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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty first Meeting  
Montreal, 17 -19 December 2003

**SERVICE OF THE TREASURER  
(DECISION 40/3)**

**Introduction**

1. The Executive Committee at its 40<sup>th</sup> meeting considered the document UNEP/OzL.Pro/ExCom/40/5 Add.1, the role of the Treasurer, (attached to the present document) prepared by a consultant as a follow- up to Decision 39/3.

2. In his report the consultant reviewed the proposed costing and financial capabilities of the four agencies that had indicated interest in assuming the role of the treasurer of the Multilateral Fund, and concluded that all the four agencies had the capacity and experience to undertake that role.

3. Subsequently in Decision 40/3 the Executive Committee decided to take a two step approach. First, it decided to retain the services of UNEP in the interim and to compensate UNEP for its services at a level of US \$301,000 per annum. Secondly, in regard to provision of treasurer services on a permanent basis, the Committee decided:

- (e) *To define precisely the services that would be required of the Treasurer and to request the Secretariat to collect additional information on the services available in other organizations and reflect them in a new draft agreement;*
- (f) *To re-examine the issue at its 41<sup>st</sup> Meeting*

4. In response to this decision the Secretariat re-drafted the agreement between the Executive Committee and the Treasurer, communicated the new draft agreement to the four agencies and invited them to comment on the new draft agreement and clarify or amend their proposals accordingly.

#### **Redrafting the agreement between the Executive Committee and the Treasurer**

5. The Secretariat reviewed the services that are being delivered currently by the Treasurer against the original agreement which was concluded in 1991 and included information on the additional elements which have been added since then. The Secretariat also drew upon proposals and suggestions received from members of the Executive Committee on the subject. The review revealed that the following elements were not in the 1991 agreement:

- design and management of a fair and transparent system for issuance and encashment of promissory notes,
- application of the fixed exchange rate mechanism taking into account the most appropriate payment and exchange rate mechanism,
- management of the bilateral programmes,
- need for an investment strategy designed for the Multilateral Fund,
- response to the ad-hoc requests from the Executive Committee for reports and studies on the financial situation of the Fund,
- maintenance of the accounts of the Fund through a uniform and transparent methodology to facilitate reconciliation of annual accounts.

6. The re-drafted agreement is attached as annex I.

#### **Summary of the feedback received**

7. The four agencies that had expressed interest in assuming the role of treasurer were presented with identical information (i.e. the new agreement together with its annex) and invited, within a set deadline, to provide comments as well as any additional information that may be of relevance in this exercise. The agencies were also requested to confirm the re-imbursement the organization will seek, taking into account the clauses of the new draft agreement and its annex.

8. Table 1 presents a detailed description of the feedback received and a summary is presented below.

#### Financial Management

##### *ICAO*

9. In its response ICAO indicates that it has extensive experience in dealing with UNDP, individual governments, groups of governments and other third parties in the implementation of technical cooperation and other projects. ICAO did not indicate that it had first-hand experience in dealing with fixed exchange rate mechanisms and promissory notes.

*UNEP*

10. As the current Treasurer of the Fund since 1991, UNEP appears to be conversant with all the currently required functions of the treasurer. UNEP has been involved in the evolution of the requirements of Multilateral Fund financial management, which have grown from a simple trust fund to one with complex sub-accounts. Over the years UNEP has acquired the required experience through direct exposure to the issues at stake. In its responses, UNEP did not raise any issues which could bring into question its financial management capabilities. UNEP however has requested clarification on the detailed procedures to be applied when dealing with the bilateral programmes and the promissory notes.

*UNIDO*

11. Through various statements made in its response, UNIDO appeared to express some hesitation in handling the fixed exchange rate mechanism. On the consolidation of the expenditures statement submitted by the implementing agencies and the Secretariat to the treasurer, UNIDO commented that “this goes beyond the classical treasury operations and appears to be work-intensive”. On the financial reports required to be prepared by the Treasurer for the meetings of the Executive Committee, UNIDO feels that the Multilateral Fund Secretariat “could better carry these functions with input from the Treasurer”.

*THE WORLD BANK*

12. In reviewing the draft agreement, the Bank re-confirmed that the types of services it will provide are typical of the kind of services the Bank performs when it acts as trustee of trust funds similar to the Multilateral Fund. In its proposal, the Bank shows familiarity with the handling of promissory notes, the application of the fixed exchange rate mechanism and the management of bilateral programmes. However the Bank sought clarification on procedural matters related to the fixed exchange rate mechanism and the reservation of the promissory notes to implementing agencies.

Investment Strategy

13. It should be noted that all four agencies advised that they would not be in a position to develop and operate an investment strategy specifically designed for the Fund.

Audit

14. The World Bank, UNIDO and ICAO advised that they would use their own internal and external audit system instead of the Internal and External Audit of the United Nations referred to in the original Agreement.

Financial Regulation Framework

15. While UNEP operates under the financial rules of the United Nations determined by the General Assembly, the World Bank, UNIDO and ICAO would use the financial rules and regulations of their respective agency.

16. However, in document UNEP/OzL.Pro/ExCom/40/5/Add.1, the consultant in his report confirms that despite the fact that ICAO and UNIDO are both specialized agencies, the rules they apply are in general very similar to those of the General Assembly. The World Bank, while still technically part of the United Nations family, applies its own separate system of governance, rules and financial regulations. None of the three agencies provided information on how their internal procedures differ from the financial rules of the United Nations.

17. With respect to the legislative framework, both ICAO and the World Bank indicated that a final decision to take over the treasury services function would require the prior approval of their governing bodies. The procedures prior to acceptance vary from one agency to the other and could be complex and time consuming in some cases.

18. For the World Bank approval of the board of directors would be required before entering into an agreement with the Executive Committee. In addition to entering into an agreement with the Executive Committee, the World Bank would need to enter into separate agreements with each of the donors of the Multilateral Fund. The terms of the agreements would have to be reviewed by each donor country before submission to the board of directors for final approval. There is no indication of how long this process would take. No indication was given of the interaction, if any, between the agreements with individual donors and the agreement with the Executive Committee.

19. ICAO would require prior approval of the Secretary General and the ICAO council. The ICAO council meets three times a year. Their next meeting is scheduled from 16 February 2003 through 12 March 2004 and the following one would be in July 2004. To be in line with ICAO internal reporting system, a commencement would be preferable at the beginning of the financial year.

