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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
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**2008 CORE UNIT COSTS FOR UNDP, UNIDO AND THE WORLD BANK**

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## **Background**

1. 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. They 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). Decision 41/94 (d) requested the Secretariat to conduct an annual review of the current administrative costs regime. Decision 46/35 extended the operation of decision 38/68 and its administrative costs regime to apply to the 2006-2008 triennium, while modifying the base rate for core unit costs for UNDP and UNIDO from US \$1.5 million to US \$1.7 million. The decision also allowed for an annual increase of up to three per cent.

2. The implementing agencies have been requested to provide actual core and administrative budget data for 2006, estimated costs for 2007, and projected costs for 2008. Budget data for the 2005 and the planned 2006 budgets were based on information provided in the previous year's reports to the Executive Committee (UNEP/OzL.Pro/ExCom/50/12). The implementing agencies have continued to provide data on the actual costs covering the core unit and other support activities in an agreed format corresponding to the data that had been submitted to the 26<sup>th</sup> Meeting.

3. This document presents a status report on the administrative costs required for the 2009-2011 triennium.

## **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 2006-2008 FOR UNDP (US \$)**

Cost items	2006 Budget	2006 Actual	2007 Budget	2007 Estimated	2008 Proposed
<b>Core components</b>					<b>\$</b>
Core unit personnel and contractual staff	1,376,178	<b>1,410,734</b>	1,414,360	<b>1,453,056</b>	<b>1,496,648</b>
Travel	215,804	<b>175,222</b>	227,794	<b>180,479</b>	<b>185,893</b>
Space (rent and common costs)	117,000	<b>81,996</b>	121,000	<b>120,000</b>	<b>120,000</b>
Equipment supplies and other costs (computers, supplies, etc)	15,000	<b>31,105</b>	30,000	<b>35,000</b>	<b>35,000</b>
Contractual services (firms)	30,000	<b>7,375</b>	30,000	<b>20,000</b>	<b>5,000</b>
Reimbursement of central services for core unit staff	280,000	<b>210,000</b>	280,000	<b>150,000</b>	<b>200,000</b>
Adjustment (negative amount representing an overrun of the core unit budget)*	<b>(333,983)</b>	<b>-216,433</b>	<b>(352,154)</b>	<b>-207,535</b>	<b>-239,011</b>
<b>Total core unit cost</b>	<b>1,700,000</b>	<b>1,700,000</b>	<b>1,751,000</b>	<b>1,751,000</b>	<b>1,803,530</b>
Reimbursement of country offices and national execution including overhead	980,000	<b>618,875</b>	980,000	<b>450,000</b>	<b>600,000</b>
Executing agency support cost (internal) including overhead	200,000	<b>75,258</b>	100,000	<b>50,000</b>	<b>50,000</b>
Financial intermediaries including overhead	220,000	<b>216,179</b>	200,000	<b>200,000</b>	<b>200,000</b>
Cost recovery	280,000	<b>0</b>	280,000	<b>360,000</b>	<b>200,000</b>
Adjustment (positive amount to reflect the overrun deducted above)*	<b>333,983</b>	<b>216,433</b>	<b>352,154</b>	<b>207,535</b>	<b>239,011</b>
<b>Total administrative support costs</b>	<b>3,713,983</b>	<b>2,826,744</b>	<b>3,663,154</b>	<b>3,018,535</b>	<b>3,092,541</b>
Supervisory costs incurred by MPU	200,000	<b>81,476</b>	200,000	<b>100,000</b>	<b>100,000</b>
<b>Grand total administrative support costs</b>	<b>3,913,983</b>	<b>2,908,219</b>	<b>3,863,154</b>	<b>3,118,535</b>	<b>3,192,541</b>

\*The cost of the core unit is higher than the allowed subtotal of US \$1,700,000 in 2006; US \$1,751,000 in 2007; and US \$1,803,530 in 2008. 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.

