



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/62/17  
27 October 2010

ORIGINAL: ENGLISH



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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-second Meeting  
Montreal, 29 November - 3 December 2010

**2011 CORE UNIT COSTS FOR UNDP, UNIDO AND THE WORLD BANK**

## Background

1. The allocation of administrative costs for UNDP, UNIDO, and the World Bank was changed in November 1998 (decision 26/41) from a flat rate of 13 per cent applied to all projects to a graduated scale. The costs were changed again in December 2002 to a lower scale that included a core unit grant of US \$1.5 million per agency (decision 38/68). Annual increases have occurred for most agencies since the 46<sup>th</sup> Meeting. Decision 41/94 (d) requested the Secretariat to conduct an annual review of the current administrative costs regime. Decision 56/41 extended the operation of decision 38/68 and its administrative costs regime to apply to the 2009-2011 triennium.

2. In line with decision 56/41, the Executive Committee approved the requests for US \$1,913,365 for core unit funding for 2010 for UNDP, US \$1,913,365 for UNIDO, and US \$1,701,466 for the World Bank (decision 59/28).

3. The implementing agencies have been requested to provide actual core and administrative budget data for 2009, estimated costs for 2010, and proposed costs for 2011 as well as the other information required by decision 56/41. Budget data for the 2007 and 2008 budgets and actual costs were based on information provided in the previous years' report to the Executive Committee (UNEP/OzL.Pro/ExCom/56/20 and 59/18). The implementing agencies have continued to provide data on the actual costs covering the core unit and other support activities in an agreed format corresponding to the data that had been submitted to the 26<sup>th</sup> Meeting.

4. Included in the analysis is an assessment of the extent to which resources available for total administrative costs in 2010 could cover expected 2011 costs. The document concludes with observations and recommendations of the Fund Secretariat.

## UNDP

5. Table 1 presents the core unit budget and other information on administrative costs provided by UNDP.

Table 1

### THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE YEARS 2007-2011 FOR UNDP (US \$)

Cost items	2007		2008		2009			2010		2011
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
<b>Core components</b>										
Core unit personnel and contractual staff	1,414,360	1,339,423	1,379,606	1,549,729	1,420,994	1,696,221	1,490,937	1,947,108	1,635,665	1,884,735
Travel	227,794	243,061	250,352	248,300	257,863	260,715	265,119	273,751	278,375	292,293
Space (rent and common costs)	121,000	81,844	100,000	93,724	100,000	100,000	89,096	100,000	100,000	100,000
Equipment supplies and other costs (computers, supplies, etc)	30,000	24,631	30,000	28,755	30,000	30,000	15,541	30,000	25,000	30,000
Contractual services (firms)	30,000	18,162	10,000	0	10,000	10,000	10,150	10,000	50,000	25,000
Reimbursement of central services for core unit staff	280,000	210,000	200,000	240,000	200,000	390,000	375,000	350,000	250,000	250,000
Adjustment (negative amount representing an overrun of the core unit budget)*	-352,154	-166,120	-166,428	-356,978	-161,221	-629,300	-388,257	-797,494	-425,675	-611,262
<b>Total core unit cost</b>	<b>1,751,000</b>	<b>1,751,001</b>	<b>1,803,530</b>	<b>1,803,531</b>	<b>1,857,636</b>	<b>1,857,636</b>	<b>1,857,586</b>	<b>1,913,365</b>	<b>1,913,365</b>	<b>1,970,766</b>