20. Before renewing the draft agreement, UNEP would require the United Nations Offices in Nairobi (UNON) to review its content prior to recommending it for approval to the Executive Director of UNEP. This does not seem to present any administrative impediment since the Executive Director of UNEP is also the Secretary General of UNON. UNON representatives are directly involved in the process of reviewing the provision of the Treasury services by UNEP to the Multilateral Fund and this could contribute to expediting the process.

21. While addressing the issue of transferring funds for the Secretariat's budgetary allocation to UNEP, ICAO expressed interest in absorbing payroll and human resources functions and the World Bank confirmed that it was not in a position to do so. Should any change in the Secretariat's administrative management be proposed, the matter would need to be brought to the Meeting of the Parties for decision and amendment of the terms of reference of the Multilateral Fund as appropriate.

22. All agencies made specific comments on the draft agreements and its annex. Clarifications were sought and provided when requested regarding the volume of work, the number of reports required, the need (or lack thereof) for resource mobilization or fund raising for the Fund, the number of bank accounts in operation, the requirement to open a bank account separate from the UNEP account, etc.

23. Suggestions to adjust/amend some clauses on the new draft agreements were made and could be dealt with on a bilateral basis between the Secretariat and the agency once a final decision is made by the Executive Committee on who should take the role of treasurer of the Fund on a permanent basis.

#### Costing

24. All four organizations re-confirmed their interest in taking on the role of Treasurer on a full cost recovery basis. However, in light of the new information provided, UNIDO did not provide a costing. The quotes by agencies are reflected in Table 2. A breakdown of cost for ICAO and UNEP is provided in Appendices 1 and 2 respectively.

#### *ICAO*

25. ICAO quoted an annual fee of US \$665,700 for staff costs and operating expenses, in addition to a sum of US \$126,485 for administrative charges and non-recurring start up costs amounting to US \$290,000. The start-up fees include hand over costs. Assessment of ICAO's costing should take into account its strength in managing general and technical cooperation trust funds but also its limited hand - on experience in dealing with two important items of the functions of the Treasurer namely the fixed exchange rate mechanism and the promissory notes.

#### *UNEP*

26. As shown in Table 2 and Appendix 2, the total annual fees requested by UNEP amount to US \$500,000 and include staff and travel costs to attend meetings of the Executive Committee and other centrally provided services. Cost related to internal and external audits are not mentioned in the UNEP costing and no additional costs for hand over and start up are required as in the case of ICAO and the World Bank.

27. In his report, the consultant reviewed UNEP's effectiveness in rendering these services in the context of the 1991 agreement and concluded that UNEP/UNON have been remarkably effective in rendering treasury services even at no charge to the Fund. With an annual budget designed to cover cost of treasury services and to provide for staff and operating expenses, UNEP should be able to expand its services to incorporate the elements described in the new draft agreement.

#### *WORLD BANK*

28. The World Bank quoted a preliminary fee of US \$2,000,000 but wished to investigate further the volume and complexity of the work involved prior to providing the Committee with a definite figure on the fees required. The fee excludes the additional costs of internal and external audits, start up and hand over costs as well expenses related to travel costs to attend meetings of the Executive Committee. No breakdown of the fees proposed is provided.

29. The preliminary costs provided by the World Bank should be assessed in light of the World Bank's high level of expertise in financial matters including: strength in managing large accounts and in dealing with other currencies; its facilities for investing balances of cash not

immediately needed; experience in handling promissory notes whether denominated in US\$ or other currencies.

**Conclusion**

30. The Executive Committee may wish to consider the revised draft agreement and its annex prepared by the Secretariat and provide guidance on the future provision of treasury services to the Fund.

Table 1: Financial Management – Agencies’ specific comments

<b>Issue</b>	<b>Reference</b>	<b>ICAO</b>	<b>UNIDO</b>	<b>WORLD BANK</b>	<b>UNEP</b>
<b>Fund raising</b>	Clause 1.4	Did not address the issue	Did not address the issue	Is not in a position to raise funds for the Fund.	Is not in a position to raise funds for the Fund.
<b>Provision of direct support</b>	Clause 1.5	No additional comments.	Additional travel to be at extra cost to the Fund.	Needs further clarification	No comments
<b>Investment strategy</b>	Clause 1.7 and 1.8	ICAO will apply ICAO investment strategy.	UNIDO will use UNIDO investment strategy	The bank would keep the Fund funds in a commingled account with assets of other trust fund managed by the bank.	UNEP will not design an investment strategy for the Fund since UN HQ is solely responsible for the investment policy
<b>Administration of the Funds by the Implementing Agencies</b>	Clause 2.1	ICAO presented a summary of what is required from the Implementing agencies to submit to the treasurer.	Needs more clarification	Needs to see the agreement between the Executive Committee and the Implementing agency and verify if that they are consistent with the Bank’s policies and procedures. (Note that copy of the agreement was attached to the Secretariat letter dated 14 June 2003 to the World Bank	Requires clarification on the meaning of “Administration of the Funds” (Note that UNEP has presently a established system in dealing with the Implementing agency on the administration of funds which according to the consultant report presents no problem)

<b>Issue</b>	<b>Reference</b>	<b>ICAO</b>	<b>UNIDO</b>	<b>WORLD BANK</b>	<b>UNEP</b>
<b>Preparation of the studies to the ExCom</b>	Clause 4.2	ICAO assumes that information to be produced will be based on the treasury records.	The studies could be prepared only as an additional service for additional; remuneration	Needs further clarifications	Needs clarification whether new reports are required or current ones are sufficient.
<b>Internal and external audit</b>	Clause 4.5	Will use ICAO internal and external audit system.	Will use UNIDO internal and external audit system	Will use World Bank internal and external audit in accordance with the policies and procedures of the Bank.	No comments
<b>the bilateral cooperation programme</b>	Annex; Para 3.1-3.3	ICAO did not ask any further questions related to bilateral cooperation programme.	No comments provided	Clarification required in connection with bilateral contributions	More information is required. Involvement of the treasurer should be clearly defined
<b>the Fixed Exchange rate Mechanism</b>	Annex Para 4.1 - 4.7	No additional comments provided.	Task considered complex. This appears to be a major task of which UNIDO was not aware when first considering the proposal	The bank has experience in dealing with FERM, however the bank would need specific information on the mechanism to be used	More information is required. Involvement of the treasurer should be clearly defined



<b>Issue</b>	<b>Reference</b>	<b>ICAO</b>	<b>UNIDO</b>	<b>WORLD BANK</b>	<b>UNEP</b>
<b>Reconciliation of the accounts</b>	Annex 5.1	No comments.	The process seems to be labour intensive and require particular attention to an eventual take over.	The Bank cannot assume that historical data is accurate. The Bank's responsibility would begin as of the date the bank assumed the trustee function, unless agreed otherwise.	A full reconciliation would require an increased level of staffing. UNEP points out to the fact that is current Information System can not go back to the 1991 records because of the record retention rule of up to 6 years.
<b>the Promissory Notes</b>	Annex Para 5.3	No additional comments provided	No additional comments provided	Need clarification on what is meant by reservation of promissory notes for implementing agencies.	The system of issuance promissory notes will have to be agreed by ExCom members.
<b>Preparation of Financial reports</b>	Annex, Para. 6	ICAO presents a good summary of the Reports expected to be submitted by the Treasurer.	UNIDO feels that the MF Secretariat could better carry these functions with input from the Treasurer.	No problem foreseen	No problem foreseen.

