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EXECUTIVE COMMITTEE OF
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2006 CORE UNIT COSTS FOR UNDP, UNIDO AND THE WORLD BANK

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Background

1. Administrative costs of UNDP, UNIDO, and the World Bank were changed in November 1998 (Decision 26/41) from a flat rate of 13 per cent applied to all projects to a graduated scale, and in December 2002 to a lower scale that included a core unit grant of US \$1.5 million per agency (Decision 38/68). Decision 41/94 (d) requested the Secretariat to annually review the current administrative cost regime. Decision 46/35 extended the operation of decision 38/68 and its administrative cost regime for the 2006-2008 triennium, while modifying the base rate for core unit costs for UNDP and UNIDO to US \$1.7 million instead of US \$1.5 million.

2. Although the last meeting established a modification to the administrative cost regime in terms of the value of the core unit costs, the last meeting did not approve funds for the 2006 core unit. Therefore, agencies were requested to update the information submitted to the 46th Meeting and provide requests for the 2006 core unit for approval at the 47th Meeting.

Core Unit Costs

3. Implementing agencies continued to provide data on the actual support costs covering the core unit and other support activities in an agreed format corresponding to the data the agencies had provided for the Coopers and Lybrand Study that had been submitted to the 26th Meeting.

Administrative Cost Budget for 2005 and Proposed Budget for 2006

4. Implementing agencies were requested to provide core and administrative budget actual data for 2004, estimated costs for 2005, and projected costs for 2006. Data for the planned budget for 2005 was based on information provided in last year's report to the Committee (UNEP/OzL.Pro/ExCom/44/9).

UNDP

5. Table 1 presents the core unit budget and other administrative cost information provided by UNDP.

Table 1

**THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR
THE YEARS 2004-2006 FOR UNDP (US\$)**

Cost Items	2004 Actual	2005 Budget	2005 Estimated	2006 Proposed
Core Components				
Core unit personnel and contractual staff	1,248,234	910,000	1,310,646	1,376,178
Travel	203,416	180,000	209,519	215,804
Space (rent and common costs)	101,979	90,000	117,000	117,000
Equipment supplies and other costs (computers, supplies, etc)	9,467	15,000	15,000	15,000
Contractual services (firms)	70,560	70,000	30,000	30,000
Reimbursement of central services for core unit staff	280,000	440,000	280,000	280,000
Adjustment (over-exp/budget charge against supervisory budget)*	(413,656)		(462,165)	(333,983)
Total core unit cost	1,500,000	1,705,000	1,500,000	1,700,000
Reimbursement of Country offices & Nat'l execution <u>including overhead</u>	906,051	550,000	980,000	980,000
Executing agency support cost (internal) <u>including overhead</u>	448,355	750,000	200,000	200,000
Financial intermediaries <u>including overhead</u>	207,658	220,000	220,000	220,000
Cost recovery			280,000	280,000
Adjustment (travel and central services)*	413,656		462,165	333,983
Total Administrative Support Costs	3,475,720	3,225,000	3,642,165	3,713,983
Supervisory Costs incurred by MPU	190,717	200,000	200,000	200,000
Grand Total Administrative Support Costs	3,666,437	3,425,000	3,842,165	3,913,983

*The cost of the core unit is higher than the allowed subtotal of US \$1,500,000 or US \$1,700,000 in 2006. An adjustment line was therefore introduced to arrive at the required ceiling. The same amounts then appear in the supervisory portion of the budget.

6. UNDP is requesting a 2006 core unit budget of US \$1.7 million despite the fact that it expects the costs of its core unit to increase to US \$2,033,983. UNDP exceeded its 2005 budget in terms of staff salaries, travel and space rental. UNDP has estimated 2006 costs based on the actual figures for 2005 for salary and space rental. UNDP is expecting an increase in travel costs of 3 per cent over the amount estimated for 2005.

7. 68 per cent of its proposed core unit budget is for staff. The central services budget item represents the next largest cost item amounting to 14 per cent of the budget. Non-core unit administrative costs are expected to increase from the estimated 2005 level of US \$1,417,835 to US \$1,546,017.

8. Since UNDP's core unit budget significantly exceeds the allocation made for it by the Executive Committee, the Secretariat asked if consideration had been given to rationalizing the budget to stay within the allocation. UNDP indicated that since reductions to the staff budget are not possible without jeopardizing delivery of the programme, UNDP was addressing other budget lines such as travel costs by revising staff travel plans and optimizing and prioritizing missions. UNDP is no longer funding participation in missions to countries at risk of non-compliance in which UNDP has no ongoing projects or institutional strengthening as it considers such activities part of UNEP's Compliance Assistance Programme. UNDP is also requesting reimbursement of country office staff for their participation in meetings representing the core unit when core unit staff are unable to attend. UNDP is also prioritizing single country travel in specific cases where immediate action is called for.