Cost items	2007		2008		2009			2010		2011
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Reimbursement of country offices and national execution including overhead	980,000	551,649	600,000	788,011	600,000	1,170,000	2,171,980	1,050,000	1,500,000	1,500,000
Executing agency support cost (internal) including overhead	100,000	107,113	50,000	28,073	50,000	50,000	15,747	50,000	30,000	30,000
Financial intermediaries including overhead	200,000	191,612	200,000	96,529	200,000	200,000	159,372	100,000	100,000	100,000
Cost recovery	280,000	422,000	200,000	240,000	200,000	390,000	375,000	350,000	250,000	250,000
Adjustment (positive amount to reflect the overrun deducted above)*	352,154	166,120	166,428	356,978	161,221	629,300	388,257	797,494	425,675	611,262
<b>Total administrative support costs</b>	<b>3,663,154</b>	<b>3,189,495</b>	<b>3,019,958</b>	<b>3,313,122</b>	<b>3,068,857</b>	<b>4,296,936</b>	<b>4,967,941</b>	<b>4,260,859</b>	<b>4,319,040</b>	<b>4,462,029</b>
Supervisory costs incurred by MPU	200,000	0	25,000	23,450	50,000	50,000	41,050	75,000	50,000	75,000
<b>Grand total administrative support costs</b>	<b>3,863,154</b>	<b>3,189,495</b>	<b>3,044,958</b>	<b>3,336,572</b>	<b>3,118,857</b>	<b>4,346,936</b>	<b>5,008,991</b>	<b>4,335,859</b>	<b>4,269,040</b>	<b>4,537,029</b>

\*The cost of the core unit is higher than the allowed subtotal of US \$1,751,000 in 2007; US \$1,803,530 in 2008; US \$1,857,636 in 2009, and US \$1,913,365 in 2010. An adjustment line and a negative adjustment were therefore introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

### Core unit costs

6. UNDP is requesting a 2011 core unit budget of US \$1,970,766, despite the fact that it expects the costs of its core unit to exceed this amount by US \$611,262 (indicated as "Adjustments" in Table 1, above). UNDP has normally exceeded its budget allocation for its core unit and recouped those costs from support costs earned through implementing Multilateral Fund projects. The level by which it exceeded its costs during the last three years has ranged from US \$166,120 in 2007 to US \$388,257 in 2009 and an estimated US \$425,675 in 2010.

7. Seventy-three per cent of UNDP's proposed core unit budget is for staff. Travel represents the next largest cost item amounting to 11 per cent, followed by 10 per cent for the reimbursement of central services and five per cent for space rental. The agency's request of US \$1,970,766 for 2011 represents a three per cent increase in the budget approved in 2010 which is allowed by decision 46/35 as applied to the current triennium by decision 56/41.

8. The proposed budget for staff is a slight decrease from the 2010 budget, but also represents a 15 per cent increase over the estimated costs for 2010. However, personnel costs have increased from US \$1.3 million in 2007 to a proposed level of US \$1.9 million in 2011. UNDP indicated that the estimated 2010 costs and the proposed budget take into account recruitment plans, however the timing of when the actual recruitment processes are finalized impacts when the recruited staff will be on board, and therefore the actual resulting cost for that year.

9. The proposed travel cost budget is a slight increase over that for 2010 and the estimated costs for 2010 by US \$18,542 and US \$13,918, respectively. All other core unit budget items reflect the 2010 budget or estimated 2010 expenditures except the contractual services (US \$25,000) which is less than those estimated for 2010 (US \$50,000) but more than the 2010 budget (US \$10,000).

### Total administrative costs

10. Total administrative costs were US \$3.2 million in 2007, US \$3.3 million in 2008, US \$5.0 million in 2009, and US \$4.4 million in 2010. The non-core unit cost components are paid as a

percentage of delivery, which increased in 2009 significantly and remained high in 2010 although lower than 2009. UNDP expects overall administrative costs to remain around the same level in 2011 at US \$4.5 million.

11. The expected resources available to UNDP for administrative costs include both the core unit costs and the agency fees released on the basis of a disbursement against a project cost plus any balance of income for administrative costs not previously used. Table 2 presents this information for the years 2002 to 2010. The table assumes that approved funds are disbursed, therefore there may be a time lag before UNDP has access to all of the approved funds.

