



**United Nations  
Environment  
Programme**



Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/56/19  
14 October 2008

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fifty-sixth Meeting  
Doha, 8-12 November 2008

**REPORT ON KEY ISSUES FROM THE ASSESSMENT OF THE ADMINISTRATIVE COSTS  
REQUIRED FOR THE 2009-2011 TRIENNIUM  
(Decision 55/44)**

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

1. In the context of its review of the independent assessment of the administrative costs required for the 2009-2011 triennium (follow-up to decision 50/27, 51/38 and 54/42) conducted by PricewaterhouseCoopers (PWC) (UNEP/OzL.Pro/ExCom/55/48), the Executive Committee decided “to reconsider the matter at its 56<sup>th</sup> Meeting in the context of the evaluation of the UNEP’s Compliance Assistance Programme (CAP) and applicable implementing agencies’ core unit costs budgets, and requested the Secretariat to prepare, for that meeting, a review of the report, laying out some of the key issues for consideration by the Committee, including the issue of developing a common definition of administrative costs” (decision 55/44).

2. This document considers the key issues arising from the PWC administrative cost study in the light of the submission for core unit costs and other information on administrative costs. It also includes information discussed at the inter-agency coordination meeting held on 2 October 2008 in the offices of the Fund Secretariat. Prior to the meeting, the Secretariat provided a draft of the current paper to the agencies for their comment. Agencies provided written comments and discussed the paper in detail during the coordination meeting, and the inputs made were considered in the development of this document.

3. The Secretariat proposed and the agencies agreed that the key administrative cost issues include the following:

- Standard definition of administrative costs;
- The overall rate of administrative costs approved since the inception of Core Unit Costs and the CAP;
- Administrative cost income versus administrative costs incurred by the implementing agencies;
- Large sums of un-disbursed agency fees;
- HCFC start-up costs;
- UNEP and CAP;
- Trust Fund for UNIDO; and
- Possible future administrative costs for leveraging Fund resources.

#### **Standard definition of administrative costs**

4. Administrative costs consist of two components: funds received from core units, part of CAP, and funds received from agency fees as a percentage of approvals. The PWC report indicated that the Executive Committee had not established a standard definition of administrative costs. While this statement is correct, the previous independent assessment of the administrative costs of the implementing agencies conducted by Coopers and Lybrand and completed in 1998 (UNEP/OzL.Pro/ExCom/26/67) established definitions that were applied to all four implementing agencies. Those definitions have been used as the basis of reporting on administrative costs and requesting core unit costs since the approval of the core unit funding for UNDP, UNIDO and the World Bank at the 38<sup>th</sup> Meeting of the Executive Committee in October 2002. The standard definitions are consistent with standard cost categories common to all implementing agencies. Annex I contains the definition of administrative costs from the Coopers and Lybrand study as contained in chapter 3 of UNEP/OzL.Pro/ExCom/26/67.

5. UNEP did not agree with several aspects of the definition of administrative costs listed in Annex I to this document. It indicated that the following cost items should be considered as project costs instead of administrative costs, namely: coordinating with the Multilateral Fund Secretariat, preparing terms of references for subcontractors, progress reporting, project completion reports, the technical input for business plans, following up on implementation status, providing input to policy papers, and attending meetings sponsored by the Executive Committee when they concern policy and compliance matters, and preparing projects for which project preparation was not approved. However, UNDP, UNIDO and the World Bank viewed these as administrative costs and stated at the inter-agency coordination meeting that administrative cost funds from their agencies were used for these purposes.

6. There could nevertheless be some misunderstanding about administrative costs. For example, administrative costs can be considered from the perspective of the approval of such costs as agency fees or when income can be used from agency fees. Only one agency, the World Bank, has immediate access to all agency fees at the time of their approval. However, since projects often take several years to implement, the Bank must programme these funds over several years.

7. For the United Nations (UN) agencies, the agency fee is only considered as income to the agency when there is an associated expenditure of funds related to the project approval. UN agencies do not have access to these funds as income for implementing Fund projects until there is an associated project expenditure. Therefore, the sufficiency of the amount of administrative income depends upon when project expenditures occur. This is why PWC emphasized the importance of disbursements/expenditures in providing a sufficient level of resources for administrative costs as this applies to UN agencies.

### **Overall rates of approval of administrative costs since the inception of core units and CAP**

8. The assessment of the rate of administrative costs is often looked at on the basis of when the funds are approved. This section of the document addresses administrative costs from that perspective.

