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

**2010 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. They 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). Decision 41/94 (d) requested the Secretariat to conduct an annual review of the current administrative costs regime. Decision 46/35 extended the operation of decision 38/68 and its administrative costs regime to apply to the 2006-2008 triennium, while modifying the base rate for core unit costs for UNDP and UNIDO from US \$1.5 million to US \$1.7 million. The decision also allowed for an annual increase of up to three per cent. Annual increases have occurred for most agencies since the 46<sup>th</sup> Meeting.

2. At its 56<sup>th</sup> Meeting, the Executive Committee considered a paper on the administrative costs required for the 2009-2011 triennium and agreed to maintain the existing administrative cost regimes for the bilateral and implementing agencies for the 2009-2011 triennium while requesting implementing agencies to provide sufficient actual data in order to monitor the differences between administrative cost income and the costs incurred. The Committee requested UNIDO to provide the assumptions for its administrative costs model, and in future requests for core unit funding to furnish administrative cost information distinguishing project-related activities from administrative costs (decision 56/41).

3. In line with that decision, the Executive Committee approved the requests for US \$1,857,636 for core unit funding for 2009 for UNDP, US \$1,857,636 for UNIDO, and US \$1,663,347 for the World Bank (decision 56/42).

4. The implementing agencies have been requested to provide actual core and administrative budget data for 2008, estimated costs for 2009, and proposed costs for 2010 as well as the other information required by decision 56/41. Budget data for the 2007 budget and actual costs were based on information provided in the previous year's report to the Executive Committee (UNEP/OzL.Pro/ExCom/56/20). 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.

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

## **UNDP**

6. 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 2007-2010 FOR UNDP (US \$)**

Cost items	2007		2008		2009		2010
	Budget	Actual	Budget	Actual	Budget	Estimated	Proposed
Core components	US \$	US \$	US \$	US \$	US \$	US \$	US \$
Core unit personnel and contractual staff	1,414,360	1,339,423	1,379,606	1,549,729	1,420,994	1,696,221	1,947,108
Travel	227,794	243,061	250,352	248,300	257,863	260,715	273,751
Space (rent and common costs)	121,000	81,844	100,000	93,724	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	30,000
Contractual services (firms)	30,000	18,162	10,000	0	10,000	10,000	10,000
Reimbursement of central services for core unit staff	280,000	210,000	200,000	240,000	200,000	390,000	350,000
Adjustment (negative amount representing an overrun of the core unit budget)*	-352,154	-166,120	-166,428	-356,978	-161,221	-629,300	-797,494
<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>1,913,365</b>
Reimbursement of country offices and national execution including overhead	980,000	551,649	600,000	788,011	600,000	1,170,000	1,050,000
Executing agency support cost (internal) including overhead	100,000	107,113	50,000	28,073	50,000	50,000	50,000
Financial intermediaries including overhead	200,000	191,612	200,000	96,529	200,000	200,000	100,000
Cost recovery	280,000	422,000	200,000	240,000	200,000	390,000	350,000
Adjustment (positive amount to reflect the overrun deducted above)*	352,154	166,120	166,428	356,978	161,221	629,300	797,494
<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>4,260,859</b>
Supervisory costs incurred by MPU	200,000	0	25,000	23,450	50,000	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>4,335,859</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

7. UNDP is requesting a 2009 core unit budget of US \$1,913,365, despite the fact that it expects the costs of its core unit to exceed this amount by US \$797,494 (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 \$356,978 in 2008 and an estimated US \$629,300 in 2009.

8. Seventy-two per cent of UNDP's proposed core unit budget is for staff. The reimbursement of central services item represents the next largest cost item, amounting to 13 per cent of the budget followed by 10 per cent for travel and four per cent for space rental. The largest increase in the 2010 budget from the 2009 budget was for reimbursement of central services that increased by 75 per cent followed by the staff budget that increased by 37 per cent. All other core unit cost components remained the same as 2009 except the travel budget that increased by six per cent. The agency's request of US \$1,913,365 for 2010 represents a three per cent increase in the budget approved in 2009 which is allowed by decision 46/35 as applied to the current triennium by decision 56/42.

9. The proposed budget for staff is both an increase over the 2009 budget as mentioned above, but also a 15 per cent increase over the estimated costs in 2009. UNDP indicated that this had been primarily due to recent developments impacting the expected delivery levels for 2009, the cost items that are paid as a per cent of delivery thereby increase proportionately with the anticipated increase in delivery. This would include reimbursement of central services, country offices and supervisory costs. UNDP indicated that it had been working to find ways to improve delivery in light of the approaching 2010 deadline for CFC projects, and had also increased the number of staff in anticipation of HCFC start up business needs in line with its work as lead agency in several countries, including several very large countries.