Table 2

**ASSESSMENT OF AVAILABILITY OF INCOME FOR FUTURE ADMINISTRATIVE COSTS  
FOR UNDP (US \$)**

UNDP	2002*	2003	2004	2005	2006	2007	2008	2009	2010
Agency fee income from expenditures and core unit costs	6,242,669	4,460,093	3,483,177	4,094,848	2,964,884	2,753,382	3,707,126	3,001,726	7,974,333
Costs incurred	3,668,458	2,511,570	3,666,437	3,563,004	2,908,219	3,189,494	3,336,572	4,346,936	4,269,040
Balance	2,574,211	1,948,523	-183,260	531,844	56,665	-436,113	370,554	-1,345,210	3,705,293
Running Balance	2,574,211	4,522,734	4,339,474	4,871,318	4,927,983	4,491,871	4,862,424	3,517,214	7,222,507

\* Excludes any balance from previous years.

12. The table shows that UNDP could have an accumulated balance of almost US \$7.2 million in administrative cost income at the end of 2010 if UNDP receives all of the agency fees in its business plan. It should be noted that UNDP only has access to these agency fees when there is an accompanying project expenditure, so a balance should be higher than requirements. Nevertheless, additional agency fee income and core unit costs should be provided in 2011, the accumulated balance in 2010 would be sufficient alone to cover UNDP's expected total 2011 administrative costs of US \$4.5 million indicated in Table 1. Although the expected contribution to the core unit from agency fees is US \$611,262, given the US \$7.2 million running balance and additional income to come next year, the US \$57,401 increase in core unit costs from the 2010 budget might also be absorbed from agency fees.

## UNIDO

13. Table 3 presents the core unit budget and administrative costs provided by UNIDO. The figures listed as actual for UNIDO are based on a model prepared by UNIDO to estimate the support cost of the Montreal Protocol programme.

Table 3

**THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE  
YEARS 2007-2011 FOR UNIDO (US \$)**

Cost items	2007		2008		2009			2010		2011
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
<b>Core components</b>										
Core unit personnel and contractual staff	1,454,600	1,741,600	1,406,800	1,451,300	1,651,800	1,379,100	1,490,500	1,434,800	1,277,900	1,372,400
Travel	84,600	170,400	152,700	129,100	192,400	94,900	170,200	134,600	128,200	118,800
Space (rent and common costs)	67,600	69,600	81,900	87,600	100,900	91,400	84,700	82,100	83,400	79,000

Cost items	2007		2008		2009			2010		2011
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
Equipment supplies and other costs (computers, supplies, etc)	52,500	80,600	50,900	48,900	64,100	58,900	66,800	54,900	48,900	44,000
Contractual services (firms)	15,400	12,800	10,300	6,500	10,000	33,300	33,700	37,900	7,600	29,500
Reimbursement of central services for core unit staff	451,900	542,300	440,700	468,200	564,100	518,100	533,300	412,800	455,800	413,900
Adjustment (negative amount representing an overrun of the core unit budget)*	-375,600	-866,300	-339,770	-388,070	-725,664	-318,064	-521,564	-243,735	-88,435	-86,834
<b>Total core unit cost</b>	<b>1,751,000</b>	<b>1,751,000</b>	<b>1,803,530</b>	<b>1,803,530</b>	<b>1,857,636</b>	<b>1,857,636</b>	<b>1,857,636</b>	<b>1,913,365</b>	<b>1,913,365</b>	<b>1,970,766</b>
<b>Total core unit cost (as presented by UNIDO)</b>	<b>1,751,000</b>	<b>1,751,000</b>	<b>1,803,530</b>	<b>1,803,530</b>	<b>1,857,636</b>	<b>1,857,636</b>	<b>2,379,200</b>	<b>1,913,365</b>	<b>2,001,800</b>	<b>2,057,600</b>
Reimbursement of country offices and national execution including overhead	1,668,460	1,233,400	1,702,100	1,833,400	2,181,000	1,928,000	2,769,800	1,902,400	2,798,600	3,085,600
Executing agency support cost (internal) including overhead	2,107,300	4,220,700	2,518,000	2,686,200	2,946,900	2,694,200	2,302,500	3,124,200	2,706,900	2,799,400
Adjustment (positive amount to reflect the overrun deducted above)*	375,600	866,300	339,770	388,070	725,664	318,064	521,564	243,735	88,435	86,834
<b>Total administrative support costs</b>	<b>5,902,360</b>	<b>8,071,400</b>	<b>6,363,400</b>	<b>6,711,200</b>	<b>7,711,200</b>	<b>6,797,900</b>	<b>7,451,500</b>	<b>7,183,700</b>	<b>7,507,300</b>	<b>7,942,600</b>
Minus project-related costs		-3,006,314		-1,754,039			-1,711,810		-1,968,427	-2,081,159
<b>Net total administrative support costs</b>		<b>5,065,086</b>		<b>4,957,161</b>			<b>5,739,690</b>		<b>5,538,873</b>	<b>5,861,441</b>