Table 2: Revised estimated fees

Agency	Items	Previous	Revised costing in US\$	Additional comments
<b>UNIDO</b>	- Annual fees - Hand over	500,000 100,000	<b>None</b> <b>None</b>	UNIDO considers that the cost provided earlier would need reconsideration and finds it difficult to determine at this stage.
<b>ICAO</b>	-Start up cost -Annual fees -Admin fees -Hand over	290,000 645,000	<b>290,000.</b> <b>665,000</b> <b>126,0000</b>	The costs provided by ICAO earlier have been revised upward as per breakdown in Appendix 1. Costs provided are mainly staff costs and are based on assumptions made by ICAO with respect to the nature and volume of the work required. It excludes internal and external audit costs. ICAO is prepared to review the fees if there is clear indication to engage the services of ICAO. It also excludes travel costs for meetings outside Montreal.
<b>World Bank</b>	Annual fees Hand over	2,000,000 to be reimbursed on basis of actual costs	2,000,000	The cost of US\$2,000, 000 has been maintained by the Bank and is exclusive of start up costs and the cost of transitioning accounts from UNEP to the Bank. To provide a better estimate the Bank requires to invest more time and resources into fully understanding the Fund's procedures, conduct a review of the books and records of the Multilateral Fund and better understand the amount of work involved to develop a transition plan with UNEP. This would include side visits and more detailed discussions on the agreement of expected services to be provided for this work.  No breakdown of the costing is provided.
<b>UNEP</b>	Annul fees	301,705	500,000	Revised up wards as per breakdown in appendix 2.  Composed of staff costs, travel costs and other centrally provided support services inclusive of IT, rent, communication, human resource management.

Table 2

Appendix 1

ICAO revised estimated costs

ICAO's fees will be reimbursed by the Fund as follows:

1. Start-up fees

At the signature date of the agreement by both parties: U.S.\$ 290 000

2. Annual fees

Preliminary (estimated) annual fees will be obligated by the Fund and funds will be set aside in a special Fund by and for ICAO. The special Fund will pay preliminary annual fees to ICAO by equal monthly installments.

The preliminary fees, established at the beginning of each twelve-month period (estimated for an agreement effective in 2003) will be based on the following expenses:

Staffing (salary scales and entitlements - 2003):

One Professional Staff (P-5 Step 7)	U.S.\$ 152 475
Three Professional Staff (P-3 Step 6)	318 885
One Professional Staff (P-2 Step 7) at 25% (System/programmer analyst for system maintenance)	22 795
One General Service Staff (G-8 Step 9)	46 010
One General Service Staff (G-7 Step 10)	43 670
One General Service Staff (G-5 Step 9)	35 865
	<hr/>
	619 700
Operating expenses – 2003	46 000
	<hr/>
	665 700
Administrative charges including overhead – (applied on staffing and operating expenses listed above)	126 485
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<b>Total</b>	<b>U.S.\$ 792 185</b>

The preliminary fees will be established at the beginning of the twelve-month period and will be based on the UN operational rate of exchange and post adjustment multipliers effective on the first month of the twelve-month period. [Note that the estimates above are based on the UN operational rate of exchange (1.00 U.S.\$ = 1.41 CAD\$) and post adjustment multipliers (23.6) effective in September 2003]<sup>1</sup>.

<sup>1</sup> The previous proposal was based on the rate: (1.00 U.S.\$ = 1.54 CAD\$).

3. Preliminary fees will be based on ICAO's Staff Regulations and Rules and adjusted at the end of the twelve-month period to take into account:
- a) Any modifications to ICAO's Staff Regulations and Rules, including adjustments to salary scales and entitlements for each post as determined by the International Civil Service Commission (ICSC) and approved by the ICAO Council (when required). Adjustments will be made for:
    - Salaries
    - Post Adjustments (for Professional staff only)
    - Contribution to the Pension Fund
    - Dependency Allowance
    - Language Supplement (for General Service staff only)
    - Step increase (once every two-year period only)
  - b) Other staff costs such as recruitment, transfers and separation payments, education grant and related travel, accrued leave, home leave and rental subsidies are included in the estimated costs at the rate of 20% of net salary for Professional staff and 5% for General Service staff (for overtime and accrued leave). Adjustments to these other staff costs will be based on adjustments made to net salaries provided in paragraph a) above for each post.
  - c) Medicare and group insurance costs will be based on the average rates paid by ICAO separately for i) Professional and ii) General Service staff.
  - d) Operating Expenses:

Preliminary operating expenses will be adjusted annually to take into account changes to the Consumer Price Index (in Canada) during the twelve-month period.
4. The preliminary fees plus (or minus) the adjustments made to the fees above will represent final fees to be reimbursed to ICAO. Final fees less installments made during the twelve-month period will be payable to ICAO on or before 90 days after the end of the twelve-month period or after the year-end audit, whichever shall be later. ICAO will submit details of fees (preliminary and final) including calculations and adjustments for annual review by the Fund's Secretariat. Please note that staffing fees will be based on posts (group, level and step indicated above) and not on each individual holding each post.

