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ADMINISTRATIVE COSTS OF THE IMPLEMENTING AGENCIES

Multilateral Fund For The Implementation Of The Montreal Protocol

ANALYSIS OF OPTIONS TO REDUCING THE LEVEL OF IMPLEMENTING AGENCIES' ADMINISTRATIVE COSTS

October 10, 1998

<u>**A REPORT OF THE CONSULTANT**</u>

1. INTRODUCTION

1.1 Terms of reference

1. Decision VIII/4 of the Eighth Meeting of the Parties requested "That the Executive Committee, over the next three years, work toward the goal of reducing agency support costs from the current level of 13 per cent to an average of below 10 per cent to make more funds available for other activities. The Executive Committee should report to the Parties annually on their progress and the Parties may adjust the goal accordingly."

2. In accordance with this decision, the consultant (PricewaterhouseCoopers) will 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.

3. Options to be considered include the establishment of a) different rates of support for different types of projects and projects in different sectors; and b) a sliding scale of support costs for different sized investment projects.

4. The option of deciding support costs on a project-by-project basis was to be excluded.

5. In undertaking this work, the consultant should take account of the previous reports prepared on this subject.

6. The consultant should also take account of experience in similar multilateral funding mechanisms.

1.2 Nature of the implementing agencies' administrative costs

The Multilateral Fund has engaged the services of four implementing agencies to assist it in achieving its goal of eliminating the consumption and production of ozone depleting substances (ODS) in Article 5 countries within a finite time frame.

The agreements between the Multilateral Fund Executive Committee and the implementing agencies specify that the implementing agencies are entitled to charge the Multilateral Fund for administrative support costs, the amount of such costs to be specified in approved project documents and work programmes.

2. METHODOLOGY

2.0 Conduct Of The Current Study

The work plan for this project included :

- **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 computer file containing project information was provided by the Secretariat for analysis.

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

- **visits to the implementing agencies** and meetings with the staff of the co-ordinating 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 **survey** of actual administrative costs incurred by the implementing agencies; and.

- an **analysis of options** described in the terms of reference.

2.1 Preparatory activities

File of approved projects

A computer file containing data regarding the approved projects was provided by the Secretariat. Using this data it was possible to analyse the project portfolio in a variety of ways. These analyses, which are updated to December 31, 1997, are included in Appendices 2, 3 and 5. The approved amounts referenced in these analyses relate only to project budgets and exclude the 13% administrative support cost. They also exclude the value of projects being managed by the bilateral donors.

The 13% administrative support cost is designed to cover administrative costs only. In addition to receiving the administrative fee, all implementing agencies receive project funds which cover specific administration-like activities, such as project preparation, country programme preparation and technical assistance. It is to be noted that even in these instances, the agencies are entitled to the 13% administrative support cost.

Appendix 2 provides an analysis by type of project This analysis shows that 1,987 projects have been approved as at December 1997 for a total amount of approximately US$646 million. It also shows that 983 projects representing approximately US$538 million were investment projects, whereas 1,004 projects representing US$108 million were other types of projects. Other types of projects include project preparation, demonstration, technical assistance, training, institutional strengthening, and country programme preparation. Investment projects have an average value of US$547,000, whereas other projects have an average value of US$108,000.

Appendix 3 provides an analysis by Sector. This analysis shows that 532 projects representing a total value of US$335 million or 51% of the total value of all projects are for Refrigeration type projects. The second largest sector is Foam, with 525 projects having a total value of US$159 million or 25% of the value of all projects.

Appendix 5 summarises the administrative costs approved by the Multilateral Fund according to the year in which they were approved. Administrative costs of 13% have been charged by UNDP, UNEP and UNIDO since the inception of the Fund. The 13% has also been authorised for the World Bank since the 17th meeting of the Executive Committee held in July, 1995. Prior to the 17th meeting, all of the World Bank's administrative costs were approved as part of the Bank's annual work programme. As indicated in Appendix 5 and prior to the 17th meeting, the World Bank received specifically approved project budgets amounting to US$5.6 million to cover administrative costs. These amounts were supplemented by additional funds totalling approximately US$986,000 over the first five years of operations.

2.2 Review of previous reports

Previous studies on the subject within the UN system, as well as experience in similar multilateral funding mechanisms were to be considered during the conduct of the analysis.

1994 Study of administrative costs

A report entitled "The Administrative Costs of the Financial Mechanism" was presented at the fourteenth meeting of the Executive Committee in 1994. In regards to the general level of administrative costs, the principal findings of this report were that :

1. the different implementing agencies have different policies as to what costs can be charged to administrative budgets and to project budgets, making it difficult to judge whether the 13% was appropriate or not ;

2. after expenses were normalised, the implementing agencies reported that they were spending in excess of the 13%, with much of the excess being financed via special allocations, project funds and/or general funds. At that time, the implementing agencies' administrative costs as a percentage of total project expenditures ranged from 11.5% to 28.7% ;

3. there was an expectation that the administrative cost ratio would decrease over time as the programme was implemented and the level of project expenditures grew.

Further, the 1994 study commented briefly on the impact of project size or type on administrative costs. More specifically it noted that administrative support costs may vary in relation to the type or size of project.

This 1994 study also surveyed other UN organisations and found that the following rates were used: The Capital Development Fund administered by UNDP had a rate of 11%, the UN Sudano-Sahelian office administered by UNDP had a rate of 28%, and UNIFEM had a rate of 34%. UNIDO had a rate of 23%. All but the Capital Development Fund exceeded the 13% rate.

This study concluded that two options should be considered :

1. the existing system of reimbursement based on a fixed percentage could be maintained even though it is not particularly transparent ; or

2. the existing system could be replaced by one based on the actual costs of the co-ordinating units, on the basis of standard budgets and cost reports.

In response to this report, the Executive Committee recommended that the consultant work with implementing agencies to identify :

- categories of reimbursable costs based on a common understanding of administrative and project related costs ; and
- reimbursement ratios that reflect the actual costs of administering the programme.

UNDP experience with varying rates

A consulting study completed for UNDP in the 1980's established the reimbursement rate for administrative support costs between UNDP and its implementing agencies at 10%.

A separate consulting study undertaken for UNDP in the early 1990s reviewed the administrative activities of its implementing agencies and concluded that different rates could be applied to different types of administrative activity. Indeed, based on the results of

that study and starting in 1994, the UNDP implemented a regime (the AOS system) whereby it reimbursed FAO, ILO UNESCO, UNIDO and UNOPS based on differential rates ranging from 4% to 12% for different types of service inputs, up to a maximum of 10% of field costs. Exceptionally, a rate of 21% was established for "Other training".

The UNDP has recently discontinued using the AOS system, under which administrative reimbursement rates varied depending on service inputs, apparently because the perceived benefits were not significant enough to justify the additional administrative effort caused by such a system.

2.3 Visits to implementing agencies

During our meetings with the implementing agencies' representatives we discussed the administrative cost study's goals and requested information pertinent to our analysis. Each of the implementing agencies have established a co-ordinating unit to manage the program of work approved by the Executive Committee. **Appendix 1** provides a brief outline of each agency's activities. In general, the agencies use the administrative cost allocation to cover the costs of their co-ordinating units, and the non-project costs incurred by executing agencies (UNOPS, local governments, financial intermediaries) and outside consultants.