9. The overall administrative costs approved for the implementing agencies for the period 1998 to 2007 was 12.09% of the value of projects approved including adjusted costs for UNEP's CAP to account for the administrative components of the CAP (see Annex II). This is below the 13% level of the previous administrative cost regime, but it is still above the goal that was once set by the Parties to achieve a rate of below 10%. By comparison, the Global Environment Facility (GEF) has an administrative fee of a flat 10% plus a budget for managing the project, which is included as part of project costs, that can add up to an additional 10% resulting in a possible total of up to 20%. The additional management costs could be used by GEF implementing agencies to cover the costs of their executing agencies and national monitoring. Executing agency costs are not considered as project costs in the Multilateral Fund, although national monitoring is included in project costs. Overall, Fund administrative costs compare favourably to those of the GEF, in particular given the larger level of annual funds approved for the GEF's implementing and executing agencies.

10. The percentage rate of administrative costs for the period 1998-2007 for the Fund's four implementing agencies was 12.09% with an average annual level of funding of US \$136.7 million. However, the rate of administrative costs exceeded 13% (13.13% in 2006 and 13.52% in 2007) when the level of funding fell to US \$115 million in 2006 and US \$117 million in 2007<sup>1</sup>. Achieving an overall rate of 13% would have required only an additional US \$3.2 million in approvals in 2006 and US \$12.7 million in 2007 and associated agency fees. To achieve an overall rate, by comparison, of below 10% would require a significant increase in project approvals necessitating over twice the level of funding or reductions in core unit/CAP administrative costs and agency fees or a combination, thereof.

11. On an agency basis, the World Bank was able to achieve an overall administrative cost approval rate of 10.08%. This fact is consistent with the notion that a higher valued portfolio can result in lower overall rate of administrative costs as the Bank has the largest valued portfolio of all agencies.

12. While PWC suggested the possibility of establishing a maximum rate of 13% for an agency's administrative costs for those agencies receiving core unit costs, an average of the three agencies' administrative cost rate, excluding UNEP, has not exceeded 13%. Moreover, the purpose of the core unit was to provide stability in the core operation during times when project approvals might be lower than normal. Providing an average annual level of funding similar to that provided during the period 1998-2007, should allow achievement of an overall administrative cost rate of below 13%.

<sup>1</sup> Although the rate of administrative costs also exceeded 13% in 2002, this was not a result of lower than average project approvals. Instead, this resulted from the fact that core unit budgets were approved at the last meeting of the year with the associated reductions in agency fees since agency fees for the first two meetings of 2002 had been 13%.

### Administrative Income and Administrative Costs

13. This section of the document addresses the amount of administrative cost income available to each agency and the costs incurred against those resources. The purpose is to ascertain if sufficient administrative cost funding is being provided to each agency to cover the administrative costs incurred. UNEP will be addressed in a separate section of the document.

#### World Bank

14. As mentioned above, the World Bank has immediate access to the total amount of agency fees approved at the time of project approval. It also has immediate access to the core unit cost funding. This information is reported by the implementing agencies in their progress reports and is confirmed by information in the Secretariat's Inventory of Approved Projects. Administrative costs incurred since 2003 are reported in the context of its annual requests for core unit cost funding. Therefore, a comparison of this information indicates the extent to which administrative costs incurred have been compensated by the Executive Committee.

<b>World Bank</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Administrative Costs Approved	8,246,117	7,412,938	6,852,860	6,076,051	6,767,612
Administrative Costs Incurred	6,118,162	5,914,544	6,658,371	7,106,215	6,030,398
Balance	2,127,955	1,498,394	194,489	-1,030,164	737,214
Running Balance	2,127,955	3,626,349	3,820,838	2,790,674	3,527,888

15. The table shows that although the Bank had higher administrative costs than income in 2006, it had accumulated a balance of US \$3.5 million during the period 2003 to 2007. The Bank has indicated that the total figure since the beginning of the Multilateral Fund is likely to be closer to US \$5 million, but an exact figure could take some time to calculate primarily due to the fact that financial intermediary fees are paid through project trust funds and not recorded in the Bank system. The data would have to be collected from the Bank's regional offices.

16. With respect to the balance of administrative cost income, the Bank indicated that since the agency fees it receives must be programmed to cover implementation in future years, it has had to maintain a running balance to ensure there were sufficient funds to complete the implementation of its ongoing projects.