Table 2

## Appendix 2

UNEP revised estimated costs

<b>UNEP's Projected Annual Cost of Providing Trusteeship to the Multilateral Fund, in US\$</b>	
Chief, Budget and Financial Management Service, providing overall guidance on the Multilateral Fund's trusteeship - costing 5% at D-1 level	8,650
Senior Fund Programme Management Officer, providing Multilateral Fund's trusteeship line management services - costing 100 % at P-5 level	164,700
Fund Programme Management Officer, providing Multilateral Fund's trusteeship line management services - costing 100 % at P-4 level	138,500
Chief, Projects Accounts Unit, providing accounting services to the Multilateral Fund - costing 10% at P-4 level	13,850
Chief, Treasury Unit, providing billing, contributions, receipting and funds transfer services to the Multilateral Fund - costing 20% at P-4 level	27,700
Missions to the meetings of the Executive Committee and other trusteeship related (4 missions @ US7,000.00)	28,000
Support staff ( secretaries, finance assistant and treasury assistant) with an overall contribution of 3 staff of GS-6 level	82,500
Other general and centrally provided support services inclusive of IT, rent, communication, human resource management	36,100
<b>TOTAL</b>	<b>500,000</b>

NB: Costing based on 2003 United Nations Standard Salary Costs for Nairobi duty Station



## Annex I

### REVISED DRAFT

**AGREEMENT BETWEEN [xxx] AS TREASURER OF THE [INTERIM] MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND ESTABLISHED BY THE PARTIES TO THE MONTREAL PROTOCOL**

WHEREAS the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer ("Protocol") to the Vienna Convention for the Protection of the Ozone Layer ("Parties") have established the ~~Interim~~ Multilateral Fund for the Implementation of the Montreal Protocol ("Fund") to operate under the authority of the Parties through an Executive Committee to provide the financing of agreed incremental costs to enable Parties operating under paragraph 1 of Article 5 of the Protocol to comply with the control measures of the Protocol;

WHEREAS at the request of the Parties, the Fund was established in accordance with the Financial Regulations and Rules of the United Nations and the Executive Committee entrusted the Executive Director of UNEP with its administration;

WHEREAS the Parties have designated the United Nations Development Programme ("UNDP"), the World Bank ("Bank"), the United Nations Environment Programme ("UNEP") and The United Nations Industrial Development Organisation (UNIDO) as implementing agencies for the work programme of the Fund;

WHEREAS by decision of the Executive Committee, UNEP in addition to being designated as an implementing agency, acted since 1991 as "Treasurer" of the Fund free of charge; with the responsibility of disbursing funds for activities to each of the implementing agencies including itself under the guidance of the Executive Committee;

NOW THEREFORE, the Executive Committee and [xxx] hereby agree as follows:

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- Shading indicates addendums or amendments to the previous agreement between UNEP and the Executive Committee

## Article I

1.1 [xxx] in its capacity as treasurer will administer the Fund in accordance with the Financial Regulations and Rules of the United Nations.

1.2 [xxx] in its capacity as Treasurer will at the beginning of each calendar year, inform all Parties not operating under paragraph 1 of Article V of the Protocol of their contributions due to the Fund and request remittance of Parties' contributions. In this regard, [xxx] will apply the fixed exchange rate mechanism approved by Decision XIV/40 of the Fourteenth Meeting of the Parties to the Montreal Protocol, or in future amendments to this decision to those Parties who qualify to use the mechanism.

1.3 [xxx] in its capacity as Treasurer will acknowledge receipt of contributions from Parties and shall, from time to time, issue reminders to Parties whose contributions are outstanding.

1.4 [xxx] in its capacity as Treasurer will seek contributions from other Parties.

1.5 [xxx] will collect and maintain an accurate accounting of pledges and contributions from donors including bilateral contributions.

1.6 [xxx] in its capacity as Treasurer will maintain an accurate account of funds approved by the Executive Committee as bilateral cooperation assistance and offset these funds against the concerned Party's contribution to the Fund.

1.7 [xxx] in its capacity as Treasurer will place contributions paid by Parties in a bank account it will establish for the purpose of receiving such contributions.

1.8 [xxx] will design and manage an investment strategy which takes into account the funding and disbursement patterns of the Multilateral Fund and maximize return on cash balances while meeting disbursement requirements.

1.9 [xxx] will design and manage a transparent system for issuance and encashment of promissory notes which maximises benefits to the Multilateral Fund and the issuing Party.

1.10 [xxx] in its capacity as Treasurer will not be responsible for unpaid contributions by Parties.

1.11 The accounts of the Fund will be maintained in United States dollars.

## Article II

2.1 [xxx] in its capacity as Treasurer will enter into agreement with each implementing agency regarding the administration of funds remitted to them from the Fund. These agreements shall be consistent with the agreements between the Executive Committee and the implementing agencies.



2.2 [xxx] in its capacity as Treasurer will remit to the implementing agencies funds approved for them by the Executive Committee, and maintain a payment system to these agencies.

2.3 Funds remitted to the implementing agencies will be disbursed by them in accordance with their respective financial regulations and rules.

2.4 [xxx] in its capacity as Treasurer will remit to the United Nations Environment Programme the funds approved for the budget of the Fund Secretariat.

2.5 [xxx] in its capacity as Treasurer will not be obligated to remit funds over and above those available in the Fund account.

2.6 [xxx] as Treasurer will ensure that the Secretariat and the implementing agencies employ a uniform and transparent methodology when tracking the flow of funds in their accounts and data bases to permit comparability and facilitate annual reconciliation

### Article III

3.1 The Executive Committee agrees to remunerate [xxx] in its capacity as Treasurer US\$ ----- annually for services it will provide pursuant to this Agreement, taking into account the functions described in Appendix I to this Agreement.

### Article IV

4.1 [xxx] as Treasurer will submit accounts of the Fund to the Executive Committee for each calendar year based upon the expenditures incurred by the Fund Secretariat, the statements of expenditure submitted by the implementing agencies taking into account interest earned by them on Fund balances they have held as well as interest earned by [xxx] on balances it holds as Treasurer of the Fund. In addition, [xxx] will prepare clear reports on the status of the Multilateral Fund to be submitted through the Fund Secretariat to the meetings of the Executive Committee.

4.2 [xxx] in its capacity as Treasurer will undertake preparation of studies requested by the Executive Committee and / or by Meeting of the Parties to the Montreal Protocol, as relevant.

4.3 [xxx] will design and maintain a reporting system with Implementing Agencies to ensure transparency and accountability of funds transfers, reimbursement and interest payment.

4.4 [xxx] will provide direct support to the Executive Committee and its subcommittees as necessary, including participation in meetings.

4.5 The accounts of the Fund will be subject solely to the Internal and External Audit of the United Nations. Should there be any comments made by the Auditors relating to the accounts, [xxx] in its capacity as Treasurer will advise the Chief Officer of the Fund Secretariat and the Chairman of the Executive Committee immediately.

#### Article V

5.1 Any dispute, controversy or claims arising out of, or in connection with, this Agreement, will, unless it is settled by direct negotiation, be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. The Executive Committee and [xxx] agree to be bound by any arbitration award rendered in accordance with this section as the final adjudication of any dispute.