We were informed that :

1. With respect to the overall level of the administrative fee,

    a. Representatives of two implementing agencies, notably the UNDP and UNEP, indicated that they felt that their organisations were not receiving a sufficient allocation to cover their actual support costs related to Multilateral Fund projects. The data submitted by these organisations, however, showed costs equal to or less than 13%.

    b. The World Bank representatives believe that they are receiving sufficient reimbursement, and indicated that they would be willing to maintain or increase their project volume, now that they have established their infrastructure. They acknowledge that they were initially slow to mobilise primarily because of the differences between the Multilateral Fund type of work and their core business.

    c. UNIDO is the only organisation that submitted data showing that administrative costs in excess of 13%. Indeed, the data submitted indicates that UNIDO's rate is closer to 15% or 20% depending on which data is used.

2. With respect to the option of varying the administrative fee by type of project, the UNEP representatives mentioned that they felt that the percentage approach to reimbursement is not appropriate for the types of projects that they are involved with. UNEP deals primarily with country programme preparation, technical assistance and training projects. Because of the nature of the projects that they deal with, they feel that they spend more administrative time than their counterparts who manage large investment projects. Notwithstanding their feelings that a higher rate is required for their work, UNEP was not able to isolate and report on their actual administrative costs.

3. The implementing agencies apparently still have diverse practices regarding the recording of administrative costs for Multilateral Fund activities. Indeed, it would appear there still exist :

    - dissimilar project cost accounting systems at the implementing agencies ;
    - different levels of support costs within the individual agencies ;
    - dissimilar classification of identical expense items; for example, staff travel is included

either as an administrative cost or a project cost, depending on the preferred treatment of the agency ;

- dissimilar treatment of expenses even within the same agency.

3. DEFINITION OF ADMINISTRATIVE COSTS

In keeping with the Executive Committee's 1994 recommendation, it is important to clarify the definition of administrative costs, at least for the purposes of this study. Unless there is a clear and common understanding of what is considered to be an administrative cost and what is considered to be a project cost, there will continue to be inconsistent approaches. If there are inconsistent approaches, it is very difficult to establish a uniform reimbursement rate based on actual costs.

Following this logic, the following paragraphs will serve first to propose a method of distinguishing between administrative and project costs, and second to propose criteria to identify the elements of administrative costs which could be considered as being eligible.

Distinction between administrative and project activities

Administrative activities

In respect of Multilateral Fund programmes, the implementing agencies are expected to use their existing field office networks to match the needs of beneficiaries and the funds available from the Multilateral Fund. In doing so, they are required first to identify and submit potential projects to the Executive Committee and second, to ensure that the allocated funds are used in the manner authorised by the Executive Committee, in line with approved project proposals and budgets.

Project identification, formulation and approval

With respect to new and potential projects, the implementing agencies are expected to use the administrative cost allocation for the following activities :

- distributing information about the Multilateral Fund's programme to the agency's field offices network;
- collecting, reviewing and pre-qualifying project applications;
- dealing with governments and establishing legal agreements;
- preparing project proposals; obtaining project preparation budgets for larger projects;
- fielding consultants to project sites;
- submitting and following-up project proposals submitted to the Executive Committee for approval.

Project Implementation and Monitoring

With respect to approved projects, the implementing agencies are expected to use the administrative cost allocation for the following activities :

- co-ordinating each agency's efforts with the Secretariat;
- preparing implementation agreements and terms of reference for subcontractors
- mobilising implementation teams (executing agencies and consultants) for approved projects using appropriate bidding and evaluation mechanisms ;
- processing contractual and accounting documents associated with approved projects;
- monitoring the progress of a project from an administrative point of view, and ;
- reporting on results of projects and the program (preparing progress and project completion reports).

Other activities to be considered as administrative

- preparing annual business plans based on communications with national governments about sector needs and priorities;
- preparing progress reports;
- participating in project formulation activities with country offices;
- following up on implementation status, including country visits if there is evidence of undue delays or difficulties;
- providing input to the Multilateral Fund Secretariat with policy papers and issues; and
- participating in meetings sponsored by the Executive Committee, and the Secretariat.

Activities to be considered as project costs

The following activities would not be considered to be administrative activities, and would be conducted only on the basis of approved projects :

- marketing, business development and prospecting for new projects (this activity is funded by an the Executive Committee which has established ozone units in each country) ;
- project formulation/preparation, in cases where a project preparation budget has been approved ;
- project implementation, including the provision of project management and technical skills. This would include participating in the design of the project "deliverable" regardless of the form of the deliverable or the method of delivery In other words, participation in the design of constructed equipment and training material would both be considered to be project activities..
- any activity considered to be a project, for instance country program preparation, technical assistance, training, etc.
- technical inspections of project "deliverables" by appropriately qualified experts.
- technical support provided at the programme or project level.

Reimbursable elements of administrative cost

With respect to each implementing agency's co-ordinating unit, to the extent that it supports the Multilateral fund, the following costs would be deemed to be eligible :

1. **Direct costs of the co-ordinating unit including**

   - salaries and the associated benefits of permanent and contractual (consultants) staff;
   - travel related to Multilateral Fund activities, and to administrative monitoring of projects.
   - office accommodation cost including a fair allocation of operating costs, based on the proportion of useable space;
   - equipment, office supplies, telecommunications and general expenses based on specific expenditures.
   - contractual services related to activities of the co-ordinating unit.

2. A fair cost **allocation from central support services** of the implementing agency. This would include a fair and equitable allocation of the expense of central services such as:

   - human resources, based on the proportionate number of staff
   - accounting, based on the volume of transactions generated
   - management information systems, based on the proportionate number of workstations and the actual systems used by the co-ordinating unit
   - procurement and legal, based on the volume of transactions generated
   - general office and administrative services, based on the proportionate number of staff.

3. A fair **allocation of country or field office costs**. This allocation could be made globally on the basis of financial activity, i.e. Multilateral Fund spending vs total agency spending..

4. Direct costs of the **implementing arms, be they executing agencies, national governments, financial intermediaries or other consultants** contracted by the implementing agencies to the extent that they are involved in the administration of projects. These costs would be established by service contract or otherwise charged at rates equivalent to the fair value of the services received. These costs would exclude costs approved as part of project budgets (e.g. the cost of UNIDO's consultants in many of its projects).

Non-reimbursable costs

It is proposed that the following items be considered as non-reimbursable for the purposes of determining actual administrative costs :

- Travel not directly related to Multilateral Fund business, including the non Multilateral Fund portion of multi-purpose trips, trips related to activities extraneous to the implementing agency's role;
- Allocations of general expenses already provided for in the general funds of implementing agencies
- Charges aimed at underwriting deficits or costs in other programs, budgets or activities.
- Any costs charged to projects.

4. SURVEY OF ACTUAL ADMINISTRATION COSTS

Appendix 4 summarises data regarding the administrative costs and cost percentages of the implementing agencies for Multilateral Fund Projects from 1994 to 1997.

In Appendix 4 and throughout this report, administrative costs are expressed as a percentage of annual project expenditures. Project expenditures include both disbursements and unliquidated obligations. This method of measuring costs is valid assuming that the Multilateral Fund is a going concern and that future operations will resemble current operations. It ignores the start-up efforts and assumes that the implementing agencies will be able to use their current momentum and apply it to future projects.

The data in Appendix 4 is presented as it was submitted by the agencies in their completed questionnaires. While it has been analysed and questionable items have been highlighted, the data submitted by the agencies has not been modified

Observations

With respect to the **UNDP**, based on the completed questionnaire, it would appear that :

1. Administrative costs in 1996 and 1997 were approximately US$3.3 and US$3.7 million or 12.2 and 11% of project expenditures of US$26.9 and US$34.2 million.

2. Of the 1997 total :

   - 3.5% or US$1.2 million related to the cost of the MPU ;
   - 6.3% or US$2.2 million related to UNOPS ;
   - 0.6% or US$0.2 million related to country offices and national execution ; and
   - 0.6% or US$0.2 million related to the reimbursement of central costs.