UNIDO

9. Table 2 presents the core unit budget and other administrative cost information provided by UNIDO.

Table 2

THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE YEARS 2004-2006 FOR UNIDO (US\$)

Cost Items	2004 Actual	2005 Budget	2005 Estimated	2006 Proposed
Core Components				
Core unit personnel and contractual staff	1,057,100	990,000	1,151,600	1,308,500
Travel	97,100	83,800	127,400	89,700
Space (rent and common costs)	64,400	64,500	67,800	78,500
Equipment supplies and other costs (computers, supplies, etc)	30,300	46,800	58,900	56,000
Contractual services (firms)	14,600	17,300	15,500	21,400
Reimbursement of central services for core unit staff	365,600	364,900	442,500	444,300
Total core unit cost	1,629,100	1,567,300	1,863,700	1,998,400
Reimbursement of Country offices & Nat'l execution <u>including overhead</u>	1,020,900	1,324,400	1,032,190	1,450,420
Executing agency support cost (internal) <u>including overhead</u>	2,737,900	3,137,800	2,896,500	2,996,200
Financial intermediaries <u>including overhead</u>				
Cost recovery				
Total Administrative Support Costs	5,387,900	6,029,500	5,792,390	6,445,020
Supervisory Costs incurred by MPU				
Grand Total Administrative Support Costs	5,387,900	6,029,500	5,792,390	6,445,020

10. UNIDO is requesting a 2006 core unit budget of US \$1.7 million despite the fact that it expects the costs of its core unit to increase to US \$1,998,400. UNIDO exceeded its 2005 budget in all core components (staff salaries, travel, space rental, equipment, and central services) except contractual services. UNIDO's estimated 2006 costs are 7 per cent above the estimated costs for 2005. UNDP is expecting a 16 per cent increase in space rental, a 38 per cent increase in contractual services and a 14 per cent increase in staff costs. UNIDO is expecting a reduction of 30 per cent in travel costs and 5 per cent in equipment costs.

11. 65 per cent of its proposed core unit budget is for staff. The central services budget item represents the next largest cost item amounting to 22 per cent of the budget. Non-core unit administrative costs are expected to increase from the estimated 2005 level of US \$5,792,390 to US \$6,445,020.

12. Since UNIDO's core unit budget significantly exceeds the allocation made for it by the Executive Committee, the Secretariat asked if consideration had been given to rationalizing the budget to stay within the allocation. UNIDO confirmed (as in the past) that any costs beyond the core unit costs and agency fees would be subsidized through UNIDO's regular budget.

13. UNIDO indicated that its increase in staff budget compared to 2004/05 was due to a vacant post amounting to US \$104,000 the full cost of which such as the salary and installation grant would be covered in 2006. The other component of salary cost according to UNIDO was inflation. UNIDO indicated that the increase in the space rental was due to "major overall works" undertaken at the Vienna offices. The increase in central services was due to an increase in the unit price for this service.

World Bank

14. Table 3 presents the core unit budget and other administrative cost information provided by the World Bank.

Table 3

THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE YEARS 2004-2006 FOR THE WORLD BANK (US\$)

Cost Items	2004 Actual	2005 Budget	2005 Estimated	2006 Proposed
Core Components				
Core unit personnel and contractual staff	945,118	940,000	970,000	990,000
Travel	249,036	245,000	225,000	240,000
Space (rent and common costs)	44,159	70,000	48,000	50,000
Equipment supplies and other costs (computers, supplies, etc)	76,823	80,000	75,000	75,000
Contractual services (firms)	29,855	40,000	31,000	35,000
Reimbursement of central services for core unit staff	151,045	125,000	151,000	155,000
Total core unit cost	1,496,036	1,500,000	1,500,000	1,545,000
Reimbursement of Country offices & Nat'l execution <u>including overhead</u>	2,957,581	3,640,000	3,200,000	3,200,000
Executing agency support cost (internal) <u>including overhead</u>				
Financial intermediaries <u>including overhead</u>	1,487,927	1,610,000	1,750,000	1,800,000
Cost recovery				
Total Administrative Support Costs	5,941,544	6,750,000	6,450,000	6,545,000
Supervisory Costs incurred by MPU				
Grand Total Administrative Support Costs	5,941,544	6,750,000	6,450,000	6,545,000

15. The World Bank requested a 2006 core unit budget of US \$1.545 million. The World Bank exceeded its 2005 budget in terms of staff salaries and reimbursement of central services, but these costs were fully offset by the amount of savings from travel, space rental and equipment. The World Bank has estimated increases of around 2 per cent for staff and central services, 4 per cent for space rental, 6 per cent for travel, and 12 per cent for contractual services. Overall, the World Bank is forecasting a 3 per cent increase in core unit costs.

16. 64 per cent of its proposed core unit budget is for staff. The travel budget item represents the next largest cost item amounting to 16 per cent of the budget. Non-core unit administrative costs are expected to increase from the estimated 2005 level of US \$6,450,000 to US \$6,545,000.

17. The Bank indicated that it understood that the core unit cost for 2006 would be US \$1.5 million but had reflected for the 2006 period an expected increase based on the latest information available which suggested a 3 per cent increase. The Bank indicated that the increase in staff costs was due to the shift of status from one regular staff member to a consultant that was expected to result in additional costs to the Bank. The Bank also indicated that the travel budget had been increased due to the expected fare increases resulting from recent trends in fuel prices.

Observations

18. The funding of the first year of the 2006-2008 triennium is being submitted for approval at this meeting. Based on decision 46/35, a base rate of US \$1.7 million was established for UNDP and UNIDO. Nevertheless, UNDP and UNIDO have indicated that their core unit costs for 2006 would exceed the established base rate. Decision 46/35 also established a base rate of US \$1.5 million for the next triennium for the World Bank. The World Bank has indicated that its core unit costs would also exceed its established base rate.

RECOMMENDATIONS

19. The Executive Committee may wish to consider:
- (a) Noting the document on 2006 core unit costs for UNDP, UNIDO and the World Bank as presented in UNEP/OzL.Pro/ExCom/47/19; and
 - (b) Approving US \$1.7 million for core unit funding for 2006 each for UNDP and UNIDO, and US \$1.5 million for the World Bank in accordance with decision 46/35.