5. UNDP is requesting a 2008 core unit budget of US \$1,803,530, despite the fact that it expects the costs of its core unit to exceed this amount by US \$239,011 (indicated as "Adjustments" in Table 1, above). In recent years, UNDP has exceeded its budget allocation for its core unit and recouped those costs from support costs earned through implementing Fund projects. Although UNDP exceeded its 2005 budget by US \$474,242, it reduced the extent to which it had exceeded its budget in 2006 from an expected US \$333,983 to US \$216,433. Moreover, it expects to reduce the amount for 2007 from an estimated US \$352,154 to US \$207,535. UNDP has estimated that the extent to which it will exceed its core unit budget for 2008 is estimated to be US \$239,011.

6. Seventy-three per cent of UNDP's proposed core unit budget is for staff, which is an increase of six per cent from the budget in 2007 but about the same percentage (74 per cent) of the estimated level of total expenditures in 2007. UNDP has reduced its travel costs by around US \$40,000 in the past two years. Its 2008 budget for travel reflects UNDP's estimated use in 2007 rather than the amount budgeted for in 2007.

7. UNDP's estimated 2006 and 2007 costs for reimbursement to country offices were lower than expected by US \$361,125 and US \$530,000, respectively. Similarly, UNDP's costs for the executing agency were about US \$125,000 and US \$50,000 less than expected for the years 2006

and 2007, respectively. In both cases, UNDP reduced its budget for 2008. The lower amounts reported for country offices are due to the value of projects delivered, as they are remunerated on a percentage basis. The reduction in the costs for the executing agency is a result of its adoption of a phase-out approach to ending its activities with the United Nations Office of Project Services (UNOPS). This means that UNOPS has only retained projects that were assigned for its execution and that are still under implementation. As these projects are operationally and financially completed, the number of projects in the portfolio decreases. The funds budgeted for this cost item are to cover fees arising from the implementation of remaining projects funded by UNOPS.

8. UNDP's request of US \$1,803,530 for 2008 is within the range allowed by decision 46/35.

## UNIDO

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

Table 2

### THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE YEARS 2006-2008 FOR UNIDO (US \$)

Cost items	2006 Budget	2006 Actual	2007 Budget	2007 Estimated	2008 Proposed
<b>Core components</b>					
Core unit personnel and contractual staff	1,308,500	<b>1,289,500</b>	1,454,600	<b>1,638,700</b>	<b>1,406,800</b>
Travel	89,700	<b>127,900</b>	84,600	<b>154,400</b>	<b>152,700</b>
Space (rent and common costs)	78,500	<b>89,800</b>	67,600	<b>78,800</b>	<b>81,900</b>
Equipment supplies and other costs (computers, supplies, etc)	56,000	<b>35,800</b>	52,500	<b>81,900</b>	<b>50,900</b>
Contractual services (firms)	21,400	<b>5,100</b>	15,400	<b>6,200</b>	<b>10,300</b>
Reimbursement of central services for core unit staff	444,300	<b>420,100</b>	451,900	<b>499,900</b>	<b>440,700</b>
Adjustment (negative amount representing an overrun of the core unit budget)*	(298,400)	<b>(268,200)</b>	(375,600)	<b>(708,900)</b>	<b>(339,770)</b>
<b>Total core unit cost</b>	<b>1,700,000</b>	<b>1,700,000</b>	<b>1,751,000</b>	<b>1,751,000</b>	<b>1,803,530</b>
Reimbursement of country offices and national execution including overhead	1,450,420	<b>931,200</b>	1,668,460	<b>1,384,700</b>	<b>1,702,100</b>
Executing agency support cost (internal) including overhead	2,996,200	<b>2,351,000</b>	2,107,300	<b>3,487,500</b>	<b>2,518,000</b>
Financial intermediaries including overhead	0		0		
Cost recovery	0		0		
Adjustment (positive amount to reflect the overrun deducted above)*	298,400	<b>268,200</b>	375,600	<b>708,900</b>	<b>339,770</b>
<b>Total administrative support costs</b>	<b>6,445,020</b>	<b>5,250,400</b>	<b>5,902,360</b>	<b>7,332,100</b>	<b>6,363,400</b>
Supervisory costs incurred by MPU					
<b>Grand total administrative support costs</b>	<b>6,445,020</b>	<b>5,250,400</b>	<b>5,902,360</b>	<b>7,332,100</b>	<b>6,363,400</b>

\*The cost of the core unit is higher than the allowed subtotal of US \$1,700,000 in 2006; US \$1,751,000 in 2007; and US \$1,803,530 in 2008. 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.