3. Included in UNOPS 1997 costs, there is an amount of US$748,000 or 34% of UNOPS which represents unspecified common costs, which should not be considered as eligible costs as per the definitions provided in Chapter 3 of this report. If this amount was removed, UNOPS and total UNDP costs in 1997 would amount to US$1.5 and US$3.0 million or approximately 4.4% and 8.6% respectively of project expenditures.

4. Of the two channels UNDP uses for execution, it is clear that UNOPS, which handles approximately 75% of all disbursements, is much more expensive than the national execution agencies, which handle the remaining 25%.

With respect to the **UNIDO**, based on the completed questionnaire, it would appear that :

1. Administrative costs in 1996 and 1997 were approximately US$5.3 and US$5.0 million or 18.3% and 20.1% of project expenditures of US$29 and US$25 million.

2. Of the 1997 total :

   - 01.8% or US$0.50 million related to the cost of the MPU ;
   - 11.8% or US$3.40 million related to UNIDO's internal executing branch ;
   - 00.3% or US$0.08 million related to country office reimbursement ; and
   - 04.4% or US$1.30 million related to the reimbursement of central costs.

3. The costs of UNIDO's internal executing branch are extremely high. Several factors may help to explain this :

   a. UNIDO has unique approach of using internal resources to oversee implementation, and particularly to perform technical inspections of project deliverables. There is a high likelihood that some of this effort should be charged to project costs, if UNIDO were to follow the guidelines set out in Chapter 3 of this report and the current practise of the other implementing agencies, who largely rely on outside resources.

   b. UNIDO may have suffered from inefficiencies and overstaffing in 1997. It is understood that UNIDO has proceeded with a reorganisation in May of 1998, whereby all co-ordinating and implementing activities were concentrated in a smaller but dedicated group. There is a high likelihood that Multilateral fund administration costs will decrease as a result of this change.

   c. UNIDO may have made some errors in the questionnaire, which seemed to indicate a very large volume of staff. These errors caused a chain reaction as they were also the basis for the allocation of central personnel costs.

4. The amount included in the questionnaire by UNIDO for reimbursement of central costs is extremely high at 1.3 million or 4.4% of disbursements. This is a simple allocation of total costs based on the proportion of Multilateral Fund expenditures and staff compared to total expenditures and staff. Given that UNIDO expenditures have declined whereas Multilateral Fund expenditures have increased, this allocation has grown significantly over the past four years. It is unlikely, however, that this is an accurate reflection of the incremental costs to UNIDO of processing the Multilateral Fund related activities. Finally it should be noted, as these general expenses have already been provided for in the general fund, they should not be considered as administrative expenses, according to the definitions provided in Chapter 3 of this report.

5. Even if the central costs allocation was reduced to the level of incremental effort required for Multilateral Fund activities, UNIDO's costs would hover around 14%, which would logically

create a deficit for UNIDO. Discussion with UNIDO staff, has indicated that UNIDO's constitution allows it to use its general funds to share in financing the costs of providing technical services. This provision seems to give UNIDO management the flexibility to determine their level of staffing and their style of operation without regard to the administrative cost percentage approved by the Multilateral Fund, be it 13% or 10%.

With respect to the **World Bank**, based on the completed questionnaire, it would appear that :

1. Administrative costs in 1996 and 1997 were approximately US$4.9 and US$5.9 million or 13.7% and 11.8% of project expenditures of US$36 and US$50 million.

2. Of the 1997 total :

   - 02.6% or US$1.30 million related to the cost of the MPU ;
   - 03.0% or US$1.50 million related to financial intermediaries (executing branch) ;
   - 05.8% or US$2.88 million related to country office reimbursement ; and
   - 00.4% or US$0.20 million related to the reimbursement of central costs.

3. The World Bank has a system whereby country offices can charge both time and expenses to a project accounting system, which is the basis for a quarterly billing to the trust fund. When considered together with the cost of financial intermediaries, execution cost would appear to be around 8.8%.

With respect to the **UNEP**, it would appear that :

1. The amount provided as administrative costs seems to be exactly 13% arrived at by allocating the difference between total costs and 13% to "project costs". Given the context, where most UNEP staff work both on projects and administration, the allocation between the two categories of costs seems highly subjective. UNEP's administrative costs in 1996 and 1997 were reported to be US$0.5 and US$0.4 million or 13% of project expenditures of US$3.8 and US$3.3 million.

In **TOTAL**, based on the completed questionnaires, it would appear that:

1. The administrative costs, expressed as a percentage of project expenditures, have declined every year in the past four years, primarily because the pace of growth in project expenditures has outpaced the growth of administrative costs.

2. Administrative costs for the four implementing agencies in 1996 and 1997 amounted to approximately US$13.7 and US$15.4 million or 15.0% and 13.2% of project expenditures of US$91.6 and US$116 million.

3. If the ineligible amounts were removed from the completed questionnaires, namely the US$0.7 million of common costs included in UNOPS costs and the US$1.2 million of general

costs included in UNIDO's costs, total costs in 1997 would have been US$13.5 million or approximately 11% of project expenditures.

4. This downwards trends seems to be well positioned to continue, due to the following factors:

   a. A large proportion, possibly 25%, of the new projects forecast to be approved in the next few years are likely to be in China, where the government has already started insisting on a national execution approach. A comparison of the different approaches used by the different agencies seems to indicate that National execution is the least costly approach.

   b. UNIDO appears to have undergone a reorganisation that is likely to significantly reduce administrative costs.

5. **The sum of these factors seems to indicate that it should be possible, on a going forward basis, to target a reduction in the annual administrative costs percentage from 13% at least to 11% and with some additional effort, possibly to 10% of project expenditures.**

5. ANALYSIS OF OPTIONS FOR VARYING RATES

Methodology

This analysis is aimed at considering the options outlined in paragraph 3 of the terms of reference. The first option to be considered is to vary rates based on the type of project. The second option to be considered is to vary rates based on the project sector, and the third option is to consider a sliding scale for different sized investment projects.

The use of varying rates is attractive as it may allow for the reduction in the administrative fee rate in a manner which is relatively equitable and fair. It will be considered equitable and fair if the resulting administrative costs allocations are commensurate with the underlying level of effort incurred by the implementing agencies.

In analysing these options, it is necessary to ask whether all projects require a standard proportionate level of effort (a fixed percentage) or whether some can be completed with less effort and consequently at a lower cost. If categories of projects requiring less effort and cost can be identified, it may be possible to reduce the administrative cost allocation relating to those projects without negatively affecting the implementing agency's overall performance. The advantage of this type of approach is that agencies would be assured of receiving the necessary funds for those types of projects where indeed the effort and costs are truly justified.

Analysis by project type

Two broad types of projects exist; **investment** projects and **non-investment** projects (Country program preparation, Project preparation, Technical assistance, Training, etc.).

With respect to the non-investment projects, it may be appropriate first to question whether or not the 13% is always appropriate. Indeed, if certain non-investment projects exist to fund administrative-like activities, it is questionable whether or not the 13% is justified at all. This type of questioning is most appropriate for project preparation, country programme preparation and technical assistance projects. In at least one implementing agency, a high proportion of these projects are completed by internal resources. The pertinence of allocating administrative costs at a rate of 13% in these incidences is somewhat questionable.

The potential impact of using a lower rate, say 0% for administration-like projects, namely project preparation, country programme preparation and technical assistance, is illustrated in **Appendix 8**. If the rate for project preparation and technical assistance is reduced to zero, and assuming that the project-type mix does not change, the overall rate of administrative costs would be reduced to 11.4%.