#### Article VI

6.1 This agreement shall enter into force upon signature by both parties.

6.2 This agreement shall remain in force until such time as both parties agree to terminate it. Should one party wish to terminate the agreement, such termination notice shall be given 90 days prior to its intended termination.

6.3 Any amendment to this agreement shall require the concurrence in writing of both parties.

6.4 In case of conflict between the terms and conditions of this agreement and the Financial Regulations of the United Nations, the latter will prevail.

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for [xxx]

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for the Executive Committee

## Appendix I

### Functions of Treasurership to the Multilateral Fund

#### 1. Multilateral Fund trust fund:

- 1.1. establishment and management of a trust fund for the management of the Multilateral Fund resources and financial reports;
- 1.2. calculation of the triennial and yearly pledges by each Party (some 42 Parties) in accordance with the terms of reference approved by the Parties to the Montreal Protocol in US dollars and national currencies as applicable;
- 1.3. keeping updated tools for the calculation of the distribution of pledges to the Parties to the Montreal Protocol in accordance with the UN scale of assessment;
- 1.4. calling for and sending reminders to the Parties for contribution payments, receiving the contributions, acknowledging the receipts and managing the bank account and the appropriate accounting for the transactions; and
- 1.5. making remittances to the implementing agencies<sup>1</sup> in accordance with the approvals of the Executive Committee of the Multilateral Fund.

#### 2. Multilateral Fund Bank Account(s):

- 2.1. establishment of a bank account for receiving contributions by Parties and others into and effecting transfers and payments in accordance with the approvals of the Executive Committee;
- 2.2. management of the resources in the bank account with the view of maximizing the returns on any surplus funds not immediately needed; and
- 2.3. management of any other subsidiary (bank) accounts which are opened for the smooth operation of the Fund, for instance, for the management of promissory notes and their subsequent encashment.

#### 3. Bilateral Cooperation Assistance

- 3.1. maintaining an accurate report on the bilateral cooperation assistance (up to 20 % of a party's assessed contribution per annum) approved to Parties by the Executive Committee for their direct implementation;
- 3.2. adjustment of pledges of Parties to account for bilateral cooperation assistance approved by the Executive Committee; and
- 3.3. introduction of the bilateral cooperation assistance adjustments as reported in the annual progress reports on their implementation.

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<sup>1</sup> Currently the agencies are: UNDP, UNEP, UNIDO, and the World Bank

4. Fixed Exchange Rate Mechanism:

- 4.1. monitoring and recording of the countries inflationary parameters needed in the application of the fixed exchange rate mechanism in determining the Parties who qualify to using the mechanism and secondly fixing the national currencies rates;
- 4.2. monitoring and recording of the various currency exchange rates needed in the calculation of the fixed exchange rates for use in calculating the national currency pledges by the Parties who qualify to using the mechanism;
- 4.3. requesting the Parties qualifying to using the fixed exchange rate mechanism for confirmation of their decision to either make their payments to the Fund in national currencies or in United States dollars;
- 4.4. monitoring and recording of the performance of the fixed exchange rate mechanism by each Party using the mechanism with the view of updating the shortfall or gain realized by the mechanism in totality;
- 4.5. monitoring and recording of the value of the promissory notes established within the fixed exchange rate mechanism with the view of having the current value available at any time in order to report on the status of the Fund;
- 4.6. monitoring and recording of the net gain or loss from implementation of the fixed exchange rate mechanism in order to properly calculate the net funds available for programming in the report of the status of the Fund; and
- 4.7. preparing any reports on the implementation of the fixed exchange rate mechanism as the Executive Committee or the Meeting of the Parties to the Montreal Protocol may require from time to time.

5. Multilateral Fund's Reports on the Status of the Fund:

- 5.1. monitoring and recording of the yearly payments in the various forms (cash, promissory notes, bilateral cooperation assistance, and promissory notes encashments) by Parties to the Fund from inception to date for inclusion in the reports on the status of the Fund;
- 5.2. monitoring and recording of the other income elements like interest and miscellaneous income (at the levels of the Treasurer and the implementing agencies) from inception to date for inclusion in the reports on the status of the Fund;
- 5.3. monitoring and recording of cash transfers and promissory notes transfers to implementing agencies or reservation of promissory notes for implementing agencies and any subsequent promissory notes encashments following approvals by the Executive Committee from inception to date for inclusion in the reports on the status of the Fund;
- 5.4. monitoring and recording of commitments and expenditures by the Multilateral Fund Secretariat following approvals of the Executive Committee from inception to date for inclusion in the reports on the status of the Fund; and
- 5.5. preparing the aggregate report<sup>2</sup> on the status of the Fund for the Executive Committee's meetings giving the pertinent information on all elements of income and expenditures/disbursements/commitments and the balance available for new approvals.

## 6. Multilateral Fund's Financial Reports:

- 6.1. preparation of the cumulative financial reports including the statement of income and expenditure; and the report on changes in reserve and fund balance and cumulative fund balance;
- 6.2. preparation of the annual financial reports including the statements of income and expenditure; and the report on changes in reserve and fund balance and cumulative fund balance;
- 6.3. preparation of the implementing agencies summarized/aggregated expenditures reports annually and cumulatively; and
- 6.4. preparation of the Multilateral Fund Secretariat's reports on the annual expenditures vis-à-vis the approvals by the Executive Committee.

## 7. Reconciliation of Treasurer's Accounts with Implementing Agencies and the Multilateral Fund Secretariat:

- 7.1. reconciliation of approvals by the Executive Committee taking into account funds returned from completed projects, cancelled projects and adjustments to approvals including projects transferred from one Implementing Agency to another;
- 7.2. reconciliation of cash resources transferred by the Treasurer and received by the Implementing Agencies;
- 7.3. reconciliation of promissory notes transferred to The World Bank considering the actual amounts realized in encashments;
- 7.4. reconciliation of reported interest income earned by Implementing Agencies and approvals granted by the Executive Committee to the agencies; and
- 7.5. reconciliation of adjustments to the bilateral cooperation assistance to Parties as per annual implementation progress reports made to the Executive Committee through the Multilateral Fund Secretariat and approvals granted by the Executive Committee.





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THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fortieth Meeting  
Montreal, 16 -18 July 2003

**Addendum**

**SERVICE OF THE TREASURER  
(FOLLOW-UP TO DECISION 39/3 AND DECISION 39/4)**

## **The Role of Treasurer of the Fund**

### **Background**

This study is being submitted by the Secretariat pursuant to Decision 39/3. The study was prepared by a consultant in accordance with the terms of reference included as Annex II to document UNEP/OzL.Pro/ExCom/40/5.

