment of availability of income for future administrative costs for the World Bank (US \$)**

World Bank	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Net support costs plus core unit costs	3,044,531	1,409,962	5,074,821	2,137,373	4,181,092	2,976,002	5,913,456	2,682,573	5,055,266
Total administrative cost	3,689,780	3,782,549	2,817,935	3,667,839	2,518,129	2,339,197	2,112,851	2,911,885	3,365,000
Balance per year**	-645,249	-2,372,587	2,256,886	-1,530,466	1,662,963	636,805	3,800,605	-229,312	1,690,266
Running balance	1,675,150	-697,437	1,559,449	28,983	1,691,946	2,328,751	6,129,356	5,900,044	7,590,310

\* Including support costs approved at the 79<sup>th</sup> meeting, and the value of agency fees and core unit costs from submissions to the 80<sup>th</sup> meeting.

\*\* Excludes any balance from years prior to 2002.

35. The table shows that the World Bank could accumulate a balance of US \$7,590,310 based on approvals at the 79<sup>th</sup> meeting and submissions to the 80<sup>th</sup> meeting. This balance would cover expected administrative costs for 2018 of US \$3,735,000.

## SECRETARIAT'S OBSERVATIONS

36. The three implementing agencies used the revised format for reporting administrative costs pursuant to decision 79/41(e). While it is too early to know the extent to which the three implementing agencies followed the same methodology in populating the revised reporting format, it is evident that the new format clearly identifies tasks and/or activities covered by the core unit component and those covered under the administrative component. The revised format helps to compare core unit and administrative costs across the three implementing agencies.

37. Tables 1, 3 and 5 present the costs for each agency between the period 2011-2018. In this transitional period from the old to the revised format, some budget lines such as the total administrative support costs have been retained in the tables for both UNDP and UNIDO in order to capture past trends in the period 2011-2015. It is important to note that all three implementing agencies did not populate the budget line on reimbursement of central services for core unit staff (including overhead).

38. Submissions by the World Bank and UNIDO show that over the past few years, they have reviewed and revised their policies on cost recovery. For example, the World Bank introduced on 1 July 2017 a new policy as part of its three-year plan towards the full cost recovery of expenses related to trust fund management. A further change related to recovering costs is planned for July 2018, and the Bank has indicated that this would impact country office staff, meaning an increase in the budget for reimbursement of country offices, including overheads.

39. In early 2017, the Joint Inspection Unit (JIU) of the United Nations released a report on its review of UNIDO management and administration processes in which it acknowledged UNIDO's special framework agreements with major donors and funding mechanisms, including the Multilateral Fund, that provide for "a special support-cost reimbursement scheme."<sup>5</sup> UNIDO has indicated that programme/project

<sup>5</sup> Ibid

activities funded through agreements with other entities such as the Multilateral Fund adhere to the provisions of the signed funding agreements.

40. The adoption of the Kigali Amendment has impacted the way implementing agencies are responding to new challenges and opportunities. Even though the ratification process of the Kigali Amendment is still unfolding, all three implementing agencies acknowledge that the expectations of Article 5 Parties are already influencing their work. For example:

- (a) UNDP is assisting some Article 5 countries in HFC phase-down preparatory activities and for the early ratification of the Kigali Amendment. Support will include helping national ozone units to fulfil their initial obligations with regard to HFC phase-down, including initiating support on institutional arrangements, the review of licensing systems, and data reporting on HFC consumption and production;
- (b) UNIDO has indicated that the expert group meeting organized earlier in 2017 was influenced by the Executive Committee's request to countries on early action to ratify the Kigali Amendment. With the interest in early action, UNIDO informed the Secretariat that its HFC-related initiatives could not be delayed to 2018. It spent in 2017 a total of US \$170,000 on HFC activities for which it is requesting reimbursement, and expected to spend US \$100,000 in 2018 on HFC phase-down activities; and
- (c) The World Bank has indicated that the Kigali Amendment is one of the factors that have influenced its budget proposal. Due to HFC activities, the Bank's Montreal Protocol core unit may receive cross-support on a needs-basis from specialized World Bank staff in other groups such as environment or energy. The Bank expects to attend and host more Montreal Protocol-related meetings in 2018 in to better respond to opportunities and challenges that the Kigali Amendment presents to Article 5 countries and Bank operational teams.

41. Overall, HFC phase-down and the Kigali Amendment have added to the work of institutions of the Multilateral Fund, and of core unit costs of implementing agencies.

## **RECOMMENDATION**

42. The Executive Committee may wish:

- (a) To note:
  - (i) The report on the 2018 core unit costs for UNDP, UNIDO and the World Bank as presented in document UNEP/OzL.Pro/ExCom/80/29;
  - (ii) The use of the revised format for reporting administrative costs by UNDP, UNEP and the World Bank pursuant to decision 79/41(e);
  - (iii) With appreciation, that the World Bank's core unit operation was again below its budgeted level and that it would be returning unused balances of US \$62,476 to the Multilateral Fund at the 80<sup>th</sup> meeting;
- (b) To consider whether to approve the requested core unit budgets for:
  - (i) UNDP for US \$2,069,385;
  - (ii) UNIDO for US \$2,069,385; and

- (iii) The World Bank for US \$1,735,000.
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