10. UNDP's 2010 core unit budget would support a staff of eight professionals and two general service/clerical staff. The proposed increase in staff amounting to almost US \$250,000 above the estimated level of 2009 is based on pro forma cost for one additional P-4 and one P-2 staff member. The total staff costs proposed in 2010 is, however, about US \$527,000 above the budgeted level for 2009.

11. The proposed travel cost budget is an increase over the budget for 2009, the estimated costs for 2009 and is over US \$50,000 more than the average of the years 2006-2008. UNDP indicated that the travel budget represented a three per cent increase for inflationary reasons as well as the fact that more missions are expected to be undertaken in 2010 due to additional staff and HPMP development.

#### Total administrative costs

12. Total administrative costs were US \$3.2 million in 2007, US \$3.3 million in 2008 and US \$4.3 million in 2009. The non-core unit cost components are paid as a percentage of delivery, which delivery increased in 2009 and is expected to stay at that level in 2010 amounting to US \$4.3 million.

13. 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 \$)**

<b>UNDP</b>	<b>2002*</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>
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	3,113,837	7,970,766
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	4,335,859
Balance	2,574,211	1,948,523	-183,260	531,844	56,665	-436,113	370,554	-1,233,099	3,634,907
<b>Running Balance</b>	<b>2,574,211</b>	<b>4,522,734</b>	<b>4,339,474</b>	<b>4,871,318</b>	<b>4,927,983</b>	<b>4,491,871</b>	<b>4,862,424</b>	<b>3,629,325</b>	<b>7,264,232</b>

\* Excludes any balance from previous years.

\*\* Includes actual support costs approved at the 57th and 58th Meetings, requested or agreed agency fees as at 7 October 2009 based on submissions to the 59th Meeting and requested core unit costs

\*\*\* UNDP estimated agency fees for 2010 based on a business plan of about US \$80 million for 2010 and the Secretariat included core unit costs amounting to a 3 per cent increase over the requested amount at the 59th Meeting.

14. The table shows that UNDP had accumulated a balance of over US \$4.8 million more in administrative cost income than its actual administrative costs during the period 2002 to 2008. However, based on the assumptions for the year 2009, UNDP will not recoup its administrative costs in 2009 from income from the same year, but would cover its costs from its balance from 2008. Assuming that UNDP would obtain US \$80 million in project approvals in 2010 and based on the other assumptions for 2010, UNDP would receive more income than costs. The excess income (US \$7.2 million) would cover almost two years of administrative costs at the levels estimated for 2009 and 2010.

## UNIDO

15. 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 MP programme.

Table 3

**THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE  
YEARS 2007-2010 FOR UNIDO (US \$)**

Cost items	2007	2007	2008	2008	2009	2009	2010
	Budget	Actual	Budget	Actual	Budget	Estimated	Proposed
Core components	US \$	US \$	US \$	US \$	US \$	US \$	US \$
Core unit personnel and contractual staff	1,454,600	1,741,600	1,406,800	1,451,300	1,651,800	1,379,100	1,434,800
Travel	84,600	170,400	152,700	129,100	192,400	94,900	134,600
Space (rent and common costs)	67,600	69,600	81,900	87,600	100,900	91,400	82,100
Equipment supplies and other costs (computers, supplies, etc)	52,500	80,600	50,900	48,900	64,100	58,900	54,900
Contractual services (firms)	15,400	12,800	10,300	6,500	10,000	33,300	37,900
Reimbursement of central services for core unit staff	451,900	542,300	440,700	468,200	564,100	518,100	412,800
Adjustment (negative amount representing an overrun of the core unit budget)*	-375,600	-866,300	-339,770	-388,070	-725,664	-318,064	-243,735
<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>1,913,365</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	1,902,400
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	3,124,200
Financial intermediaries including overhead	0	0	0	0	0	0	0
Cost recovery	0	0	0	0	0	0	0
Adjustment (positive amount to reflect the overrun deducted above)*	375,600	866,300	339,770	388,070	725,664	318,064	243,735
<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>7,183,700</b>
Supervisory costs incurred by MPU							
<b>Grand 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>7,183,700</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

16. UNIDO is requesting a 2009 core unit budget of US \$1,913,365, despite the fact that it expects the costs of its core unit to exceed this amount by US \$243,735 (indicated as "Adjustments" in Table 3, above). UNIDO exceeded its 2007 budget by US \$866,300; its 2008 budget by US \$388,070; and it is estimating that it will exceed its 2009 budget by US \$318,064. 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.