Analysis by sector

Appendix 3 contains an analysis of project by sector. Based on this analysis, it was noted that the Refrigeration and Foam sectors have the largest value and the largest number of projects approved. Indeed, the refrigeration sector involves 532 projects and approved project costs in excess of US$234 million whereas the Foam sector represents 525 projects and approved project costs in excess of US$158 million.

Given that these two sectors have a significant volume, they were scrutinised to see whether they have certain attributes which distinguish them from other types, particularly with respect to the level of administrative effort and cost required.

The first attribute evaluated was the level of experience and programme momentum. Because these two sectors have seen a large number of projects, it would stand to reason that the implementing agencies have had a fair amount of experience with them, allowing them to understand the major suppliers, the techniques to be used, and the typical technical difficulties. For instance, if the same consultants prepared a large proportion of the project proposals for the Foam sector, it would be logical to think that the administration involved with engaging those consultants and supervising their work would be reduced. If solutions to technical problems are developed and documented over time, it would be logical to think that the need for supervision and technical assistance would decline. This momentum, experience, and the repetitive nature of these projects should ultimately result in less administrative effort and less cost.

The second attribute that was evaluated, was the type of spending. An analysis of the Secretariat's project data base showed that many investment projects have two elements of cost, capital expenditures and the reimbursement of incremental operating costs. When these two elements were investigated further, it was noted that there may be less administrative effort involved in reimbursing incremental operating costs than in administering capital expenditures. An analysis of projects was then conducted to determine whether any project types or sectors have a larger proportion of operating costs than any other. This analysis, enclosed in **Appendix 9**,

showed that the Refrigeration sector had the highest component of incremental operating costs, representing approximately US$55 million or 16% of all funds approved for that sector. The Foam sector was the second highest sector, where reimbursed operating costs represented approximately US$14 million or 9% of all funds approved for that sector.

The third attribute that was evaluated, was the size of the contingency provision included in the budget. In this regard, it was noted that a contingency provision of ten percent of the capital cost is automatically added to each project budget. The contingency provision is typically used to cover overruns or unforeseen expenditures resulting from project activities. Often, they involve little or no additional administrative effort other than, for example, to consider a request for approval from a contractor already on site. When project sectors and types are analysed to see if any sector has a higher proportion of capital costs than any other, it is clear that investment projects have a higher proportion of capital costs than other types and therefor a higher proportion of contingency as well. Among investment projects, the largest volume is in Refrigeration, at US$274 million or 79% of authorised refrigeration project budgets, and Foam, at US$143 million or 90% of authorised foam project budgets.

Based on the factors considered above, there seems to be reasonable grounds to consider authorising a lower administrative cost allocation for Refrigeration and Foam type projects. The lower rate could be set to have the same impact as eliminating the 13% on the incremental operating costs and the contingency provision in the project budget. The potential impact of using a lower rate is illustrated in **Appendix** 7. If the administrative cost allocation for Refrigeration and Foam type projects was reduced to 10% and assuming the sector mix does not change, the overall rate would be reduced to about 10.7%.

Analysis by size

Appendix 2, contains an analysis of projects by type, and for investment projects an analysis of projects by size. Based on the analysis of projects approved up to December 31, 1997, the following trends were noted :

- Investment projects were on average US$547,000, which is much larger than non-investment projects which are on average US$108,000.
- 78 investment projects (or 4% of the number of projects) had authorised budgets larger than US$1.5 million, accounting for US$219 million or 34% of the total value of the project portfolio.
- 467 investment projects (or 23%) were smaller than $US250,000, accounting for $59 million or 9% of the total value of the project portfolio.
- Average investment project size was US$668,000 for UNIDO, US$695,000 for the World Bank and, US$367,000 for the UNDP.

In assessing whether or not a sliding scale of rates base on investment project size could be used, it is necessary to question whether or not the administration effort and the equivalent costs vary in direct proportion with the project budget. A review of the investment project administration process showed that:

- with respect to new investment projects, a proposal is prepared for each project. A review of a sample of proposals showed that the format of the proposal is relatively standard regardless of the size of the budget. Indeed, the costs of preparing these proposals is generally paid out of separate project preparation budgets rather than out of the administrative budgets.

- with respect to project monitoring and reporting, it was noted that progress reports are required for each project on an annual basis. As well, a single final report is required after the completion or termination of each project.
- with respect to suppliers of goods and services, the number of suppliers, contracts and transactions do not necessarily vary in direct proportion to the size of the budget. These volumes are typically viewed as cost drivers which determine the level of administrative activity required.

Based on these observations, it is reasonable to believe that economies of scale are realised in the administration of larger projects. Certainly, one cannot expect to expend ten times more administrative effort to manage a one million dollar project than to manage a one-hundred thousand dollar project.

One approach that could have been considered under such conditions was to have a graduated or sliding scale for administrative costs. Thus, and with the benefit of hindsight, using this graduated scale, every project would have received the same rate, say 13%, for a base amount, say $500,000. This amount would have been granted to cover the basic administration costs which must be incurred for every project, regardless of their size.

A second and lower rate could have been applied to any portion of a project budget over the base amount. This second allocation recognises that some administrative costs do vary with project size.

The advantage of this type of approach, had it been adopted, is that it recognises both the fixed and variable elements of project administration. It is equitable in that it allocates the administrative costs to those implementing agencies who need it the most and it reduces the administration costs for those agencies who are benefiting from economies of scale. Finally, the graduated approach provides little incentive to manipulate project size in the hope of obtaining a higher rate.

Using a graduated scale, the rate structure might have resembled the following. For each tranche of a project which was :

- less than US$500,000, the reimbursement rate could have been 13%
- greater than US$500, 000, the reimbursement rate could have been 10%.

An illustration of the impact that such a scale would have had on administrative cost allocations, based on the existing project portfolio, is included in Annex 6. This illustration shows that:

1. There are 295 projects with approved budgets greater that US$500,000. They represent 15% of the 1,987 projects approved to date. They also represent over US$399 million dollars or 62% of the total amount invested.

2. If the above graduated rate scale were applied, overall administrative costs would have fallen to 11.8% of approved project costs.

The advantage of this approach is that it emulates somewhat the semi-variable nature of the underlying project administration costs.

When considering whether or not to adopt this type of rate structure, and when deciding on the specific rates and tranches, it is worthwhile to note that during our visits to the implementing agencies, they indicated that :

a. the average project size is likely to diminish in the future. The large easily identifiable projects are apparently already underway. Future projects may be smaller, reducing the potential for economies of scale, and

b. in the future there may be more umbrella projects, i.e. the grouping of multiple smaller enterprises to be managed as a single project. Currently there are about 35 of these projects representing 1.6% of the total number of projects. This type of project is thought by some to require more administration than a project of equal size involving a single beneficiary.

c. the smaller project may be very expensive to administer, and agencies are required to perform a minimum number of projects for low volume countries and for SME's.

These factors need to be kept in perspective.

With respect to project size, indeed, project size is likely to decline, however it only takes a few large projects to make a significant impact in realising the goal. There will probably always be some big projects, making it important not to avoid this approach.

With respect to umbrella projects, the issue is slightly different. Admittedly, these projects are probably more complex to manage than a project of equal size involving only one enterprise. However, the umbrella approach must provide some efficiencies, otherwise, there would be no justification for using them. If the number of umbrella projects becomes more important in the future, the sliding rates could be adjusted to temper the decline in rates, i.e. by raising the level at which the rate changes. For the moment however, the number of umbrella projects is still small, and there does not seem to be any clear consensus whether this approach has been successful.

With respect to paying higher rates for smaller projects, this approach should probably be limited so as not to encourage a predisposition to smaller projects and so as not to create a system of rates which is overly complex.

Assessment of the three methods and the various rates

Based on the above analysis, it is apparent that each of the three categories of projects holds some potential for achieving the overall objective through the use of varying rates.