#### UNDP

17. As mentioned above, UNDP and UNIDO do not have access to agency fees until there is a project expenditure that releases the fees as income available to the agency for use. In the case of UNDP, the agency fees are kept in a separate trust fund for use in future budgeting. An annual budget for Multilateral Fund operations is justified on the basis of agency fee income received with the expectation that additional agency fee income and core unit income is forthcoming.

18. The following table shows the level of agency fee income from expenditures and core unit costs and the resulting release of agency fees as income for UNDP compared to the administrative costs incurred as indicated in their annual requests for core unit funding.

<b>UNDP</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Agency fee income from expenditures and core unit costs	3,651,058	4,797,375	5,345,493	4,379,594	3,488,278	3,680,410
Costs incurred	3,668,458	2,511,570	3,666,437	3,563,004	2,908,219	3,189,494
Balance	-17,400	2,285,805	1,679,056	816,590	580,059	490,916
Running Balance	-17,400	2,268,405	3,947,461	4,764,051	5,344,110	5,835,026

19. The table shows that UNDP had accumulated a balance of over US \$5.8 million more in income than its costs during the period 2003 to 2007, despite the fact that it costs slightly exceeded its revenue in 2002. UNDP has indicated that the total figure since the beginning of the Multilateral Fund is approximately US \$5.5 million as indicated in the document on the Reconciliation of Accounts (UNEP/OzL.Pro/ExCom/56/60). Nevertheless, UNDP has lower administrative income and costs than UNIDO and the World Bank. UNDP indicated that it had made a deliberate effort to maintain costs at a low level and core unit staff have not been replaced, but that the reduction in staff would not be sustainable in the future.

## UNIDO

20. UNIDO receives an internal approval for its budget for its core unit. It allocates administrative costs in its report to the Executive Committee in the context of core unit costs on the basis of a cost estimation model. As it does not have cost accounting, actual administrative costs are not available.

21. The following table shows the level of disbursements and the resulting release of agency fees as income for UNIDO compared to the administrative costs incurred as indicated in their annual requests for core unit funding.

<b>UNIDO</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Agency fee income from Expenditures and core unit costs	3,612,944	4,894,912	4,838,520	4,593,474	5,025,532	3,787,035
Costs incurred	5,210,705	6,315,500	5,387,900	5,990,310	5,250,400	8,071,400
Balance	-1,597,761	-1,420,588	-549,380	-1,396,836	-224,868	-4,284,365
Running Balance	-1,597,761	-3,018,349	-3,567,729	-4,964,565	-5,189,433	-9,473,798

22. As shown in the table, UNIDO's costs estimated in its annual core unit reports has consistently exceeded the income it receives from the agency fees associated with project expenditures. UNIDO has indicated since 2002 that any cost not covered by core unit and agency fees is subsidized by the Organization. UNIDO provided a reassessment of its administrative cost in the light of the review of the definition of administrative costs during the inter-agency coordination meeting. It subsequently provided information separating information provided in the context of its request for core unit funding to the 56<sup>th</sup> Meeting (UNEP/OzL.Pro/ExCom/56/20) indicating that according to the definition included in Annex I of the present document, a significant level of administrative costs were project-related. The document on core unit cost requests concludes that the level of administrative cost income provided to UNIDO exceeds the level of administrative costs incurred.

23. An "expenditure" for United Nations agencies equals disbursement plus obligations. A disbursement occurs when the funds are transferred as final payments whereas an obligation is the amount of funds that have been authorized to be paid. Ideally, the amount of funds received as income in a given year would equal that of cash required by the office responsible for implementing the portfolios of Multilateral Fund projects. This is why PWC pointed out that if an agency reaches a certain level of disbursement from project funding, and the associated agency fees generated from these disbursements, sufficient income could be generated to meet all administrative costs. However, the PWC recommendation on requesting agencies to reach a certain level of disbursement is not dependent upon the will of the implementing agency. Agencies will no doubt try to do so, but the issue associated with the level of disbursement relates more to the income generated to the agency than to the office responsible for implementing Multilateral Fund projects.

24. One option for ensuring that an agency does not receive more funds than it costs to implement Multilateral Fund activities in a given year would be an overall administrative budget, as was initially used by the World Bank where activities were identified as well as other administrative costs and any funds not used were returned. This is also similar to a CAP budget excluding the project cost components of a CAP.