### **Structure of the report**

The study consists of two Parts; Part I addresses the tasks carried out by UNEP as Treasurer, and Part II presents a synthesis based on responses received from ICAO, UNIDO, World Bank, and UNEP.

### **Part I**

#### **A Review of Tasks Carried out by UNEP as Treasurer**

#### **A. General review of the functions of Treasurer as set out in the 1991 Agreement between UNEP and the Executive Committee.**

1. The functions of Treasurer for the Multilateral Fund (the Fund) have been undertaken by UNEP since the Fund was established. Arrangements for UNEP to do this were formalized under an Agreement between the Executive Committee and UNEP signed in November 1991.

2. Under the Agreement, UNEP undertook specific functions as set out in Articles 1, 2 and 4 of the Agreement and under Article III agreed that it would not “seek reimbursement for costs incurred for services it will provide pursuant to this Agreement”. The services set out in Articles I, II and IV were:

- 1.1 to administer the Fund in accordance with the Financial Regulations and Rules of the United Nations
- 1.2 to inform all Parties not operating under paragraph I of Article V of the Protocol of their contributions due to the Fund at the beginning of each calendar year and request remittance of those contributions.
- 1.3 to acknowledge receipt of contributions from Parties and shall, from time to time issue reminders to Parties whose contributions are outstanding.
- 1.4 to seek contributions from other Parties.
- 1.5 to place contributions in a bank account established for the purpose.
- 1.6 to invest contributions received and not immediately required and credit interest earned to the Fund.



- 1.7 to maintain accounts of the Fund in United States dollars.
- 2.1 enter into agreement with each implementing agency regarding the administration of funds remitted to them from the Fund consistent with agreements between the Executive Committee and the implementing agencies.
- 2.2 remit funds to the implementing agencies on the basis of work programmes and corresponding budgets approved by the Executive Committee
- 4.1 submit accounts of the Fund to the Executive Committee for each calendar year based upon expenditures incurred by the Fund Secretariat, the statements of expenditure submitted by the implementing agencies taking into account interest earned by them on Fund balances they have held as well as interest earned by UNEP on balances it holds as Treasurer of the Fund.

**B. Description of Tasks undertaken by the treasurer from the time of signature of the agreement to date**

3. The tasks that UNEP originally agreed to undertake in 1991 gradually widened and UNEP absorbed this additional work without comment at the time it occurred.

4. It adapted to the changes necessary to accommodate bilateral co-operation programmes which while at a fairly low level initially have grown steadily from US dollars 4,332,697 (with 5 donors) in 1991-1993 to US dollars 22,834,515 (with 10 donors) in 2000-2002. Bilateral projects are individually approved by the Executive Committee and require the Treasurer to make continual adjustments in the amounts of the cash contributions due from the Parties partly contributing to the Fund with bilateral programmes in accordance with the rules of the Fund.

5. Promissory notes were accepted as a means of paying contributions in 1994 with the objective of reducing the high level of surplus funds held by the Treasurer while providing for the payment of contributions as due or in advance. The promissory notes have evolved through two stages.

- (a) The first generation of notes could be denominated in US dollars or national currencies and although there was a recommendation to have an indicative half-yearly schedule of encashment during the three years of the triennium, this was not always adhered to by Parties and resources were not always made available when due or on request by the Treasurer. Similarly, although it was understood that the US dollar value of the notes would be equal to the assessed dollar contribution this also was not strictly adhered to – as there are Parties who still owe considerable sums as a result of this.
- (b) The second generation of promissory notes coincided with the introduction of “the fixed exchange rate mechanism” (the FERM) under which the loss or gain arising at the time of the encashment of promissory notes was absorbed by the Fund.

6. Over the last two triennia, payment of contributions with promissory notes increased from 5.3% in 1997-1999 to 17.8% in 2000-2002.

7. The introduction of the FERM in triennium 2000-2002 initiated payments of contributions in national currencies – at fixed rates of exchange to the US dollar. This seems to have reduced the administrative burden of the Parties although it has added to the workload of the Treasurer, particularly since the Executive Committee required frequent up-dates on the impact of the FERM on the total availability of funds, and the Treasurer has been required to re-estimate the dollar value of contributions of Parties participating in the scheme during a period of frequent and substantial exchange rate movements. Payment of contributions under the FERM represented 44% of the total due in 2000-2002 triennium when the scheme was first initiated.

### **C. UNEP'S institutional arrangements to carry out its role as Treasurer**

8. While UNEP did not seek payment for the expanded work load involved in undertaking the role of Treasurer as the Fund widened the scope of its financial instruments, it is relevant that effective 1 July 1997, in response to the 49<sup>th</sup> session of the UN General Assembly's resolution A/49/336 on the restructuring of the United Nations Secretariat, the Secretary General established the United Nations Office at Nairobi (UNON) to provide common administrative services in Nairobi to replace the two separate administrations of UNEP and UN-Habitat. As a result of this organizational change introduced by the General Assembly, the Treasury functions of the Fund were largely transferred to UNON with effect from 1998. In practice – at least at first - this made no difference because the Executive Director of UNEP was also the Director General of the United Nations Office at Nairobi and thus responsible for the work of UNON. Also although the financial services for the Fund were from 1998 undertaken by staff members of UNON rather than UNEP, in practice the same individuals carried out the work. In the same way the staff of UNON Human Resources Management Unit continued to administer Fund Secretariat staff contracts as they had before, since Fund staff members continued to be staff members of UNEP, as originally agreed by the Parties, when they agreed that the Secretariat should be “co-located with UNEP”. This did not change.

9. Gradually, however, there was some change in strategic thinking as a result of the establishment of UNON. UNEP had, ever since the establishment of the Fund, felt it had a strategic interest in its success since the Montreal Protocol and the Multilateral Fund was in effect part of its own work programme and it was prepared to give all the administrative support it could to the formative years of the Fund without looking for financial reimbursement of the costs of that support. UNON's concern was much more towards having to undertake its administrative work programme within the budget allocation it received from the United Nations Regular Budget, plus what it could earn from services it provided to its client organizations i.e. UNEP and UN-Habitat and the Multilateral Fund. In particular, they started to worry about the lack of reimbursement involved in undertaking the administrative work on behalf of the Treasurer, particularly when the work was so much heavier and “customized” than it was for other trust funds that paid a standard administrative deduction to UNON for the services it provided.