10. UNIDO is requesting a 2008 core unit budget of US \$1,803,530, despite the fact that it expects the costs of its core unit to exceed this amount by US \$339,770 (indicated as “Adjustments” in Table 2, above). UNIDO exceeded its 2006 budget in only two core components: travel (by a total of US \$38,200) and office space (by a total of US \$11,300). However, UNIDO has also estimated that it will exceed its 2007 budget by US \$708,900, which is US \$333,300 above the amount UNIDO had expected (US \$375,600).

11. Since UNIDO’s core unit budget significantly exceeds the allocation made for it by the Executive Committee, the Secretariat requested the source of funds from which these budget excesses were to be paid. UNIDO has again confirmed that it constitutionally supports its technical cooperation programme and any costs beyond the core unit costs and agency fees would be subsidized through UNIDO’s regular budget.

12. Sixty-six per cent of UNIDO’s proposed core unit budget is for staff. The central services budget item represents the next largest cost item, amounting to 21 per cent of the budget followed by seven per cent for travel and four per cent for space rental. Non-core unit administrative costs are expected to be reduced overall due to the fact that executing agencies will receive about US \$1 million less in 2008 than they had received in 2007, even though levels of reimbursement to country offices will be increased by US \$318,400. The largest percentage increase in the budget for 2008 compared to 2007 is for the travel budget, which is expected to almost double from the amount budgeted in 2007 (although it reflects a slightly lower amount than the actual costs estimated by UNIDO for 2007). Office space is also expected to increase in 2008 but all other core component costs are expected to be reduced both from the budgeted and estimated levels in 2007.

13. UNIDO was asked to explain why travel costs for 2007 were 50 per cent above the amount budgeted and it replied that there was a need for more travel. No further explanation was provided except that the current request was based on the 2006 level of expenditure and that UNIDO management allowed additional missions and provided the necessary funds. UNIDO indicated that the “concept of the budget” does not apply to UNIDO’s core unit costs since it uses the budget approved internally for the MPU office that is approved by its member states.

## World Bank

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

Table 3

### THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE YEARS 200-2008 FOR THE WORLD BANK (US \$)

Cost items	2006	2006	2007	2007	2008
	Budget	Actual	Budget	Estimate	Proposed
<b>Core components</b>					
Core unit personnel and contractual staff	990,000	1,096,638	995,000	995,000	1,014,900
Travel	240,000	229,582	245,000	245,000	255,000
Space (rent and common costs)	50,000	53,070	50,000	55,000	55,000
Equipment supplies and other costs (computers, supplies, etc)	75,000	79,605	80,000	80,000	80,000
Contractual services (firms)	35,000	2,931	45,000	45,000	45,000
Reimbursement of central services for core unit staff	155,000	127,061	165,000	160,000	165,000
Adjustment (negative amount representing an overrun of the core unit budget)*	-45,000	-88,886			
<b>Total core unit cost</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,580,000</b>	<b>1,580,000</b>	<b>1,614,900</b>
Reimbursement of country offices and national execution including overhead	3,200,000	3,489,165	3,200,000	3,200,000	3,264,000
Executing agency support cost (internal) including overhead					
Financial intermediaries including overhead	1,800,000	2,028,164	1,800,000	1,800,000	1,800,000
Cost recovery					
Adjustment (positive amount to reflect the overrun deducted above)*	45,000	88,886			
<b>Total administrative support costs</b>	<b>6,545,000</b>	<b>7,106,215</b>	<b>6,580,000</b>	<b>6,580,000</b>	<b>6,678,900</b>
Supervisory costs incurred by MPU					
<b>Grand total administrative support costs</b>	<b>6,545,000</b>	<b>7,106,215</b>	<b>6,580,000</b>	<b>6,580,000</b>	<b>6,678,900</b>

\*The cost of the core unit is higher than the allowed subtotal of US \$1,500,000 in 2006. 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.