25. Approval of an annual budget instead of a combination of core units and agency fees would provide the Executive Committee with greater control in ensuring that funds required by agencies to implement the projects are provided only for that purpose. However, providing agency fees where the income to the general fund of the implementing agency is based on the expenditure of project costs, provides an internal agency incentive to implement projects as soon as possible to avoid any cash flow problems.

26. Given the uncertainty with the estimates of the costs for implementing HCFC activities, PWC did not recommend a change to the cost regimes at this time. However, it did recommend that differences between administrative cost income and costs incurred by the agencies should be monitored.

**Large sums of un-obligated agency fees**

27. PWC also pointed to the US \$129 million in project funds and their associated support costs that had not been obligated and for which ODS targets are close to being met or have been met. This is the ongoing issue of un-disbursed/un-obligated funds from MYAs. PWC mentions this because agency fees at a rate of 7.5 per cent would be US \$9.6 million that could address the core unit costs of UNDP, UNIDO and the World Bank for almost two years.

28. A review of the agencies' progress reports containing financial data as at 31 December 2007 indicated that there were balances totalling US \$16.7 million in agency fees of which only US \$2.7 million had been obligated. The level of agency fees that have not been obligated for the three agencies is indicated in the following table.

<b>Agency*</b>	<b>Agency Fee Balances</b>	<b>Agency Fees Obligated</b>
UNDP	7,776,809	171,253
UNEP	1,998,931	480,779
UNIDO	6,973,996	2,066,254
Grand Total	16,749,736	2,718,286

\* Agency fees are immediately available to the World Bank and therefore not included above.

29. While the current level of balances in agency fees may be different today because some of these fees will have been expended during 2008, it should also be noted that other fees were added from new approvals in 2008. The expenditure of these funds can be used by the agencies to cover those components of administrative costs that are not covered by core unit costs.

**HCFC start-up costs**

30. PWC also looked at the issue of start-up cost funds for HCFC activities. PWC's analysis looked at the rates of disbursement of agency fees to ascertain if, after including projected core unit costs, there would be sufficient levels of administrative costs to cover projected expenditures. The consultants noted that there should be sufficient costs for UNDP and the World Bank, but could not explain the significant increase in UNIDO's costs in 2007 and therefore could not determine if there was a need for start-up cost funds for UNIDO. PWC indicated that UNEP would address its HCFC needs through its CAP budget to be proposed at the 56<sup>th</sup> Meeting.

31. Given the large amounts of un-disbursed agency fees from MYA agreements, it is likely that most of those funds should be disbursed over the next two years thereby providing substantial revenue from agency fees. UNDP indicated that the continuation of the core unit budget component was crucial to address both the remaining CFC phase-out work as well as the start-up of HCFC activities. PWC also noted that the need in 2011 was particularly unknown due to the size and volume of HCFC approvals. If HCFC approvals occur and afford stable funding for agencies at historic levels, there is likely to be sufficient revenue to maintain programmes at their current size.

## **UNEP and CAP**

32. UNEP's administrative fees, without taking into account the administrative portion of the CAP budget, would suggest that it has obtained an overall agency fee of 8.44% for the period 1998 to 2007. This is counter-intuitive since UNEP also receives the lowest level of approvals of all agencies, the average size of their projects is lower than for other agencies, and their agency fees are used as support for central services. This differs from the other agencies whose agency fees are used for staff to support project implementation with small central service components identified in annual core unit reporting. Using the PWC allocation of CAP activities as administrative and non-administrative costs, the overall agency fee for UNEP is 18.26% (see Annex III for allocations). This is likely to be more reflective of actual administrative costs to conduct activities in all Article 5 countries and management of projects of lower than average funding amounts. Although the allocation indicated in Annex III was proposed by UNEP to PWC, UNEP indicated in the context of this paper that it does not agree with the allocation.

33. PWC noted also that since an 8 per cent agency fee is applied to the entire CAP funding, some of that fee would apply to agency fees on top of administrative costs as could be the case with project preparation that has also been considered as administrative costs. However, this does not account for the fact that the agency fee for UNEP is essentially a central service cost. Moreover, the 8 per cent agency fee level for the CAP was part of a compromise that took into account that the CAP collects no agency fee for institutional strengthening projects unlike other implementing agencies that charge 7.5 per cent. This would have generated additional agency fees of US \$208,305 for the period 1998 to 2007. Moreover, UNEP's projects are usually small in value, are very labour intensive, and are often in developing countries with poor communication structures thereby complicating the administrative efforts for these projects.