\* The cost of the core unit is higher than the allowed subtotal US \$1,751,000 in 2007; US \$1,803,530 in 2008; US \$1,857,636 in 2009; and US \$1,913,365 in 2010. An adjustment line and a negative adjustment were therefore introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

### Core unit cost

14. UNIDO is requesting a 2011 core unit budget of US \$1,970,766, despite the fact that it expects the costs of its core unit to exceed this amount by US \$86,834 (indicated as "Adjustments" in Table 3, above). UNIDO exceeded its 2007 budget by US \$866,300; its 2008 budget by US \$388,070; and 2009 budget by US \$521,564. It is estimating that it will exceed its 2010 budget by US \$88,435. UNIDO has normally exceeded its budget allocation for its core unit and has confirmed several times that it constitutionally supports its technical cooperation programme, and any costs beyond the core unit costs and agency fees would be subsidized through UNIDO's regular budget. The support from the Organization to the core unit cost has been reduced to about US \$88,000 in 2010 from the average of 2007-2009 of almost US \$592,000. The difference amounts to over US \$504,000 while the three per cent increase in core funding for the core unit requested at this meeting amounts to US \$57,401. UNIDO indicated that since it does not charge project-related costs to the Multilateral Fund, its 3 per cent increase was justified. However, the increase in the project-related cost, US \$112,732, could also be accommodated without additional use of support provided through the Organization and partially offset by agency fees.

15. Sixty-seven per cent of UNIDO's proposed core unit budget is for staff. The central services budget item represents the next largest cost item, amounting to 20 per cent of the budget followed by six per cent for travel and four per cent for space rental. The agency's request for US \$1,970,766 for 2011 represents a three per cent increase in the budget approved in 2010 which is allowed by decision 46/35 as applied to the current triennium by decision 56/41. UNIDO has decreased its personnel cost for its core unit from US \$1.7 million in 2007 to US \$1.4 million proposed for 2011.

16. UNIDO decreased all core unit cost components from its 2010 budget except reimbursement to central services that increased by US \$1,100. UNIDO's 2011 budget would still result in increases in core unit personnel and contractual staff over estimated 2010 costs by US \$95,000 and contractual services by US \$21,900. UNIDO advised that the 2010 estimate and 2011 budget were based on standard budget costs at 100 per cent for all established posts in the core unit.

#### Total administrative costs

17. UNIDO has indicated that some of the costs associated with non-core unit costs are project-related costs. Therefore, UNIDO provides an adjustment to deduct such costs to arrive at a comparable figure with other agencies' administrative costs.

18. Total net administrative costs were US \$5.7 million in 2009 and are expected to increase from the US \$5.5 million estimated for 2010 to almost US \$5.9 million for 2011. The increase for 2011 is due mostly to increased costs for executing agency support. UNIDO indicated that the increase is due largely to the revised methodology noted by the 60<sup>th</sup> Meeting.