With respect to **project type**, it should be noted that the most obvious choice would be to remove the administrative cost allocation from project preparation, country programme preparation and technical assistance projects. These projects are largely administrative activities so adding an administrative surcharge on an administrative activity seems inappropriate. This approach seems to be opposed, however, by those agencies who use outside resources to complete this work.

With respect to **industry sector**, no one sector has been clearly identified as having lower administrative costs than any other. It has been necessary to examine different types of underlying costs and identify those that are likely to be less costly to administer. In particular, two types of costs have been identified, the incremental operating costs and the contingency provision. As with any method, this method is not always perfect. It will always be possible to identify a project for which administration was necessary to deal with these cost items. By and large, however, administration effort for these items is much lower than the core capital expenditures. Two implementation alternatives need to be considered. It is possible to vary the rate by sector, or by underlying cost elements. The first alternative would seem to be more approximate whereas the second would appear more precise and therefore more equitable.

With respect to **project** size, all implementing agencies seem to agree that smaller project cost proportionately more to administer than do larger projects. They are also unanimous in predicting that the average size of projects is steadily decreasing and that the number of umbrella projects is increasing. Most, however, have a number of large projects in their plans and forecasts This method is attractive in that its likely to a have a significant impact and is easy to understand and to apply.

If a single approach were selected, it may not be sufficient to achieve the overall objective. On the other hand, if a combination of approaches is used, the reductions in rates used in this report to illustrate a single method could be moderated

6. CONCLUSION AND RECOMMENDATIONS

1. 1997 administrative cost, after adjustment for items not appropriately allocated to Multilateral Fund activities, amounted to approximately 11% of project expenditures. This percentage reflects a trend of continuous reduction for the last four years. This trend is likely to continue given the forecast increased use of national execution agencies, especially in China and the recent and potential efforts at UNIDO to further reduce costs. Given the current level and the above mentioned trends, and assuming that the Multilateral Fund is a going concern which will maintain or increase its current level of project expenditures, it does not seem unreasonable to target a reduction in the administrative costs allocation rate to 10% of annual project expenditures, on a going forward basis.

2. Any change in the administration cost allocation needs to be applied in the most equitable manner possible. The objective of equity is best achieved by reducing the administrative cost allocation for those activities or cost elements which have the least amount of effort or cost associated with them. This will preserve funds for those activities and those agencies who truly need them. On this basis, it is recommended that the administrative cost allocation:

    a. for project preparation, country programme preparation and technical assistance projects be reduced to zero. Based on the existing mix of approved projects, a reduction of this type would have reduced the administrative costs percentage by 1.6% (from 13% to 11.4%).

    b. relating to cost elements generating little or no administrative effort, such as incremental operating costs and contingency, be reduced to zero. For example, based on the existing mix of approved projects, a reduction of this type limited to Refrigeration and Foam projects would have reduced the administrative costs percentage by 2.3% (from 13% to 10.7%)

    c. relating to portions of a project larger than $500,000 be reduced to 10%. Based on the existing mix of approved projects, sliding scale of this type would have reduced the administrative costs percentage by 1.2% (from 13% to 11.8%). Please note that the impact of this recommendation cannot necessarily be added to recommendation b. as they may not be mutually exclusive.

3. Any change in rate should also be accompanied by an effort to formalise the definitions of administrative costs so that all implementing agencies can apply them in a more uniform manner.

APPENDIX 1

OUTLINE OF EACH AGENCY'S ACTIVITIES

UNDP

UNDP

Approach

The UNDP focuses its efforts on programme delivery through the implementation of specific projects. To administer these projects, a Montreal Protocol Unit (MPU) has been established as part of the Energy & Atmosphere Programme within the Sustainable Energy and Environment Division (SEED) of the Bureau for Development Policy (BDP).

The MPU employs staff familiar with ODS technologies and who serve as regional programme co-ordinators. They are supported by finance and information staff within the MPU and by officials within the SEED and the Bureau of Finance and Administration Services (BFAS) and the Bureau for Planning and Resource Management (BPRM). The MPU works closely with UNDP country offices on programme and project formulation, planning, and implementation.

Processes

Requests for project assistance typically come from local consultants or national ozone units operating in developing countries to the UNDP country office, or directly to the MPU. The MPU then works to develop a country programme or to formulate a specific project proposal. The project proposal is then submitted by the MPU to the Fund Secretariat for review, and then to the MF Executive Committee for approval.

Once projects are approved, the MPU works with UNOPS or with governmental executing agencies under national execution (NEX) to implement and monitor projects. The MPU uses UNOPS to execute approximately 75% of projects, and NEX for the remainder. When using UNOPS, an administrative fee of 8% is paid. In the past, a 3% administrative fee has been paid for NEX projects via the UNDP country offices.

In future, under NEX a negotiable fee will be paid to the designated implementing agency selected by the government and a 3% fee may still be paid to the UNDP country office to compensate for the additional financial and administrative effort.

The proportion of NEX projects is likely to grow in the future, primarily as a result of China's insistence that NEX rather than UNOPS be used. China will apparently account for a large proportion of all Multilateral Fund projects over the next few years.

Project statistics

At the end of 1997, UNDP was managing approximately 718 projects with approved budget expenditures of about $187 million. At the same date, almost $105 million or 56% of these funds had been incurred or disbursed. Unliquidated obligations amounted to $15.6 million of this total.

82% of the funds disbursed related to investment projects. 45% of the funds disbursed related to foam projects, whereas 33% related to refrigeration projects.

Organisation

In 1997, UNDP's MP co-ordinating unit was comprised of 9 full-time equivalents supported occasionally by a consultant. The full-time staff included a Chief of Unit, a Deputy Chief, a Technical Adviser, three Regional program Co-ordinators, a Finance Officer, three programme assistants and a secretary.

UNDP's primary executing agency, UNOPS, has about **twelve** staff who work exclusively in the project management and implementation of MP Projects. They include a Senior Project Manager and Officer in Charge, two Project Managers and Portfolio Managers, two Associate Project Managers, and four Programme Assistants.

The MPU operates independently of an equivalent co-ordinating unit within UNDP for the Global Environment Facility (GEF) whereas the UNOPS Environmental Programmes Division supports both MF and GEF projects as well as all other environmental funds.

Accounting policies for the purposes of the financial statements

Administrative expenses are recorded as a deduction to the trust fund when they are incurred.