34. If no agency fee had been applied to the administrative components of the CAP, and a 13 per cent rate was applied to the non-administrative components of the CAP, it would have cost the Multilateral Fund more in administrative costs. On this basis, no change in the current agreed administrative cost arrangements with UNEP is recommended.

## **Trust fund for UNIDO**

35. PWC also recommended that UNIDO should establish a separate trust fund in order to be able to reflect actual project disbursements and project support cost accounting. UNIDO has advised that it regards resources provided by the Multilateral Fund as funds in trust and has not indicated support for a separate trust fund. However, unlike UNDP and the World Bank, UNIDO has also reported that the data it provides for core unit costs are estimates and not actual data. UNIDO indicated that it could not implement any requirement for monitoring the disbursement of agency fees because this would require cost accounting, but that it would consider providing information on the basis of its administrative cost model. It further noted that a full cost centre accounting system is not currently planned by UNIDO.

36. As mentioned above, UNIDO indicated subsequent to the inter-agency coordination meeting that some of its administrative costs previously reported could be considered project-related costs according to the definition of administrative costs. The agency's administrative cost model should take this definition into account.

37. As both UNDP and the World Bank can provide information on administrative cost income and costs incurred, as well as running balances of funds available from Multilateral Fund resources, the Executive Committee may wish to request further information from UNIDO. This information could include: assumptions for its administrative costs model, administrative cost data that distinguish project-related activities from administrative costs, costs provided as a subsidy by the Organization from those required for Fund operations, and sufficient data to enable tracking of any running balances of net administrative cost revenue or costs.

### **Possible future administrative costs for leveraging Fund resources**

38. During the inter-agency coordination meeting that addressed administrative cost issues, the World Bank raised the possibility of future additional administrative costs with respect to the HCFC phase-out. The Executive Committee has encouraged Article 5 countries and implementing agencies to explore potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties (decision 54/39, paragraph h). Additional administrative costs would enable the Fund to leverage its resources with other sources of funds to achieve multiple environmental objectives including climate change and energy efficiency. However according to the World Bank, leveraging resources could require additional administrative costs to package and monitor complex funding arrangements from different sources.

39. At its 55th Meeting, the Executive Committee requested the Secretariat to approach other institutions with the objective of identifying individual, regional or multilateral funding mechanisms that might be suitable and compatible as sources for timely co-financing to top up Multilateral Fund ozone funding in order to achieve additional climate benefits and to provide a further report to a future Meeting (decision 55/43, paragraph i). It also decided to consider at the 57th Meeting a facility for additional income from loans and other sources to be maintained and the potential uses of those funds (decision 55/2, paragraph b). The Executive Committee may wish to consider the issue of administrative costs for leveraging Fund resources in its future deliberations on the subject of co-financing and the use of additional income.

### **RECOMMENDATIONS**

40. The Executive Committee may wish to:
- (a) Note the Report on key issues from the assessment of the administrative costs required for the 2009-2011 triennium (decision 55/44) as contained in document UNEP/OzL.Pro/ExCom/56/19;
  - (b) Maintain the existing administrative cost regimes for the bilateral and implementing agencies for the 2009-2011 triennium;
  - (c) Request implementing agencies to provide sufficient actual data in order to monitor the differences between administrative cost income and costs incurred; and
  - (d) Request UNIDO to provide the assumption for its administrative costs model, and administrative cost information in future requests for core unit funding, that distinguish project-related activities from administrative costs, distinguish those costs provided as a subsidy by the Organization from those required for Fund operations, and provide sufficient data to enable tracking of any running balances of net administrative cost revenue or costs.



## Annex I

### DEFINITION OF ADMINISTRATIVE COSTS

In keeping with the Executive Committee's 1994 recommendation, it is important to clarify the definition of administrative costs, at least for the purposes of this study. Unless there is a clear and common understanding of what is considered to be an administrative cost and what is considered to be a project cost, there will continue to be inconsistent approaches. If there are inconsistent approaches, it is very difficult to establish a uniform reimbursement rate based on actual costs.

Following this logic, the following paragraphs will serve first to propose a method of distinguishing between administrative and project costs, and second to propose criteria to identify the elements of administrative costs which could be considered as being eligible.