15. The World Bank requested a 2008 core unit budget of US \$1,614,900. The Bank exceeded its 2005 budget by US \$51,510 and its 2006 budget by US \$88,886. For this reason, it requested, and the Executive Committee approved for the first time, an increase in the core unit rate. The Bank has indicated that the additional expenses above the approved budget in 2005 and 2006 had been covered by support costs savings on projects in countries where the Bank could provide cost-effective services (i.e., for countries with a larger number of project activities with the Bank).

16. The percentage distribution of the cost components in the Bank's proposed 2008 budget are the same as they had been in 2007. Sixty-three per cent of its proposed core unit budget is for staff. The travel budget represents the next largest cost item, amounting to 16 per cent of the

budget, followed by central services (10 per cent), equipment (five per cent) and space rental and contractual services (each three per cent). Non-core unit administrative costs are expected to remain at US \$5 million in 2008, which is the same level as had been estimated in 2006 and 2007.

17. The Bank indicated that it required an increase in its travel budget for business development purposes. The Bank clarified that business development referred to the development of its overall portfolio as a result of a significant increase in interest in future Montreal Protocol activities among its staff and client countries at headquarters and in the regions, due to the HCFC adjustments. The Bank plans to use its own funding to build new “infrastructure” in order to deliver new work on demand while maintaining its current “infrastructure” for its ODS portfolio. The Bank stated that, as was the case at the beginning of the Fund, it was now at a stage of several unknowns with respect to a transitional period when ODS projects are winding down and there are possibly new HCFC projects that could begin. To be prepared for HCFC activities, the Bank indicated that it expected upfront costs for technical and legal expertise, for outreach and exchange of information, and eventually for developing internal procedures and guidance to adapt its work to the new challenges.

18. The World Bank’s request for US \$1,614,900 in 2008 is within the range allowed by decision 46/35.

#### **Status of Contract for Administrative Cost Study**

19. At its 51<sup>st</sup> Meeting, the Executive Committee agreed on terms of reference for the study on administrative costs (decision 51/38). Following the receipt of bids for the study, the Fund Secretariat convened a selection panel and submitted its recommendations for approval to the Contracts Office in Nairobi. The Secretariat also submitted a report to the Executive Committee on the costs for carrying out the study (UNEP/OzL.Pro/ExCom/52/50). At its 52<sup>nd</sup> Meeting, the Executive Committee approved the analytical and travel costs for the study based on the bid recommended by the Fund Secretariat (decision 52/42).

20. Following the 52<sup>nd</sup> Meeting, the Fund Secretariat communicated with the Contracts Office at the United Nations Office in Nairobi (UNON) and responded to requests for information on the original submission. Subsequent to the 6 September 2007 receipt of comments from the Contracts Committee, the Fund Secretariat had several communications with UNON resulting in the resubmission of the bid package on 10 October 2007 to the Contracts Committee stating the need to award the contract as soon as possible. It was emphasized that a contract needed to be awarded urgently to enable the projected six-month study to be completed in time for inclusion in the study on the replenishment of the Fund for the 2009-2011 triennium, due for completion by end of April 2008. As of writing this document, the Fund Secretariat is still awaiting notification of the results of the deliberations of the Contracts Committee, and will report on this matter to the Executive Committee at the 53<sup>rd</sup> Meeting.

**RECOMMENDATIONS**

21. The Executive Committee may wish to consider:
- (a) Noting the report on 2008 core unit costs for UNDP, UNIDO and the World Bank as presented in UNEP/OzL.Pro/ExCom/53/21; and
  - (b) Approving US \$1,803,530 for core unit funding for 2008 for UNDP, US \$1,803,530 for UNIDO, and US \$1,614,900 for the World Bank in accordance with decision 46/35.

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