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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

**REPORT FROM UNEP ON THE USE OF PROGRAMME SUPPORT COST
(DECISIONS 35/36 & 40/49)**

1. UNEP DTIE submitted this document to the 40th Meeting of the Executive Committee in response to Decision 35/36 (b) which states: “UNEP will submit a preliminary report to the 38th Meeting of the Executive Committee on the use of the programme support cost, with a detailed report to be submitted at the 40th Meeting in 2003”.
2. At the 40th Meeting, the Executive Committee decided to defer the consideration of this matter to the 41st Meeting of the Executive Committee (Decision 40/49).

Detailed Report on the Use of Programme Support Costs (PSC) by UNEP

Submitted June 6th 2003

Decision 35/36 (b) requested UNEP to submit a preliminary report on the 38th meeting of the Executive Committee on the use of the programme support costs, with a detailed report to be submitted at the 40th meeting in 2003.

1. In its preliminary report to the 38th Executive Committee, UNEP stated that the total cost of administration to implement the OzonAction Programme was US\$ 855,000 and projected programme support (PSC) income as US\$ 760,000 giving a shortfall of US\$ 95,000.

2. The actual PSC income for 2002 was US\$ 692,783 consisting of US\$ 615,326 from activities approved and directly implemented by UNEP and US\$ 77,457 for bilateral activities implemented by UNEP. The total 2002 UNEP expenditure to implement the OzonAction Programme was US\$ 7,153,532 and hence the average PSC as a percentage was 9.6%. This will continue to decline as UNEP starts making disbursements for institutional strengthening and country programme activities where no PSC has been approved by the Executive Committee. The figures noted above are extracted from the certified UNEP financial statements for 2002 where the total expenditure for 2002 includes disbursements and obligations made in the same year.

3. Apart from the compliance assistance programme (CAP) that was first approved by the Executive Committee in its 35th meeting, most of the activities approved for UNEP average US\$40,000. It was confirmed at various Executive Committee meetings that the cost of administering smaller projects is relatively higher than bigger ones. The average value of activities approved for UNEP since the 32nd EXCOM has increased in value however UNEP considers all projects under 100,000 as small projects in relation to the cost of administering these projects.

4. UNEP wishes to draw attention to the CAP programme, which was approved to cover all programme related (implementation) costs but not costs of administration of the OzonAction Programme. It is important to note that the PSC earned by UNEP for both the pre-CAP (1991-2000) and the post-CAP (2001-2003) has always been used to provide for the cost of administering the OzonAction programme and not the programme related implementation costs. The costs of programme implementation were always provided for from the ExCom activity approvals. Hence the costs of Administration, as per the Executive Committee approvals, are supposed to be covered from the PSC received. The costs of providing administrative service that support the UNEP OzonAction programme remain at US\$ 856,000 (US\$ 855,000 reflected in the preliminary paper) compared to the actual 2002 PSC income of US\$ 692,783. UNEP estimates this costs to increase by 5% per annum based on UN staff standard cost estimates.

5. The breakdowns of direct and indirect costs are as follows:

UNEP/DTIE/Paris	In US \$
Administrative Officer P4 (40%)	52,000
Associate Administrative officer P2 (50%)	40,000
Administrative Secretary G6 (100%)	60,000
Finance Assistants G7	75,000
Other admin. operational costs (Communication, travel, rent etc)	20,000
TOTAL	247,000

UNEP/REGIONAL OFFICES – ROAP/ROLAC/ROWA/ROA	
Administrative officer - ROAP/ROLAC/ROWA/ROA - (30%)	160,000
Administrative Assistant – ROALC / ROWA G5 / G6	90,000
Other admin. operational costs (Communication, travel, rent etc)	40,000
TOTAL	290,000

Central administrative services – UNON	
Budget & Financial Management Service(Fund Management, Accounts, Cash office)	180,000
Human Resource Management	76,000
Support Services (ITS, OIOS, etc)	63,000
TOTAL	319,000

Total costs for UNEP to implement the OzonAction Programme 856,000

6. Resources have been moved from the OzonAction Programme in Paris to the UNEP regional offices. The shift reflects the regionalisation of the programme whereby the activities approved by the Executive Committee are now being implemented from the UNEP regional offices. The cost of administration for ROAP and ROA which are similar to ROLAC and ROWA as the costs relating to administrative assistants are provided through UNON central administration. The Executive Director of UNEP makes an allocation to UNON for the provision of these central administrative services which highlighted in the breakdown under para 5.

7. The issue UNEP would like to highlight here is the decreasing PSC and the increasing cost of administration. The net effect of the above is that the Environment fund of UNEP and / or other resources have been subsidizing the Ozone Action Programme. This fact was confirmed by the Board of External Auditors during the recent audit of the UNEP Financial Report for the first year of the biennium 2002-2003 ended 31 December 2002. They stated “We recommend and the management agreed to look for avenues to request for a reconsideration of the decision of the EXCOM on charging PSC on its functions as implementing agency”

8. In order to address the concerns related to PSC not being sufficient to cover the cost of administration the EXCOM may wish to reconsider the level of PSC being provided for the different project areas implemented by UNEP. This consideration should take note of the administrative costs in relation to the projected PSC income as indicated in this document.

9. The EXCOM may also wish to consider as another option, providing for an administrative officer and a finance assistant under the CAP which will reduce the cost of administration at UNEP/DTIE/Paris by approximately 187,000 which would allow more resources for the regional offices and allow UNEP to manage its PSC income to cover the costs of administration of the OzonAction Programme.
