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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-ninth Meeting
Port Ghalib, Egypt, 10-14 November 2009

**AGREEMENT BETWEEN UNEP AS TREASURER OF THE MULTILATERAL FUND AND
THE EXECUTIVE COMMITTEE**

Introduction

1. At the 58th Meeting of the Executive Committee the Chief Officer introduced document UNEP/OzL.Pro/ExCom/58/Inf.2, which contained a copy of the agreement between the UNEP as Treasurer of the Multilateral Fund and the Executive Committee, signed in July 2004.
2. Pursuant to decision 42/42, Article III of the agreement stated that the Executive Committee would remunerate UNEP by US \$500,000 annually for its services as Treasurer, and that this sum would remain unchanged for a period of five years as of the date of entry into force of the agreement. On this basis the agreement needed review in July 2009. By decision 56/68, the Executive Committee had approved the sum of US \$500,000 to the end of 2009, as part of the Secretariat's budget for that year, but funding for the year 2010 onwards needed to be decided. The Executive Committee was therefore being asked to consider whether the amount of US \$500,000 should be maintained. Since at that time the Executive Committee had not received any communication from UNEP to review the fee, and in order to have time to examine the matter more thoroughly, the Executive Committee agreed to defer consideration of UNEP's remuneration for its services as Treasurer to its 59th Meeting.
3. The present document contains a proposal (Annex), as submitted by the Treasurer, for the Executive Committee's consideration, together with a budget breakdown that reflects an increase of US \$50,100 or approximately 2 per cent per annum. This increase is less than the annual increase of 3 per cent applied to the UNEP CAP budgets and the implementing agencies core units costs.
4. When considering the attached proposal, the Executive Committee may wish to bear in mind that in July 2003, during its 40th Meeting, the Executive Committee reviewed proposals from the four agencies, ranging between US \$500,000 (UNEP) and US \$2 million (World Bank) and that UNEP presented the lowest bid. The Committee finalized an agreement with UNEP in 2004, but this however did not contain a clause requesting the Treasurer to submit annual accounts in respect of fees and expenditures.

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.

5. The Secretariat discussed with UNEP whether the fees could be accounted for as per the budget breakdown provided. The Treasurer indicated that the fees are remuneration and not a cash advance to be accounted for and that producing an expenditure report would require the revision of the agreement to insert a new clause. Furthermore the current practice in UNEP is that the fee is managed in UNEP's Special Account for Programme Support Costs (OTA account), which is a pool account for all overhead income and expenditure.

6. The Secretariat also noted that the Multilateral Fund has been subject to an audit on administrative and fund management matters. Pending finalization of the audit, the Executive Committee may wish to consider an interim extension of one year of the agreement to enable the Committee to take into account any relevant audit observation.

RECOMMENDATIONS

7. The Executive Committee may wish to:

- (a) Note the Treasurer's report on the agreement between the Executive and UNEP as the Treasurer of the Fund as contained in UNEP/OzL.Pro/ExCom/59/57;
- (b) Consider whether to approve the Treasurer's request to increase its fees from US \$500,000 per annum to US \$550,100 or maintain the fee level at US \$500,000 per annum for one year; and
- (c) Review the Treasurer's service at its 62nd Meeting taking into account any relevant audit observation.

Proposal from the Treasurer

Background

1. In July 2004, UNEP in its capacity as the Treasurer of the Multilateral Fund for the Implementation of the Montreal Protocol entered into an agreement with the Executive Committee.
2. The agreement provided among other things, for UNEP to administer the Fund in accordance with the Financial Regulations and Rules of the United Nations.
3. As a consideration for these services, the Executive Committee agreed to remunerate UNEP in its capacity as the Treasurer, the sum of US \$500,000 annually for a period of five years of the date of the entry into force of the agreement.
4. During the 58th Meeting of the Executive Committee, the Secretariat of the Multilateral Fund, through its Chief Officer, introduced the subject of the Treasury fees under the agenda item, “Other matters”, and pointed to the need for the extension/renewal of the Treasurer Agreement with UNEP.
5. The Executive Committee was therefore asked to consider whether to extend/renew the agreement and its corresponding fees. The Executive Committee agreed to defer consideration of the matter to its 59th Meeting in order to examine it more thoroughly.

Current Arrangement for the Treasurer Services in UNEP

6. At the time the agreement for services of Treasurer to the Multilateral Fund was reached in 2004, these services were being rendered to UNEP by the UNON’s Budget Financial and Management Services (BFMS) in Nairobi. The arrangement for these services changed in 2007, as a result of negotiations between the then Director General of UNON and the UNEP Executive Director. UNEP moved these services back into its newly established Corporate Services Section within the Executive Office. The functions of fund, programme and contributions management were deemed to be an integral part of UNEP’s programme of work and it was believed to be more beneficial if these functions reverted to the programmes they support. UNEP has thus been directly responsible for the Treasurer services for the Multilateral Fund, leaving UNON to concentrate on providing the non-programmatic common services to both UNEP and UN-HABITAT covering areas of accounts, human resources and others.

Cost Structure

7. In the light of this, the cost structure as per the previous agreement has changed in line with the new arrangement within UNEP and more specifically within the Corporate Services Section. The updated new cost estimate for period 2010 to 2014 has been attached as Annex to this report.

Fees

8. Based on the above cost structure, UNEP proposes to charge US \$550,100 per annum as its Treasurer services fees for the period 2010 to 2014. The cost estimate includes a provision of US \$25,000 for contingencies covering elements such as inflation and others.

Appendix

UNEP's Projected Annual Cost of Providing Treasury Services to the Multilateral Fund

	US Dollars
Finance Specialist (P-5)	230,000
Mission Travels	55,500
Sub-total	285,500
Multilateral Fund Secretariat's cost differentials	60,000
General CSS Support	
Contributions Unit's Chief	21,500
Admin Support (GS-6/7)	71,100
Trust Funds Management Unit's Chief (5%)	12,000
CSS Chief's supervision (5%)	15,000
Sub-total	119,600
Executive Office's support	15,000
	15,000
Common services	45,000
Reserve/Contingencies	25,000
Sub-total	70,000
TOTAL	550,100