Table 4

#### **ASSESSMENT OF AVAILABILITY OF INCOME FOR FUTURE ADMINISTRATIVE COSTS FOR UNIDO (US \$)**

UNIDO	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agency Fee income from Expenditure and core unit costs	3,612,944	4,894,912	4,838,520	4,593,474	5,025,532	3,787,035	3,743,666	3,211,434	8,565,742
Cost incurred	5,210,705	6,315,500	5,387,900	5,990,310	5,250,400	8,071,400	6,711,200	7,451,500	7,507,300
Project-related costs	-1,525,709	-2,056,529	-1,928,643	-1,862,265	-1,639,650	-3,006,314	-1,754,039	-1,711,810	-1,968,427
Net administrative costs	3,684,996	4,258,971	3,459,257	4,128,045	3,610,750	5,065,086	4,957,161	5,739,690	5,538,873
Balance	-72,052	635,941	1,379,263	465,429	1,414,782	-1,278,051	-1,213,495	-2,528,256	3,026,869
Running Balance*	-115,550	520,391	1,899,654	2,365,083	3,779,865	2,501,814	1,288,319	-1,239,937	1,786,932

\* 2002 running balance and costs incurred less project-related costs per UNIDO.

19. The table shows that UNIDO could have an accumulated balance of almost US \$1.8 million in administrative cost income at the end of 2010 if UNIDO receives all of the agency fees in its business plan. Although additional agency fee income and core unit costs should be provided in 2011, the accumulated balance in 2010 would not be sufficient alone to cover UNIDO's expected total 2011 administrative costs of US \$5.9 million indicated in Table 3.

#### **World Bank**

20. Table 5 presents the core unit budget and other information on administrative costs provided by the World Bank.

Table 5

**THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE  
YEARS 2007-2011 FOR THE WORLD BANK (US \$)**

Cost items	2007		2008		2009			2010		2011
	Budget (US \$)	Actual (US \$)	Budget (US \$)	Actual (US \$)	Budget (US \$)	Estimate (US \$)	Actual (US \$)	Budget (US \$)	Estimated (US \$)	Proposed (US \$)
<b>Core components</b>										
Core unit personnel and contractual staff	995,000	1,058,546	1,014,900	785,257	1,210,267	867,737	888,671	1,060,237	904,000	1,100,000
Travel	245,000	141,427	255,000	206,818	170,000	297,000	328,475	297,000	338,000	348,000
Space (rent and common costs)	50,000	60,808	55,000	55,579	63,000	30,223	25,520	36,223	30,000	35,000
Equipment supplies and other costs (computers, supplies, etc)	80,000	83,973	80,000	60,945	87,000	62,000	35,911	74,375	40,000	45,000
Contractual services (firms)	45,000	42,300	45,000	7,836	10,000	12,500	12,487	112,500	40,000	35,000
Reimbursement of central services for core unit staff	165,000	175,696	165,000	138,396	123,080	121,132	167,420	121,132	150,000	150,000
Adjustment (negative amount representing an overrun of the core unit budget)	0	0	0	0	0	0	0	0	0	0
<b>Total core unit cost</b>	<b>1,580,000</b>	<b>1,562,750</b>	<b>1,614,900</b>	<b>1,254,831</b>	<b>1,663,347</b>	<b>1,390,591</b>	<b>1,458,484</b>	<b>1,701,466</b>	<b>1,502,000</b>	<b>1,713,000</b>
Return of funds		<b>17,250</b>		<b>360,069</b>			<b>204,863</b>		<b>199,466</b>	
Reimbursement of country offices and national execution including overhead	3,200,000	2,102,823	3,264,000	2,312,085	2,300,000	2,100,000	1,420,599	2,300,000	2,000,000	2,000,000
Executing agency support cost (internal) including overhead										
Financial intermediaries including overhead	1,800,000	2,364,825	1,800,000	1,887,557	2,100,000	2,100,000	810,697	2,100,000	1,018,220	1,000,000
Cost recovery										
Adjustment (positive amount to reflect the overrun deducted above)*	0	0	0	0	0	0	0	0	0	0
Supervisory costs incurred by MPU										
<b>Grand total administrative support costs</b>	<b>6,580,000</b>	<b>6,030,398</b>	<b>6,678,900</b>	<b>5,454,473</b>	<b>6,063,347</b>	<b>5,590,591</b>	<b>3,689,780</b>	<b>6,101,466</b>	<b>4,520,220</b>	<b>4,713,000</b>