Year	1997		1996		1995		1994		Total	
UNDP	$	%	$	%	$	%	$	%	$	%
Personnel costs (salaries & benefits)	667,033	2.0%	692,898	2.6%	367,397	1.3%	198,115	3.6%	1,925,443	2.0%
Consultants (salaries & benefits)	105,131	0.3%	42,068	0.2%	15,000	0.1%	400	0.0%	162,599	0.2%
Travel (personnel)	89,840	0.3%	71,495	0.3%	83,837	0.3%	49,461	0.9%	294,633	0.3%
Travel (consultants)	41,496	0.1%	32,039	0.1%	10,549	0.0%	0	0.0%	84,084	0.1%
Space (rent & common costs)	243,650	0.7%	232,761	0.9%	226,006	0.8%	62,712	1.1%	765,129	0.8%
Equipment (computers, etc.)	23,223	0.1%	5,482	0.0%	14,174	0.0%	12,548	0.2%	55,427	0.1%
Contractual services (firms)	3,627	0.0%	11,100	0.0%	2,095	0.0%	0	0.0%	16,822	0.0%
Other costs (supplies, etc.)	30,639	0.1%	25,039	0.1%	10,271	0.0%	1,246	0.0%	67,195	0.1%
Total cost of co-ordinating unit	1,204,639	3.5%	1,112,882	4.1%	729,329	2.6%	324,482	5.9%	3,371,332	3.5%
Reimbursement of Country offices & Nat'l execution	210,756	0.6%	61,586	0.2%	112,973	0.4%	191,280	3.5%	576,595	0.6%
Reimbursement of Central services	205,923	0.6%	229,574	0.9%	241,895	0.9%	0	0.0%	677,392	0.7%
Less : cost allocated to projects	-52,100	-0.2%	-46,638	-0.2%	0	0.0%	0	0.0%	-98,738	-0.1%
Net cost of the Co-ordinating units	1,569,218	4.6%	1,357,404	5.0%	1,084,197	3.8%	515,762	9.3%	4,526,581	4.8%
Executing agency support cost (internal)	2,181,350	6.4%	2,010,207	7.5%	1,877,251	6.6%	309,986	5.6%	6,378,794	6.7%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Admin Costs	3,750,568	11.0%	3,367,611	12.5%	2,961,448	10.4%	825,748	15.0%	10,905,375	11.5%
Project Disbursement	34,177,580	100.0%	26,979,507	100.0%	28,427,496	100.0%	5,516,988	100.0%	95,101,571	100.0%
Total disbursement	37,928,148		30,347,118		31,388,944		6,342,736		106,006,946	
Treasurer's report	54,493,213		33,209,390		12,702,044		7,902,432		108,307,079	
Difference	-16,565,065		-2,862,272		18,686,900		-1,559,696		-2,300,133	

UNDP

UNDP

Note 1 : Reimbursement of central services was originally included by UNDP in 1997 only. As this apparently represented a retroactive and cumulative charge for years 1995, 1996 and 1997, PwC reallocated that amount to those three years based on data submitted in a previous questionnaire.

Note 2 : With respect to project disbursements, differences between UNDP reporting and the Treasurer's report arise primarily due to differences in recording unliquidated obligations, or in other words, firm commitments.

Note 3 : UNDO reports unrecorded liabilities to country offices in the amount of $723,000 at the end of 1997. These are apparently entitlements that could be reimbursed but have not been invoiced by country offices.

Reconciling items

UNDP
Reconciliation of financial statements to response provided in cost questionnaire

	1997	1996	1995	1994	Total
Administrative costs as per the financial statements	4,214,577	3,041,256	2,684,353	835,302	10,775,488
Administrative costs as per questionnaire	3,750,568	3,367,611	2,961,448	825,748	10,905,375
Difference to be explained	464,009	-326,355	-277,095	9,554	-129,887
Balance – unexplained	464,009	-326,355	-277,095	9,554	-129,887

Staffing					Average
Salaried staff	8.7	5.6	5.4	3.9	5.9
Consultants	0.8	0.4	5.0	0.0	1.6
Total MPU Staff	9.5	6.0	10.4	3.9	7.5
Executing agency or operations group	12.1	12.1	not available	not available	12.1
Total staff	21.6	18.1	10.4	3.9	19.6

UNDP

UNDP

Cost reporting in the questionnaire

Co-ordinating unit - direct costs

The actual costs of the MPU in 1997 were $1,204,639 which is approximately 3.5% of project disbursements. According to the questionnaire, $52,100 of these costs were charged to projects.

Executing agency - direct and indirect costs

The executing agency costs shown on the questionnaire amounts to $2.1 million. This amount is equivalent to 8% of the project disbursements managed though UNOPS. It includes approximately $1.1 million of salary costs, $183,318 of space costs and $115,680 of reimbursement of central services. It also includes an amount of $748,092 which is presented as contractual services, which includes both operational expenses and central services : for example costs attributable to the units of finance, personnel, legal, information services, the directorate and other services.

$37,167 of UNOPS' costs were charged to projects in 1997.

Reimbursement of central services

According to information provided in the questionnaire, UNDP has a practice of charging all trust funds a fee equal to 1% of delivery for central services. This percentage is designed to cover services provided by the Office of the Administrator, the Bureau for Planning and Resource management (Personnel, Programme finance, Budgets, etc.) and the Bureau for Financial and Administrative

Services (Treasury, Accounts, Information Systems, Audit, Evaluation, etc.)

It would appear, however, that the costs of central services have not been billed to the MPU during the last four years. In the completed questionnaire, an amount of $677,392 representing retroactive charges for three years was included as a cost for 1997. For the purposes of this study, and to avoid any inaccurate representation of the overall cost trend, this amount was re-allocated to prior years based on information previously submitted. ($205,923 for 1997, $229,574 for 1996 and $241,895 for 1995)

Reimbursement of country office costs

UNDP stated that it reimburses country offices at the rates of 1% of delivery for UNOPS-executed projects and 3% of delivery for nationally-executed projects. Country offices assist country governments in the execution of the nationally-executed projects. They also provide local administrative and financial support (e.g. customs clearance) for UNOPS-executed projects.

In the past, it has been UNDP's practice to reimburse a country office when that office requested reimbursement. Recently, the UNDP has decided to reimburse country offices where MP projects are initiated for the first time as an incentive for the country office to actively assist in development. Since there is no delivery, reimbursement is usually based on the project allocation at the above-mentionned rates.

In the completed questionnaire, UNDP indicated that an amount of $723,000 was due to country offices but had not been recorded as a period cost as at the end of December 31, 1997. This amount was calculated as follows : As at December 31, 1997 total expenditures (disbursements and unliquidated obligations) totalled approximately $87 million for UNOPS-executed projects and $15 million for nationally-executed projects. Total country office support reimbursement should therefore be approximately 1.3 million (1% of $87 million plus 3% of $15 million). As only $570,000 has been paid and recorded as costs to date, $723,000 is owing. By the end of 1998, UNDP hopes to have reimbursed all country offices for their assistance.

Issues and future trends raised by the implementing agency

In the questionnaire, UNDP stated that:

*With respect to **project size**, projects tend to be more labour intensive as project size decreases. As the number of smaller projects increase, the amount of work in the MPU to increase. In light of the fact that smaller projects are relatively more costly to implement than larger ones, and that umbrella projects increasingly encompass many small-scale companies, this will result in increasing labour intensity, and consequently in increased administrative costs which could go up to 9% or 10% for UNOPS alone.*

*With respect to the **number of projects**, as the number of projects increase, an increase in staff will be necessary to adequately handle the portfolio.*

*With respect to **other factors**, the environment in which many of the projects operate is becoming more complex due to both economic and political reasons (bankruptcies, financial difficulties by companies to raise their share of counterpart financing - projects refusing to progress because legislation is not yet in place, etc.)*

*With respect to **travel**, UNDP has until now covered from its investment project support costs, all travel costs of attending ExCom meetings, Secretariat/Agency co-ordinating meetings, UNEP Regional Network ODS meeting, and meetings of the Open-ended Working group as well as Meeting of the Parties to the Montreal Protocol. Travel costs of this nature amounted to $24,857 in 1997. The costs of staff time spent on this activity has not been estimated.*

*With respect to **project processing methods**, due to the continuous elaboration of rules and regulations by the Excom, the implementation process became more cumbersome which could only be partially offset by streamlining and developing more efficient work processes. There is however not much margin for further cost-cutting measures (while decrease of average project size continues)*

*With respect to the **executing agency's costs**, UNOPS support costs are the lowest possible. There is no margin to absorb any extra costs. Travel costs related to technical project management are therefore charged to projects. These costs relate to functions normally undertaken by project managers in non-MP projects which, as a standard practice, are charged to project operational costs. The same principle applies "mutandis mutandis" for MP projects where PMO's although headquarters based, are more or less performing project management functions.*

The continuous decrease of incremental costs funds allocated for individual projects as compared to total project costs make these projects more difficult to implement. It takes most recipient companies many months to come up with their contribution which prolongs project life and requires more time to implement at a greater cost to the UNDP.