10. These concerns were conveyed to the Executive Committee by UNEP/UNON and the Executive Committee indicated at the 39<sup>th</sup> Meeting of Executive Committee that it did not expect UNEP to continue providing the services of Treasurer indefinitely without reimbursement and it was incumbent upon UNEP to provide written notice of its desire to change the terms of the Agreement. Accordingly, the Executive Director of UNEP wrote to the Chairman of the Executive Committee on 23<sup>rd</sup> April 2003 invoking paragraph 6.3 of the Agreement which stipulates that any amendment to the (1991) Agreement shall require the concurrence in writing of both parties and proposed for consideration of the Executive Committee that Article III of the Agreement be amended as follows:

- 3.1 UNEP in its capacity as Treasurer shall be reimbursed for costs incurred for services it will provide pursuant to this Agreement. Modalities of reimbursement shall be agreed upon by the Executive Committee of the Multilateral Fund and the United Nations Environment Programme”.

11. Even before that letter was received, the Executive Committee by decision 38/37 “requested the Secretariat to explore with UNEP, the World Bank and other potential bodies, which might act as Treasurer of the Multilateral Fund, their experience, potential services and fees associated with taking on that role, taking into account the views expressed by representatives at the 39<sup>th</sup> meeting of the Executive Committee”. This document is the report of the Secretariat on that issue.

### **Description**

12. The institutional arrangements implemented by UNEP to fulfill its role as Treasurer are as follows:

- (a) The Chief of Budget and Financial Management Services and the Chief of Trust Funds Unit are responsible for the Parties system of payments to the Multilateral Fund; application of UN scale of assessment; fixed-exchange mechanism procedures; calculation of the Parties contributions, reporting to the Executive Committee at its meetings; management of promissory notes; disbursements to Implementing Agencies as approved by the Executive Committee in accordance with the separate Agreements between the Executive Committee and the Implementing Agencies; presenting all financial statements of the Multilateral Fund to the Executive Committee and the Parties; undertaking and/or supporting any studies on the Multilateral Fund for the Parties and the Executive Committee.
- (b) The Trust Funds Unit manages the trust fund by generally overseeing the activities in accordance with the governing UN financial, administrative and personnel regulations and rules, the implementation of its terms of reference and reporting on it.
- (c) The Treasury Section is responsible for recording the Multilateral Fund’s pledges in the accounting system; sending out invoices and reminders on outstanding pledges; receiving the cash contributions, promissory notes and bilateral cooperation programme’s adjustments to pledges; receipting and

acknowledgement of payments; adjustments of the receipts for losses or gains due to fixed-exchange-rate mechanism; updating the status of contributions; management of the bank account; management of surplus funds investments in co-ordination with the UN headquarters; and actually transferring funds to Implementing Agencies and Multilateral Fund Secretariat for its operations.

- (d) The Finance Support Unit records pledges in US dollars and national currencies; records contributions in both cash and promissory notes in the accounting system; valuation of national currencies and promissory notes held; appropriately records the losses and gains due to the fixed-exchange-rate mechanism; and bank reconciliation.
- (e) The Project Accounts Unit prepares the disbursement vouchers for transfers of funds to Implementing Agencies and the Multilateral Fund Secretariat; processing of obligations by the Secretariat; recording of aggregate expenditures by the implementing agencies and the Secretariat; recording of investment incomes and other elements of the account reported by Implementing Agencies and the Secretariat; and carrying out any other adjustments to the accounts.
- (f) The General Accounts Unit of the Accounts Section is responsible for the general accounts of the Multilateral Fund trust fund, other general transactions like support costs and the generation of the financial reports.
- (g) The Payroll Unit of the Accounts Section is responsible for payrolling of Secretariat staff and other minor payments to staff.
- (h) General Services Section undertakes some limited general services e.g. procurement.
- (i) The Treasury of the United Nations Headquarters in New York maintains the Bank Account of the Fund and, as for other UN organization, centralizes a co-ordinated investment service of all funds surplus to immediate requirements on a day to day basis.

**D. Efficiency of the Treasurer vis-a-vis the implementing agencies and bilateral cooperation programmes in terms of transfers of funds to them.**

13. No evidence of problems was uncovered in the transmission of funds to the agencies once the payments system was up and running. The Executive Committee approves the sums to be transferred to each individual agency on the basis of the projects they have approved and the unused cash then being held by the agency, instructions to pay those approved sums are conveyed to the Treasurer by the Chief Officer and the amounts are transferred to the agencies quickly. Part of the transfer of funds to the World Bank has usually taken the form of re-assignment to the World Bank of promissory notes received by the Treasurer by way of contributions. These promissory notes are subsequently encashed by the Bank who then, in due course, claim from the Treasurer any losses that may be incurred due to currency rate changes before encashment, a loss which falls on the Fund.

14. Except in the case of one Party, budgets approved by the Executive Committee for bilateral co-operation projects are deducted from annual cash contributions by the donor Party concerned. These approved budgets are advised to the Treasurer by the Chief Officer and, except to adjust the amount of contribution due, the Treasurer has no other function as he is not required to issue cash. Only one Party pays its contribution in full and requests the Treasurer to pay the sums approved to it relevant aid department. No problems were apparent in this exception and indeed the Treasurer indicated some preference for this method of handling bilateral projects.

**E. Actual yearly costs to UNEP**

15. UNON estimate that they spend US dollars 301,705 undertaking work for the Treasurer of the Fund and it is this figure which they seek to be reimbursed. This estimate covers costs of staff on Fund tasks, (after making broad estimates in terms of percentages of the amount of time individual officers undertaking Fund work on a part time basis). They also seek reimbursement for the proportional cost of office rent for accommodating staff involved, IT and communication costs, cost of travel to meetings of Executive Committee and an estimate of other support services costs. A schedule of their estimates as submitted to the Secretariat is included in this document as Annex I.

**F. Review of UNEP effectiveness in rendering the Treasury services in the context of 1991 Agreement with the Executive Committee.**

16. An assessment of effectiveness must inevitably be somewhat subjective but given the normal minor aggravations of inter-departmental interactions in any bureaucracy, firstly UNEP and latterly UNON have been remarkably effective in rendering the Treasury services to the Parties for twelve years. They have accommodated the changing and usually widening unique customized requirements of the Parties and Executive Committee with equanimity with no particular disruption of the overall level of service provided. The Fund has been particularly fortunate in that over this period there have been individual staff members who have taken a personal interest in seeking out tailored solutions to the problems of analysis and presentation as they arose.

## Part II

### Possibility of Other Relevant Institutions Assuming the Role of Fund Treasurer

#### A. Organizations that have indicated an interest in undertaking role of Treasurer

1. Four organizations have indicated an interest in the role of Treasurer—viz. ICAO, UNIDO, World Bank and UNEP. UNDP has stated that it is in no position to undertake this task.