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### **Distinction between administrative and project activities**

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#### **Administrative activities**

In respect of Multilateral Fund programmes, the implementing agencies are expected to use their existing field office networks to match the needs of beneficiaries and the funds available from the Multilateral Fund. In doing so, they are required first to identify and submit potential projects to the Executive Committee and second, to ensure that the allocated funds are used in the manner authorised by the Executive Committee, in line with approved project proposals and budgets.

#### Project identification, formulation and approval

With respect to new and potential projects, the implementing agencies are expected to use the administrative cost allocation for the following activities:

- distributing information about the Multilateral Fund's programme to the agency's field offices network;
- collecting, reviewing and pre-qualifying project applications;
- dealing with governments and establishing legal agreements;
- preparing project proposals; obtaining project preparation budgets for larger projects;
- fielding consultants to project sites;
- submitting and following-up project proposals submitted to the Executive Committee for approval.

#### Project Implementation and Monitoring

With respect to approved projects, the implementing agencies are expected to use the administrative cost allocation for the following activities:

- co-ordinating each agency's efforts with the Secretariat;
- preparing implementation agreements and terms of reference for subcontractors
- mobilising implementation teams (executing agencies and consultants) for approved projects using appropriate bidding and evaluation mechanisms ;
- processing contractual and accounting documents associated with approved projects;
- monitoring the progress of a project from an administrative point of view, and ;

- reporting on results of projects and the program (preparing progress and project completion reports).

Other activities to be considered as administrative

- preparing annual business plans based on communications with national governments about sector needs and priorities;
- preparing progress reports;
- participating in project formulation activities with country offices;
- following up on implementation status, including country visits if there is evidence of undue delays or difficulties;
- providing input to the Multilateral Fund Secretariat with policy papers and issues; and
- participating in meetings sponsored by the Executive Committee, and the Secretariat.

**Activities to be considered as project costs**

The following activities would not be considered to be administrative activities, and would be conducted only on the basis of approved projects :

- marketing, business development and prospecting for new projects (this activity is funded by an the Executive Committee which has established ozone units in each country) ;
- project formulation/preparation, in cases where a project preparation budget has been approved ;
- project implementation, including the provision of project management and technical skills. This would include participating in the design of the project "deliverable" regardless of the form of the deliverable or the method of delivery. In other words, participation in the design of constructed equipment and training material would both be considered to be project activities..
- any activity considered to be a project, for instance country program preparation, technical assistance, training, etc.
- technical inspections of project "deliverables" by appropriately qualified experts.
- technical support provided at the programme or project level.

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**Reimbursable elements of administrative cost**

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With respect to each implementing agency's co-ordinating unit, to the extent that it supports the Multilateral fund, the following costs would be deemed to be eligible:

**1. Direct costs of the co-ordinating unit including**

- salaries and the associated benefits of permanent and contractual (consultants) staff;
- travel related to Multilateral Fund activities, and to administrative monitoring of projects.
- office accommodation cost including a fair allocation of operating costs, based on the proportion of useable space;
- equipment, office supplies, telecommunications and general expenses based on specific expenditures.
- contractual services related to activities of the co-ordinating unit.

2. A fair cost **allocation from central support services** of the implementing agency. This would include a fair and equitable allocation of the expense of central services such as:
  - human resources, based on the proportionate number of staff
  - accounting, based on the volume of transactions generated
  - management information systems, based on the proportionate number of workstations and the actual systems used by the co-ordinating unit
  - procurement and legal, based on the volume of transactions generated
  - general office and administrative services, based on the proportionate number of staff.
3. A fair **allocation of country or field office costs**. This allocation could be made globally on the basis of financial activity, i.e. Multilateral Fund spending vs total agency spending.
4. Direct costs of the **implementing arms, be they executing agencies, national governments, financial intermediaries or other consultants** contracted by the implementing agencies to the extent that they are involved in the administration of projects. These costs would be established by service contract or otherwise charged at rates equivalent to the fair value of the services received. These costs would exclude costs approved as part of project budgets (e.g. the cost of UNIDO's consultants in many of its projects).

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### **Non-reimbursable costs**

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It is proposed that the following items be considered as non-reimbursable for the purposes of determining actual administrative costs:

- Travel not directly related to Multilateral Fund business, including the non Multilateral Fund portion of multi-purpose trips, trips related to activities extraneous to the implementing agency's role;
- Allocations of general expenses already provided for in the general funds of implementing agencies
- Charges aimed at underwriting deficits or costs in other programs, budgets or activities.
- Any costs charged to projects.