### Core unit costs

21. The World Bank requested a 2011 core unit budget of US \$1,713,000. Unlike UNDP and UNIDO, the Bank does not expect its core unit costs to exceed its budget.

22. Sixty-four per cent of its proposed core unit budget is for staff. The travel budget represents the next largest cost item, amounting to 20 per cent of the budget, followed by central services (nine per cent), equipment (three per cent), and space rental and contractual services (two per cent each). The agency's request of US \$1,713,000 for 2011 represents less than 0.7 per cent increase in the budget approved in 2010, under which up to three per cent increase is allowed by decision 46/35 as applied to the current triennium by decision 56/41.

23. The World Bank is returning US \$199,466 from its core unit cost budget for 2010. This is the fourth year that the Bank has returned unused funds for a core unit. No other agency has returned unused funds.

24. The proposed budget for staff is an increase (US \$39,763) from the 2010 budget, but also a 2 per cent increase over the estimated costs in 2010. The World Bank indicated that, in October 2009, an additional staff member started providing support to the Montreal Protocol Operations Team. As of 1 October 2010, a new staff member will be providing additional support to the core unit of Montreal Protocol Operations at the Bank. Further, at the end of the month a new programme manager overseeing both Montreal Protocol Operations and the GEF Program will fill the post that has been vacant for the last four months. With the time that these two new staff will charge to the core unit for the remainder of the year (on activities related only to the Montreal Protocol programme), it is estimated that the 2010 staff cost will be slightly higher than that of 2009. However, this is still less than what would be the cost if the unit was running at nearly normal staff capacity. Thus for 2011, the Bank anticipates a return of personnel and contractual staff costs to about US \$1 million. The World Bank has maintained its personnel costs for its core unit at the same level in 2011 as 2007, i.e. US \$1.1 million.

25. The proposed travel cost budget represents an increase over the budget for 2010 and the estimated costs for 2010 by US \$51,000 and US \$10,000, respectively. The Bank indicated that travel costs were higher because of stepped up effort to attend ozone officer network meetings (six in 2010) and because of travel of colleagues working on special initiatives with the core unit (for example the World Bank Treasury staff for the Bank’s “scaling-up financing” proposal). All other core unit budget items reflect the estimated 2010 expenditures within US \$5,000 to US \$10,000.

Total administrative costs

26. Total administrative costs in 2011 (US \$4.7 million) are expected to be much lower than activities in 2007 and 2008 and the budgets for 2009 and 2001 at around US \$6 million. The Bank indicated that this was due to the decrease in the size of the overall portfolio as umbrella projects mainly focused on Annex A and B substances undergo completion. The 2009 disbursement was at about 50% of the 2008 disbursement rate, further delineating this trend and explaining the reason for lower costs of the Regions (country offices) and financial intermediaries.

27. The expected resources available to the World Bank for administrative costs include both the core unit costs and the agency fees plus any balance of income for administrative costs not previously used. Table 6 presents this information for the years 2003 to 2010. Unlike UNDP and UNIDO, the World Bank has access to agency fees when they are approved—the Bank does not need to wait for a disbursement against a project cost for agency fees to be considered as income to the agency.