Since UNOPS does not charge support costs for the costs of components (mostly equipment) which are contributed by the recipient companies, the actual support cost earned by UNOPS are de facto considerably under 8% of the actual project expenditures.

In 1996, after a detailed cost study performed by UNOPS revealed the actual costs were almost 9%, UNDP granted UNOPS an increase in support costs from 7% to 8%. As well, UNOPS costs are likely to increase from 8% to 10% due to declining project size. UNOPS costs have been capped at 8% even though they apparently exceeded this in 1996.

*With respect to **national execution**, An increase in NEX projects will result in negotiated fees to be paid to designated implementing agencies as well as the 3% allocated to UNDP country office support costs; the country office will require additional*

monetary support since in some cases the 3% support does not cover their costs.

In subsequent discussions, UNDP stated that

Of the three implementing agencies that handle investment projects, UNDP has the highest proportion of smaller projects. For instance, 351 of its 428 investment projects are smaller than $500,000. These smaller projects represented 47% of the approved budgets for UNDP's investment projects. UNDP has conducted studies of administrative effort to support the costs paid to UNOPS. These studies seem to have confirmed that larger projects are proportionately less costly to administer than smaller projects. Given its concentration of smaller projects, the UNDP would hope to see a sliding scale based on project size that would not only reduce the percent of administration cost allocated to large projects but also increase the percent of administrative cost allocated to small projects.

Consultant's observations

1. It is interesting to note that there is a very large difference in the administrative support costs depending on the type of executing agency used. The use of UNOPS appears to be a very expensive alternative when compared to UNDP national offices and national execution.

2. UNDP has or will conclude agreements with China whereby NEX will be used for a higher proportion of new projects. This change should move the work towards the less expensive approach to delivering projects and result in a reduction in overall costs.

3. UNDP has indicated that there is an unrecorded liability in the amount of approximately US$723,000 which will be paid to the country offices by the end of 1998, following full justification of costs involved. This liability apparently arises from a stated practice of reimbursing country offices either 3% under NEX or 1% under UNOPS of the funds disbursed. Inquiries to the UNDP regarding the details of this policy and seeking explanations as to why it is not fully disbursed resulted in the following statement : *Recently, we decided to reimburse country offices where Montreal Protocol projects are initiated for the first time as an incentive for the country offices to actively assist. Since there is no delivery, reimbursement is usually based on the project allocation at a rate of 3% or 1%.* The practice of allocating funds as an incentive or to cover general expenses of country offices seems to be contrary to the objective of the 13% support cost allowance. Apparently, up to now, the country offices have been reimbursed only the amounts that they requested, which is more likely to be a better reflection of actual costs.

4. It is stated in the questionnaire that UNDP's practice is to have the central office is reimbursed based on 1% of project disbursements. It is also stated that country offices are allocated 1% for UNOPS managed projects in their country. When combined with the UNOPS costs of 8% and the actual MPU costs of 3.5%, overall costs would be 13.5%. Based on information provided in the questionnaire, however, it appears that neither the 1% of overall costs nor the 1% for country offices are being paid in full.

5. Included in UNOPS costs is an amount of *$748,092* which was labelled contractual services. A request for clarification resulted in the following description as to the nature of costs. "*The contractual services includes both operational expenses and central services : for example costs attributable to the units of finance, personnel, legal, information services, the directorate and other services.*" This cost would appear to be a reimbursement of central services rather than contractual services incurred externally. Further, this cost seems to be derived as a result of a global allocation rather than by any regular billing process, based on specific services. Following this line of thinking, it is noted that $863,772 or 41% of UNOPS should be considered as reimbursement of central services.

   Stated otherwise, UNOPS 1997 reported costs were $2,181,350 which was equivalent to 8.13% of relevant project disbursements of $26,827,999. These costs were comprised of two parts : the first part being direct costs of $1,317,578 or 4.91% of project disbursements handled by UNOPS and the second part being the allocation of central costs equivalent to $863,772 or 3.22% of project disbursements.

6. The comment regarding UNOPS working as project managers as opposed to monitoring and supervising the projects is intriguing in that this type of activity may be beyond the scope of the activities covered by the administrative costs.

UNIDO

UNIDO

Approach

UNIDO became a MF implementing agency in 1992, later than the others. It has focused on investment projects, but is now increasing its focus on demonstration projects. UNIDO operates in four different industry sectors: Agro-Based Industries, Chemical, Engineering & Metallurgical, and Environment & Energy.

Processes

UNIDO operates similarly to UNDP except that it uses internal rather than UNOPS or outside technical resources.

During project implementation, UNIDO tends to use its internal operations group more than outside technical consultants.

Project statistics

At the end of 1997, UNIDO was managing approximately 327 projects with approved budget expenditures of about $135 million. At the same date, almost $74 million or 54% of these budgeted expenditures had been incurred or disbursed. Unliquidated obligations amounted to $14 million.

94% of the funds disbursed related to investment projects. 79% of this same amount related to refrigeration projects.

Organisation

In 1997, UNIDO's MP **co-ordinating unit** was comprised of 6 full-time staff supported occasionally by a consultant. The full-time staff included a Co-ordinator, an assistant co-ordinator, a programme assistant, an Industrial development officer and two secretaries. UNIDO has indicated that in 1998, this staff may be reduced to four.

UNIDO also has an internal executing agency, called the MP **operations group**, which in 1997 was comprised of approximately 40.5 people. They provide capabilities for project formulation, project management, and project implementation. Their skills covered

engineering, economics, and policy related disciplines. There are three directors (one each for Agro-based industries, Chemical and Engineering & Metallurgy), three programme assistants, 19 industrial development officers assigned to project formulation and implementation, and 15 secretaries. The high ratio of secretaries to professional staff (1:7 to 1) is apparently required to provide a rear-link when professionals are travelling.

Both groups report to the Managing Director of the Industrial Sectors and Environment Division.

The operations group is supported by UNIDO's **purchasing and contracts office**. In 1997, the purchasing group was comprised of 23 staff and incurred annual costs of approximately $1.9 million. UNIDO has estimated that this group directed 55% of their efforts on Montreal protocol business. This allocation is equivalent to 13 full-time staff and annual costs of $1.1 million.

The operations group is also supported by the equivalent of 1 person from the Project personnel and fellowship group and consequently could be allocated approximately $61,000 which is equivalent to 3% of that group's annual costs.

Accounting policies for the purposes of the financial statements

It would appear that the amount of administrative expenses recorded on UNIDO's financial statements is exactly 13% of project disbursements. It is therefore the allowed amount rather than the actual amount that has been charged to the Trust Fund.