Annex II

ADMINISTRATIVE COSTS (1998-2007)

Agency	Funds Approved for Projects and Activities (US dollars) per agency	Approved Support Costs (US dollars)	Percentage of Administrative Support Costs to Funds Approved	Funds Approved using PWC Admin Allocation for CAP	Support Costs using PWC Admin Allocation for CAP	Percentage of Admin Costs to Funds Approved per PWC
<b>Year</b>	<b>1998</b>			<b>1998</b>		
UNDP	31,398,080	4,058,756	12.93%	same	same	same
UNIDO	23,638,291	3,021,458	12.78%	same	same	same
World Bank	36,092,415	4,320,114	11.97%	same	same	same
UNEP	4,672,124	607,000	12.99%	4,672,124	607,000	12.99%
<b>Total</b>	<b>95,800,910</b>	<b>12,007,329</b>	<b>12.53%</b>	<b>95,800,910</b>	<b>12,007,329</b>	<b>12.53%</b>
<b>Year</b>	<b>1999</b>			<b>1999</b>		
UNDP	35,919,600	4,585,569	12.77%	same	same	same
UNIDO	34,186,780	4,101,107	12.00%	same	same	same
World Bank	64,404,300	6,562,404	10.19%	same	same	same
UNEP	6,502,734	838,029	12.89%	6,502,734	838,029	12.89%
<b>Total</b>	<b>141,013,414</b>	<b>16,087,108</b>	<b>11.41%</b>	<b>141,013,414</b>	<b>16,087,108</b>	<b>11.41%</b>
<b>Year</b>	<b>2000</b>			<b>2000</b>		
UNDP	31,341,916	3,816,390	12.18%	same	same	same
UNIDO	30,251,972	3,559,743	11.77%	same	same	same
World Bank	37,282,434	3,596,690	9.65%	same	same	same
UNEP	6,372,938	828,481	13.00%	6,372,938	828,481	13.00%
<b>Total</b>	<b>105,249,261</b>	<b>11,801,305</b>	<b>11.21%</b>	<b>105,249,261</b>	<b>11,801,305</b>	<b>11.21%</b>
<b>Year</b>	<b>2001</b>			<b>2001</b>		
UNDP	35,421,551	4,329,218	12.22%	same	same	same
UNIDO	24,742,300	3,088,385	12.48%	same	same	same
World Bank	55,212,853	5,047,511	9.14%	same	same	same
UNEP	7,591,536	794,352	10.46%	7,591,536	794,352	10.46%
<b>Total</b>	<b>122,968,240</b>	<b>13,259,465</b>	<b>10.78%</b>	<b>122,968,240</b>	<b>13,259,465</b>	<b>10.78%</b>
<b>Year</b>	<b>2002</b>			<b>2002</b>		
UNDP	45,113,704	6,243,691	13.84%	same	same	same
UNIDO	36,003,612	5,553,434	15.42%	same	same	same
World Bank	64,364,770	7,105,698	11.04%	same	same	same
UNEP	9,502,751	657,606	6.92%	8,309,686	1,850,672	22.27%
<b>Total</b>	<b>154,984,837</b>	<b>19,560,429</b>	<b>12.62%</b>	<b>153,791,771</b>	<b>20,753,494</b>	<b>13.49%</b>
<b>Year</b>	<b>2003</b>			<b>2003</b>		
UNDP	36,462,175	4,460,764	12.23%	same	same	same
UNIDO	30,047,948	3,822,504	12.72%	same	same	same
World Bank	72,757,614	7,284,915	10.01%	same	same	same
UNEP	11,284,539	808,989	7.17%	9,965,748	2,127,780	21.35%
<b>Total</b>	<b>150,552,276</b>	<b>16,377,172</b>	<b>10.88%</b>	<b>149,233,485</b>	<b>17,695,963</b>	<b>11.86%</b>
<b>Year</b>	<b>2004</b>			<b>2004</b>		
UNDP	25,091,254	3,483,224	13.88%	same	same	same
UNIDO	33,211,751	3,982,622	11.99%	same	same	same
World Bank	77,538,041	7,478,826	9.65%	same	same	same