2. All four of the organizations state that they would expect to be reimbursed in full for their costs in undertaking the work involved. They estimate- provisionally- their costs (in US dollars) as follows:

<u>Organization</u>	<u>Annual Costs</u>	<u>Hand-over Costs</u>
ICAO	645,000	290,000
UNIDO	500,000	100,000
World Bank	2,000,000	to be reimbursed on basis actual costs
UNEP	301,705	nil

Indications are made that these are best estimates as at today and they would have to be reviewed in the light of experience in undertaking the role of Treasurer.

3. ICAO state that their Financial Regulations require that the cost of any services should be fully recovered and Treasury services to the Fund can only be provided on this basis. The cost of all external audit work would be extra. Details of ICAO's estimated costs are set out in Annex II.

4. UNIDO state they require reimbursement of staff time in the various parts of their Financial Services Branch dealing with Treasury assessments, accounts, payments, reporting etc., including the time of their Treasurer, and the Director, in ensuring that the functions of Treasurer of the Fund are carried out in accordance with an Agreement to be entered into with the Executive Committee. They expect to recover travel costs to Montreal or wherever they are required to travel, communication costs and staff time in attending meetings. No breakdown of UNIDO's cost estimate has been provided.

5. The World Bank state that they would need to take on the management of the "trust fund" on a full cost recovery basis, including all start up and transition costs. They comment that some of the services required are highly customized and imply additional services beyond standard bank trustee services.

6. UNEP have set down their estimate as in Annex I of the staff and their current costs, plus other general and centrally provided support services, including IT, rent communications, Human Resources inputs.

## **B. Financial regulation framework**

7. UNEP operates under the Financial Rules of the United Nations determined by the General Assembly. ICAO and UNIDO are both specialized agencies of the United Nations which have the power to determine their own Financial Rules although they are in general very similar to those of the General Assembly. There is a UN-wide agreement to follow similar external audit procedures.

8. The World Bank-while still technically part of the United Nations family -was set up with its own separate governing system, rules and financial regulations.

9. There seems no particular reason why if the Parties so agree that the Fund could not operate under the financial framework of any of the four organizations under discussion in this document. Some changes in working procedures may, however, have to be introduced to effect the transfer of the role from UNEP depending on which organization is selected to undertake the role of the Treasurer.

## **C. Financial management capabilities**

10. It would be invidious to suggest that any one of the four organizations discussed here is more competent than another but some may have greater strengths in particular areas.

11. Possibly the World Bank is stronger than others in the management of large bank accounts and dealing in currencies while others may be stronger or more able to adapt to changing requirements overall, e.g. the need to adjust to the changes in the levels of bilateral funding. The World Bank has long experience of handling promissory notes whether denominated in US dollars or other currencies.

12. All four institutions are experienced in managing annual contributions to numerous funds and all will be aware of the importance of collecting such contributions early in the year to facilitate their early commitment for programme implementation.

13. The World Bank has long experience and excellent facilities for investing balances of cash not immediately needed but so have, to a lesser degree perhaps, the others including UNEP who have the experience and strength of the United Nations Treasurer in New York behind them. Information was not provided on the rates of interest earned by the four institutions at particular dates which would be necessary to enable a comparison to be made to form a judgement on the relative advantages of each as an investment institution. At current international interest rates this is arguably less of an issue at the moment.

14. All four institutions other than UNEP have experience in purchasing foreign currencies forward although in the case of the Fund most of the commitments are made in US dollars and the issue of buying currencies forward against commitments does not arise except in respect of the Canadian dollar needs of the Secretariat. It would in theory be advantageous to buy US dollars forward against contributions expected in other currencies but whether the risks and costs involved in following such a practice are worth the possible benefits is debatable.

**D. Conclusions**

15. Any of the four organizations that have offered to undertake the role of Treasurer of the Fund have the capacity and experience to undertake the task. It is however clear that any change from the present arrangements would involve additional expenditure and substantial disruption in the transitional phase.



**Annex I****UNEP'S Annual Cost of Providing Trusteeship to the Multilateral Fund  
(US dollars)**

<b>Description</b>	
Chief, Budget and Financial Management service, providing overall guidance on the Multilateral Fund's trusteeship – costing 5% at D-1 level	8,655.00
Fund Programme Management Officer, providing Multilateral Fund's trusteeship line management services – costing 100% at P-4 level	138,500.00
Chief, Projects Accounts Unit, providing accounting services to the Multilateral Fund – costing 10% at P-4 level	13,850.00
Chief, Treasury section, providing billing, contributions, receipting and funds transfer services to the Multilateral Fund and Implementing Agencies – costing 20% at P-4 level	27,700.00
Missions to the meetings of the Executive Committee and other trusteeship related (4 missions @ US dollars 7,000.00)	28,000.00
Support staff (3 secretaries, 1 finance assistant and 1 treasury assistant) with an overall contribution of 2 staff of GS-6 level	55,000.00
Other general and centrally provided support services inclusive of IT, rent, communication, human resources management	30,000.00
<b>TOTAL</b>	<b>301,705.00</b>

**Annex II****Provision of Treasury services – Multilateral Fund  
(in United States dollars )****International Civil Aviation Organization (ICAO)**

<b>Description</b>	<b>Amount US dollars</b>	<b>Total US dollars</b>
<b>1) Estimated Annual Cost of Providing Treasury Services</b>		
1 Professional staff, Project Manager, (P-5 level)	127,000	
1 Professional staff, (Contributions), (P-3 level)	95,000	
1 Professional staff, (Projects Accounting), (P-3 level)	95,000	
1 Professional staff, Treasury Officer (exchange and investments), (P-3 level)	95,000	
1 General Service staff, Secretary (data entry), (G-5 level)	28,000	
1 General Service staff, Accountant, (G-8 level)	36,000	
1 General Service staff, Accountant, (G-7 level)	35,000	
Database administrative and technical support	9,000	
Operating Expenses	22,000	
Administrative Charges including Overhead	103,000	<b>645,000</b>
<b>2) Start-up Costs:</b>		
Computers and office furniture	42,000	
Software purchase	23,500	
Conversion of data & procedures definition	10,000	
Server and database	20,000	
2 sets of Mission travel for air travel to Nairobi, Kenya, and DSA	75,000	
Staff costs for 3 staff for 3 months of transition	79,250	
Administrative Charges including Overhead	40,250	<b>290,000</b>

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