17. 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 19 per cent of the budget followed by six per cent for travel and four per cent for space rental. The only increase in the budget is for contractual services that rose by 279 per cent but in nominal terms increased by US \$27,900. UNIDO decreased all core unit cost components as well as budgeted level of support from the Organization from US \$725,664 to US \$243,735. The agency's request for US \$1,913,365 for 2010 represents a three per cent increase in the budget approved in 2009 which is allowed by decision 46/35 as applied to the current triennium by decision 56/42.

18. UNIDO's 2010 core unit budget would support a staff of four professionals and five general service staff. One P-5 position is under recruitment. The increase in the staff budget over the estimated costs in 2009 is due to the fact that the P-5 was under recruitment and should be on board in 2010.

19. UNIDO indicated that its travel costs were less in 2009 due largely to the location of meetings. Its 2010 budget is nevertheless a 30 per cent reduction from the budgeted level for 2009. The agency attributed the increase in contractual services of US \$27,900 to exchange rate variations and a higher demand for printing services are at the center of the variation.

#### Total administrative costs

20. Total administrative costs were US \$6.7 million in 2008 and are expected to increase from US \$6.8 million estimated for 2009 to US \$7.2 million for 2010. The increase for 2009 is due mostly to increased costs for executing agency support. The overall 2010 administrative cost budget is an increase over estimated 2009 costs of 6 per cent and a decrease of 7 per cent from the amount budgeted for 2009.

#### UNIDO's response to decision 56/41

21. In agreeing to maintain the existing administrative cost regimes, the Executive Committee also requested implementing agencies to provide sufficient actual data in order to monitor the differences between administrative cost income and the costs incurred. It also requested UNIDO to provide the assumptions for its administrative costs model, and in future requests for core unit funding to furnish administrative cost information distinguishing project-related activities from administrative costs (decision 56/41).

22. In response to the Committee's request to provide the assumption for its administrative cost model, UNIDO provided assumptions for each of its cost items included in Table 3 above. Those assumptions are presented in Annex I. UNIDO however, did not provide sufficient actual data in order to monitor the difference between administrative cost income and costs incurred as was provided by UNDP and the World Bank, nor did it provide administrative cost information distinguishing project-related activities from administrative costs as it did in the previous year.

#### **World Bank**

23. Table 4 presents the core unit budget and other information on administrative costs provided by the World Bank.

Table 4

**THE CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR THE YEARS 2007-2010 FOR THE WORLD BANK (US \$)**

Cost items	2007*		2008**		2009		2010
	Budget	Actual	Budget	Actual	Budget	Estimate	Proposed
Core components	US \$	US \$	US \$	US \$	US \$	US \$	US \$
Core unit personnel and contractual staff	995,000	1,058,546	1,014,900	785,257	1,210,267	867,737	1,060,237
Travel	245,000	141,427	255,000	206,818	170,000	297,000	297,000
Space (rent and common costs)	50,000	60,808	55,000	55,579	63,000	30,223	36,223
Equipment supplies and other costs (computers, supplies, etc)	80,000	83,973	80,000	60,945	87,000	62,000	74,375
Contractual services (firms)	45,000	42,300	45,000	7,836	10,000	12,500	112,500
Reimbursement of central services for core unit staff	165,000	175,696	165,000	138,396	123,080	121,132	121,132
Adjustment (negative amount representing an overrun of the core unit budget)*	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>1,701,466</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	2,300,000
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	2,100,000
Cost recovery							
Adjustment (positive amount to reflect the overrun deducted above)*	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>6,101,466</b>

\* The Bank returned US \$17,250 to the Multilateral Fund from the amount not used in 2007.

\*\* The Bank is returning to the 59<sup>th</sup> Meeting US \$360,069 to the Fund from the amount not used in 2008.

#### Core unit costs

24. The World Bank requested a 2010 core unit budget of US \$1,701,466. Unlike UNDP and UNIDO, the Bank does not expect its core unit costs to exceed its budget.

25. Sixty-two per cent of its proposed core unit budget is for staff. The travel budget represents the next largest cost item, amounting to 17 per cent of the budget, followed by central services and contractual services (seven per cent each), equipment (four per cent), and space rental (two per cent).



This distribution reflects a change from previous years when last year's budget, for example, had more funds allocated for the staff (73 per cent) and less was allocated for travel (10 per cent).

26. The largest increase in percentage terms is for contractual services that increased ten-fold and represented an increase of US \$102,500 over the amount budgeted in 2009 (US \$10,000). The other increase was in the travel budget that increased by 75 per cent representing a nominal increase of US \$127,000. Other cost items were lowered than budgeted. However, budgeted costs increased for all categories except travel and central services over the amount estimated for 2009.