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Annex II

Agency	Funds Approved for Projects and Activities (US dollars) per agency	Approved Support Costs (US dollars)	Percentage of Administrative Support Costs to Funds Approved	Funds Approved using PWC Admin Allocation for CAP	Support Costs using PWC Admin Allocation for CAP	Percentage of Admin Costs to Funds Approved per PWC
UNEP	12,449,277	929,009	7.46%	11,066,167	2,312,118	20.89%
<b>Total</b>	<b>148,290,323</b>	<b>15,873,680</b>	10.70%	<b>146,907,213</b>	<b>17,256,790</b>	11.75%
<b>Year</b>	<b>2005</b>		<b>2005</b>			
UNDP	30,456,387	4,095,711	13.45%	same	same	same
UNIDO	53,813,278	5,756,682	10.70%	same	same	same
World Bank	75,456,515	7,318,868	9.70%	same	same	same
UNEP	12,751,995	928,555	7.28%	11,281,438	2,399,112	21.27%
<b>Total</b>	<b>172,478,175</b>	<b>18,099,816</b>	10.49%	<b>171,007,618</b>	<b>19,570,373</b>	11.44%
<b>Year</b>	<b>2006</b>		<b>2006</b>			
UNDP	15,935,717	2,967,597	18.62%	same	same	same
UNIDO	21,208,848	3,337,931	15.74%	same	same	same
World Bank	66,071,994	6,490,404	9.82%	same	same	same
UNEP	13,249,717	906,238	6.84%	11,844,850	2,311,105	19.51%
<b>Total</b>	<b>116,466,276</b>	<b>13,702,170</b>	11.76%	<b>115,061,409</b>	<b>15,107,036</b>	13.13%
<b>Year</b>	<b>2007</b>		<b>2007</b>			
UNDP	12,340,584	2,754,282	22.32%	same	same	same
UNIDO	24,299,522	3,631,365	14.94%	same	same	same
World Bank	66,829,831	6,860,290	10.27%	same	same	same
UNEP	14,991,156	1,093,137	7.29%	13,513,994	2,570,299	19.02%
<b>Total</b>	<b>118,461,093</b>	<b>14,339,074</b>	12.10%	<b>116,983,931</b>	<b>15,816,235</b>	13.52%
<b>Year</b>	<b>Total (1998 – 2007)</b>		<b>Total (1998 – 2007)</b>			
UNDP	299,480,968	40,795,201	13.62%	same	same	same
UNIDO	311,404,302	39,855,229	12.80%	same	same	same
World Bank	616,010,768	62,065,721	10.08%	same	same	same
UNEP	99,368,767	8,391,396	8.44%	91,121,215	16,638,947	18.26%
<b>Total</b>	<b>1,326,264,805</b>	<b>151,107,547</b>	11.39%	<b>1,318,017,253</b>	<b>159,355,098</b>	12.09%
<b>AVERAGE ANNUAL AMOUNT</b>						
UNDP	29,786,988	4,081,827		same	same	
UNIDO	31,974,001	4,092,641		same	same	
World Bank	64,435,373	6,416,179		same	same	
UNEP	10,521,849	864,933		9,605,455	1,781,327	
<b>Total</b>	<b>136,718,210</b>	<b>15,455,580</b>		<b>135,801,816</b>	<b>16,371,974</b>	

**Annex III**

**ALLOCATION OF ADMINISTRATIVE AND NON-ADMINISTRATIVE COMPONENTS OF  
THE CAP BUDGET**

Agreed Allocation of CAP Budget between Administrative and Project Costs	Administrative Costs	Project Costs
Head of Branch (1101)	100%	0%
Network & Policy Manager (1102)	50%	50%
Capacity Building Manager (1103)	50%	50%
Monitoring and Administration Officer (1105)	100%	0%
IS/RMP/CP Officer (1108)	50%	50%
Secretary Chief	100%	0%
Assistant & Monitoring & Administration (1304)	100%	0%
Assistant IS/RMP/CP (1305)	50%	50%
Paris Staff Level (1601)	50%	50%
Advisory and Consultative Meetings – Paris (3301)	50%	50%
Office Supplies (Paris and ECA (4101)	50%	50%
Non-Expendable equipment/computer – Paris and ECA (4201)	50%	50%
Office rental – Paris and ECA (4301)	50%	50%
Rental and maintenance of office equipment Paris and ECA	50%	50%
Reporting/reproduction costs (5201)	50%	50%
Communication and dissemination- Paris and ECA (5301)	10%	90%
Regional offices staff and assistance	10%	90%

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