Table 6

**ASSESSMENT OF AVAILABILITY OF INCOME FOR FUTURE ADMINISTRATIVE COSTS FOR THE WORLD BANK (US \$)**

<b>World Bank</b>	<b>2003*</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Administrative Costs Approved	7,284,915	7,455,510	7,318,868	6,473,153	6,860,290	4,834,395	3,560,106	5,856,047
Administrative Costs Incurred	6,118,162	5,914,544	6,658,371	7,106,215	6,030,398	5,454,473	5,590,591	4,520,220
Balance	1,166,753	1,540,966	660,497	-633,062	829,892	-620,078	-2,030,485	1,335,827
Running Balance	1,166,753	2,707,719	3,368,216	2,735,154	3,565,046	2,944,968	914,483	2,250,310

\* Excludes any balance from previous years.

28. The table shows that the World Bank could have accumulated a balance of US \$2.3 million if the Bank receives the agency fees in its business plan for 2010. Historically, the Bank has not had a sufficient balance of agency fees and core unit cost revenue to fully cover the next year’s total administrative costs. On average, the running balance represented about 42 per cent of the next year’s



costs. The running balance for 2010 represents 47 per cent of the expected 2011 total administrative costs of US \$4,713,000.

### **Observations**

29. UNDP and UNIDO requested a three per cent increase for core unit budgets in 2011 over the amounts approved for 2010. The World Bank requested a 0.7 per cent increase.

30. UNDP and UNIDO indicated that their core unit costs will exceed their requested budgets, thereby requiring the use of income generated from agency fees to cover the balance of core unit costs for UNDP and a subsidy from the Organization budget for UNIDO. However, the analysis of income available for administrative costs indicates that both UNDP and the World Bank will have greater administrative costs in 2011, but expect to cover those additional costs from balances carried forward. UNIDO will continue to need support from new approvals, core unit costs and the Organization to cover its net administrative costs in 2011.

31. Decision 46/35 (b)(ii) allows an annual increase of up to three per cent for UNDP, UNIDO and the World Bank based on budgets to be submitted for approval at the last Meeting of the year for the following year. The World Bank is the only agency that has requested less than three per cent and has returned balances for the past four years. UNDP might have access to a large part of its running balance of US \$7.2 million in 2011 depending upon its project expenditures. UNIDO has reduced support for its core unit from agency fees/the Organization budget by US \$504,000 from the average support provided for the core unit from 2007-2009. The Executive Committee may wish to consider if any increase in core unit budgets are warranted at this time.

32. At its 56<sup>th</sup> Meeting, the Executive Committee decided to maintain the existing administrative cost regimes for the bilateral and implementing agencies for the 2009-2011 triennium based on the results of an independent assessment of the administrative costs required for the 2009-2011 triennium by PricewaterhouseCoopers. That study took into account the transition to HCFC activities from CFC activities and the needs for that transition period. The 2012-2014 triennium is likely to be characterized by funding indicated in HPMP agreements approved during the current triennium as well as other standard costs. In this respect, the agency fees for the next triennium are likely to be part of multi-year agreements for HPMPs. The Executive Committee may wish to consider whether it wishes to request an independent assessment of administrative costs for bilateral and implementing agencies to inform its decision at its 65<sup>th</sup> Meeting on the administrative cost regime for the 2012-2014 triennium or if it would take a decision based on the report on 2012 core unit costs to be prepared by the Secretariat by the 65<sup>th</sup> Meeting and the traditional assessment contained therein.

### **RECOMMENDATIONS**

33. The Executive Committee may wish to consider:

- (a) Noting the report on 2011 core unit costs for UNDP, UNIDO and the World Bank as presented in UNEP/OzL.Pro/ExCom/62/17;
- (b) Whether to approve the requested increases in the core unit budgets for UNDP, UNIDO and the World Bank or maintain current levels; and

- (c) Whether an independent assessment of the administrative costs for bilateral and implementing agencies for the 2012-2014 triennium should be undertaken and to allocate a budget for the study, or if the extension of the administrative cost regime can be based on the report on 2012 core unit costs to be prepared by the Fund Secretariat by the 65<sup>th</sup> Meeting.

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