27. The agency's request of US \$1,701,466 for 2010 represents a 2.3 per cent increase in the budget approved in 2009, under which up to three per cent is allowed by decision 46/35 as applied to the current triennium by decision 56/42.

28. The World Bank is returning US \$360,069 from its core unit cost budget for 2008. This is the second year that the Bank has returned unused funds for a core unit.

29. The World Bank's 2010 core unit budget supports a staff costs including contractual staff of five professionals (not all full time), three general service/clerical staff (one is part-time) and seven contractual staff (part-time OORG staff). The World Bank has been operating with two professional positions that had not been filled. This is why the estimated costs for 2009 were lower than budgeted and the proposed 2010 budget is higher than the 2009 estimate. Staffing had been delayed for a number of reasons, including a staff rotational programme mandated at the institutional level, which has introduced some uncertainties. The Bank indicated an increase in its staff component with the exception of one additional part-time OORG expert.

30. The Bank's proposed travel cost budget is US \$104,391 above the average costs for the last 3 years (2006-2008) (US \$192,609) and the 2010 budget represents a US \$127,000 increase over the amount budgeted for 2009 although it is the same amount as the estimated costs incurred for travel in 2009. The Bank indicated several reasons for the increase in travel costs including increased attendance at network meetings, two meetings of OORG per year required to initiate the HCFC phase-out programme for which travel is paid for the experts, the travel of government officials for example to the Bank's financial agents workshops, and the travel of staff and contractual staff to Montreal Protocol-related meetings.

31. The US \$100,000 increase in the proposed budget for contractual services is for an OORG study. It should be noted that the Executive Committee has approved specific funding for studies to be undertaken by the Bank in the past, and also for bilateral and implementing agencies. The most recent approval was the Bank study being presented to the present meeting on the "Development of strategy/methodology for ODS disposal" that was approved for US \$250,000 plus US \$22,500 in support costs. The separate approval of studies also includes an agency fee while the Bank's proposed OORG study does not. The Executive Committee may wish to consider whether specific studies should be approved as part of core unit budgets or as separate technical assistance projects.

#### Total administrative costs

32. Total administrative costs are expected to be approximately the same in 2010 as for previous years, that is about US \$6.1 million. The Bank is expecting the same level of reimbursement for country offices and financial intermediaries as was budgeted in 2009.

33. 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 5 presents this information for the years 2002 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 5

**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	3,659,711	6,652,510
Administrative Costs Incurred	6,118,162	5,914,544	6,658,371	7,106,215	6,030,398	5,454,473	5,590,591	6,601,466
Balance	1,166,753	1,540,966	660,497	-633,062	829,892	-620,078	-1,930,880	51,044
Running Balance	1,166,753	2,707,719	3,368,216	2,735,154	3,565,046	2,944,968	1,014,088	1,065,132

\* Excludes any balance from previous years.

\*\* Includes actual support costs approved at the 57th and 58th Meeting, requested or agreed agency fees as at 7 October 2009 based on submissions to the 59th Meeting and requested core unit costs.

\*\*\* The World Bank estimated support costs in 2010 to be US \$4.9 million and the Secretariat included core unit costs amounting to a 3 per cent increase over the requested amount at the 59th Meeting.

34. The table shows that the World Bank had accumulated a balance of over US \$2.9 million more in administrative cost income than its administrative costs during the period 2003 to 2008. However, based on the assumptions for the year 2009, the Bank would not recoup its administrative costs in 2009 from income from the same year, but would cover its costs from its balance from 2008. Assuming that the World Bank would obtain US \$4.9 million in agency support costs based on its business plan for 2010, the Bank would have a balance of more than US \$1 million at the end of 2010. This would cover about 1/6<sup>th</sup> of one year's administrative costs.

### Observations

35. UNDP and UNIDO requested a three per cent increase for core unit budgets in 2010 over the amounts approved for 2009. The World Bank requested a 2.3 per cent increase.

36. 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 2009, but expect to cover those additional costs from balances carried forward. UNIDO did not provide information for this assessment.

37. UNIDO also indicated that it cannot separate out project-related costs incurred by staff from its total administrative costs. This overstates the total amount of administrative costs that are expected to be provided from only agency fees and core unit costs since it includes project-related costs without project-related income.

