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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-fifth Meeting
Montreal, 29-31 July 1998

Addendum

ADMINISTRATIVE COSTS OF THE IMPLEMENTING AGENCIES

This addendum presents an interim report from the Consultant for the Study on the Administrative Costs of the Implementing Agencies.

MULTILATERAL FUND
Interim report on administrative cost study - July 15th, 1998

Introduction

An administrative cost study was undertaken in the second half of 1997 with a view to identifying means of reducing the overall administrative cost ratio from 13% to below 10%.

According to the terms of reference, the consultant was to work with the Secretariat and the Implementing agencies to identify options and approaches for reducing the overall level of administrative costs focusing on revising the current uniform, fee-based approach. Options to be considered include the establishment of a) different rates of support for different types of projects and projects in different sectors; and a sliding scale of support costs for different sized investment projects.

Work undertaken to date

To date, the consultant has undertaken:

- preparatory activities including meetings with Secretariat officials to gain an understanding of the Multilateral Fund's operations as well as the background, history and goals of this study;

- a review of previous reports, policies and procedures, and other project information;

- visits to the implementing agencies and meetings with the staff of the coordinating units and other representatives of these agencies, UNOPS, UN Office of Financial Management, and World Bank country operations to discuss the Multilateral Fund projects and related administrative support costs;

- a preliminary survey of actual administrative costs incurred by the implementing agencies. Using the results of the preliminary survey, standard cost definitions and presentations were prepared to ensure the quality of data submitted; and,

- an analysis of options described in the terms of reference. A computer file containing project information was provided by the Secretariat for analysis.

Preliminary observations

The information gathered from the implementing agencies in the fall of 1997 and winter of 1998 seems to indicate, with one exception, that the actual administrative costs may be less than or equal to the 13% reimbursed to them by the Multilateral Fund. This observation, if confirmed, would tend to indicate that the overall rate could be reduced without reverting to a multi-rate system.

One of the difficulties experienced with the preliminary study was the diversity of accounting practices used by the implementing agencies. This diversity was significant enough to justify a second and more detailed questionnaire, based on standard definitions and categories. This questionnaire has been sent to the implementing agencies and is currently being completed.

With respect to the three options stipulated in the terms of reference, i.e. varying rates depending on the project's size, type or sector, an analysis was conducted to determine the potential impact of such a policy. Indeed, based on the discussions we have had with the implementing agencies and the secretariat staff, it is likely that certain categories of projects and certain elements of cost require proportionately less administrative effort than others. Additional information has been requested in the questionnaire to allow for a more thorough analysis of these possibilities.

Current activities

On May 26th, an expanded questionnaire was forwarded to the executing agencies. This questionnaire was extensive and requested detailed information for a period of four years, for all the major elements of cost. It also requested a finer breakdown of the actual costs to ensure that the results could be presented according to a common set of expense classifications.

It is our understanding that the implementing agencies are currently preparing their responses. Given the level of detail, most have indicated that they will not be able to respond towards the end of July 1998 or the beginning of August 1998.

Once all responses have been received, it will be possible to prepare a consolidated summary of actual administrative costs and to complete our analysis and submit our report. We are currently targeting the following dates for completion :

July 31, 1998 -	Target date for the reception of questionnaires
August 10, 1998 -	Submission of draft report to the Secretariat
August 17, 1998 -	Submission of draft report to the Implementing agencies
August 24, 1998 -	Meeting in Montreal to receive feedback from Implementing agencies
Sept. 11, 1998 -	Submission of completed report to members of the executive committee and to the implementing agencies