38. In submitting its administrative cost request, UNIDO reiterated that "its administrative cost model's calculation methodology had been originally developed for the purpose of calculating methodology for the administrative support cost requirements of the Montreal Protocol operations in a rough and very approximate manner. UNIDO has never had an appropriate cost centre accounting system that could facilitate reporting based on actual data with an audit trail." UNIDO also reiterated that it had "repeatedly expressed its position that it can only treat core unit costs as a lump sum payment as part of the overall support cost reimbursement income and it will not be in a position to prepare financial statements on the actual utilization, including obviously any decent reporting on the usage of the lump sum component." It should be noted that according to UNIDO, the same calculation methodology has been used since the establishment of core unit funding under the Fund.

39. The information UNIDO provided for its administrative cost model's assumptions suggests a methodology combining actual costs with pro-rated cost. Both UNDP and the World Bank have similar assumptions, but are able to track these costs since they are separated into a separate trust fund. Decision 56/41 requests sufficient actual data in order to monitor the difference between administrative cost income and the costs incurred as well as information distinguishing project-related activities from administrative costs. UNIDO may need to separate administrative costs into a separate trust fund in order to comply with this decision. Nevertheless, UNIDO did not comply with decision 56/41 and therefore the Secretariat is not in a position to recommend its approval based on that decision. The Executive Committee might wish to consider the above with respect to UNIDO's request for core unit costs for 2010 and beyond in the light of decision 56/41.

## **RECOMMENDATIONS**

40. The Executive Committee may wish to consider:

- (a) Noting the report on 2010 core unit costs for UNDP, UNIDO and the World Bank as presented in UNEP/OzL.Pro/ExCom/59/18;
- (b) Approving the requests for core unit funding US \$1,913,365 for UNDP and US \$1,701,466 for the World Bank in accordance with decision 56/41; and
- (c) Considering UNIDO's request for US \$1,913,365 in the light of decision 56/41.

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## Annex I

### ASSUMPTIONS FOR UNIDO'S ADMINISTRATIVE COST MODEL

#### Core unit personnel and Contractual Staff

1. This figure includes the remuneration, consultancies and expert group meeting expenses of personnel of the Montreal Protocol Branch, who carry out core unit functions.
2. It should be noted that the costs for 2008 are based on actual costs whilst in 2009, actual costs are included up to 30 July 2009 alongside projections for the period August to December 2009. The budget standard costs amounts have been used in 2010.

#### Travel

3. This item captures the travel and related expenses undertaken by staff of the MP-Montreal Protocol branch for core unit functions related travel.

#### Space

4. Contains occupancy and maintenance costs by reflecting UNIDO's contribution to joint and common Buildings Management Services and the Major Repairs and Replacements Fund. This methodology considers only the staff-on-board at Headquarters in the calculation of the space per staff. It is assumed that space and common costs expenses are directly related to staff numbers hence costs per employee is multiplied by number of staff included in the line item-Core unit Personnel and Contractual staff as outlined above.

#### Equipment and other costs

5. Reflects overall operating costs and Information Technology costs. The total costs in these categories are divided by the total number of staff and multiplied with the number of staff included in the item-Core unit Personnel.

#### Contractual services (firms)

6. Included in this segment are contractual services for career development training, printing and translation related to core unit functionality.

#### Reimbursement of central services for core staff

7. Provided in this figure is total administration costs which include total general management costs and costs of secretariat of governing bodies. These costs are divided by the total number of staff and multiplied with the number of staff included in the line item-Core unit Personnel and Contractual staff as outlined above. It is assumed that total administration costs are directly proportional to number of staff in the organization.

#### Reimbursement of country offices and national executive including overhead

8. Includes the actual/estimated net costs for field representation under UNIDO's regular and operational budgets. 10 per cent of the total costs are calculated as estimate for direct administrative support for Montreal Protocol activities.

Executing agency support cost (internal), including overhead

9. Includes actual/estimated costs of project management/administration (excluding core unit functionality) and direct support (e.g. procurement).

10. We would wish to inform you that we have not provided a table similar to that which was provided with a split of project and administrative component on core unit cost, since based on the nature of UNIDO's business model, such costs cannot be distinguished.

Variance analysis vs. previous submission:

11. Majority of the negative variances are the result of the fact that the 2008 UN average rate of exchange of 1€=1.45\$ was lower than the projected rate of 1€=1.54\$ used in the previous submission. Similarly, the proposed figures for 2009 were based on an exchange rate of 1€=1.45\$ while current estimates (1€=1.36\$) are based on the UN average rate of exchange for 2009 where actual June-2009 rate is assumed to be applicable for the remainder of the year;

12. Other than the above exchange rate fluctuation, some items have materialized at lower or higher levels, due to the needs of the various programmes. By the very nature of the exercise, projections against future years are prone to a larger margin of error.