Year	1997		1996		1995		1994		Total	
UNIDO – Administrative Support Costs	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Personnel costs (salaries & benefits)	428,333	1.5%	310,800	1.2%	263,583	1.6%	240,917	10.1%	1,243,633	1.7%
Consultants (salaries & benefits)	7,000	0.0%	35,600	0.1%	58,200	0.4%	0	0.0%	100,800	0.1%
Travel (personnel)	30,589	0.1%	26,800	0.1%	21,200	0.1%	35,828	1.5%	114,417	0.2%
Travel (consultants)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Space (rent & common costs)	28,468	0.1%	19,003	0.1%	23,907	0.1%	16,649	0.7%	88,027	0.1%
Equipment (computers, etc.)	7,000	0.0%	5,000	0.0%	5,000	0.0%	3,000	0.1%	20,000	0.0%
Contractual services (firms)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other costs (supplies, etc.)	30,498	0.1%	20,884	0.1%	23,760	0.1%	14,516	0.6%	89,658	0.1%
Total cost of co-ordinating unit	531,888	1.8%	418,087	1.7%	395,650	2.4%	310,910	13.1%	1,656,535	2.3%
Reimbursement of Country offices & Nat'l execution	80,000	0.3%	91,250	0.4%	20,000	0.1%	40,000	1.7%	231,250	0.3%
Reimbursement of Central services	1,285,363	4.4%	1,168,572	4.7%	842,175	5.1%	182,880	7.7%	3,478,990	4.8%
Less : cost allocated to projects	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net cost of the Co-ordinating units	1,897,251	6.5%	1,677,909	6.7%	1,257,825	7.6%	533,790	22.5%	5,366,775	7.4%
Executing agency support cost (internal)	3,418,684	11.8%	3,348,545	13.4%	2,508,763	15.2%	1,088,362	45.8%	10,364,354	14.2%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Admin Costs	5,315,935	18.3%	5,026,454	20.1%	3,766,588	22.8%	1,622,152	68.3%	15,731,129	21.6%
Project Disbursement	29,023,614	100.0%	25,006,092	100.0%	16,536,000	100.0%	2,375,091	100.0%	72,940,797	100.0%
Total disbursement	34,339,549		30,032,546		20,302,588		3,997,243		88,671,926	
Treasurer's report	32,796,683		28,256,885		18,685,684		2,683,852		82,423,104	
Difference	1,542,866		1,775,661		1,616,904		1,313,391		6,248,822	

UNIDO

UNIDO

Note 1 : Reimbursement of central services calculated as follows:

Central services charged to MPU	162,243	128,143	113,798	32,576	436,760
Central services charges to Executing agency	1,123,120	1,040,429	728,377	150,304	3,042,230
Total shown above as reimbursement of central serv.	1,285,363	1,168,572	842,175	182,880	3,478,990

Reconciling items

UNIDO
Reconciliation of financial statements to response provided in cost questionnaire

	1997	1996	1995	1994	Total
Administrative costs as per the financial statements	3,773,069	3,250,791	3,766,588	1,622,152	12,412,600
Administrative costs as per questionnaire	5,315,935	5,026,454	3,766,588	1,622,152	15,731,129
Difference to be explained	-1,542,866	-1,775,663	0	0	-3,318,529
Cost allocation of central services to executing agency, not actually reimbursed	1,123,120	1,040,429	728,377	150,304	3,042,230
Cost allocation of central services to MPU, not actually reimbursed	162,243	128,143	113,798	32,576	436,760
Balance - unexplained	-56,838,931	-134,253,462	187,863,892	40,844,107	38,696,383

Staffing					Average
Salaried staff	6.0	4.0	4.0	4.0	4.5
Consultants	1.0	2.0	5.0	0.0	2.0
Total MPU Staff	7.0	6.0	9.0	4.0	6.5
Executing agency or operations group	40.3	35.1	26.9	13.3	28.9
Total staff	47.3	41.1	35.9	17.3	35.4

UNIDO

Cost reporting in the questionnaire

Co-ordinating unit - direct costs

The actual direct costs of the MPU for 1997 were $531,888 which is slightly less than 2% of disbursements. According to the completed questionnaire, none of the MPU's costs are allocated to projects.

Executing agency - direct costs

The executing agency's direct costs of $3,588,670 reflect the large number of staff employed in this operations group as well as a 55% of the costs of the purchasing and contracts division and 3% of costs of the personnel and fellowship group.

According to the questionnaire, only $169,986 or or 5% of the operations group's costs are allocated to projects. This allocation is apparently limited to staff time and travel relating to project field visits.

Allocation of overhead costs - Reimbursement of central services

When completing the questionnaire, UNIDO estimated the MP's share of UNIDO's overhead costs to be approximately $1.28 million; $162,243 for the MP co-ordinating unit and $1,123,120 for the executing agency.

These estimated costs are comprised of three categories of cost, financial costs, personnel cost, and general services. Each allocation was calculated separately based on specific criteria.

- The financial department's costs were allocated based on the % of MP disbursements compared to the total disbursements. On this basis, 16% of the costs of the finance department (US$4 million) or US$666,795 was allocated to the Multilateral Fund activities. Over the last four years, UNIDO's total disbursements have declined from US$197 million to US$181 million. In the same period, the MP disbursements increased from US$2 million to US$29 million. Financial services costs were stable at approximately $4 million.

- The personnel department's costs were allocated based on the % of MP related employees compared to the total number of employees. On this basis, 7.6% of the costs of the personnel department ($5 million) or $392,570 was allocated to multilateral fund activities. Over the last four years, the total number of UNIDO staff has declined form 1,134 to 781. Staff at the MPU increased from 4 to 6 and staff at the operating group increased from 21 to 40, while the number of purchasing and contracts staff was stable. During this same period, the personnel costs increased from $4.3 million to $5.1 million.

- General services were also allocated based on total expenditures General expenditures over the last four years decreased from 2.8 million to 2 million. On this basis, 16% or $326,068 was allocated to MP activities.

These costs were not actually charged to the MP Trust fund but rather were paid for out of UNIDO's regular budget. According to Paragraph A. 1. (d) of Annex II of the UNIDO constitution, the regular budget shall provide for "*Programme support costs arising from technical assistance project, to the extent that these costs are not reimbursed to the Organisation by the source of financing of such projects.*"

Reimbursement of country offices

UNIDO financed from operational budget, the MP related activities for Iran since 1994 and for China since 1996, e.g. annual contribution, public relations and PC as well as the costs of a National co-ordinator.

Issues and future trends raised by the implementing agency in the questionnaire

According to information provided in the questionnaire, UNIDO responded that:

UNIDO will be creating a Montreal Protocol branch and will be incorporating the Co-ordinating unit into it. This has or will reduce the number of staff in the Co-ordinating unit form six in 1997 to four. Members of staff in the Operations team have or will be been maintained for the time being - selected MP projects managed by staff outside MPR.

For executing agency operations, UNIDO is considering joint implementation with national authorities.

Projects in the SME sector are aniticipated.

Issues and future trends raised by the implementing agency during the visits

During our site visit, UNIDO responded that :

1. *The large projects have already been approved and future projects will likely be the smaller. Smaller projects will still require the same level of administrative support as the larger ones. As shown in **Table 1**, 1994 was the biggest year in project dollars and 1995 and 1996 have declined in value.*

Table 1

Project Initiation	No. Projects	Project Value	Average Value
1993	22	11,968,149	544,006
1994	52	30,581,778	588,111
1995	67	26,960,366	402,393
1996	51	20,713,574	406,148

2. *Over the past three years, UNIDO has made considerable effort to reduce administrative costs and to exercise restraint in administrative spending.*

3. *UNIDO has the capacity to accommodate an increase of 20% in the number of projects with its current infrastructure.*

4. *Only some sort of co-operative action between implementing agencies would have any impact on the targeted reduction of the 13% administrative support cost.*

Subsequent communications resulted in the following comments :

UNIDO management is convinced that the use of internal resources is not only cost effective, but a must for overall quality and impact.

The costs submitted in the questionnaire used for this study did not follow the definitions of "eligible as administrative costs" as laid out in Chapter 3 of this report. A large volume of "technical inspections of project deliverables by appropriately qualified experts and technical support provided at the programme or project level are performed by UNIDO's own expert staff and reported under the "internal executing agency cost". In the definitions now introduced by the consultants, these costs are to be considered (and charged) as project costs. UNIDO has, in the past, absorbed these under the 13 per cent, as this was the system used by the UNDP and continues *to be applied with other funding agencies of technical co-operation projects. It appears that UNIDO should have charged more of these costs directly to projects, resulting in a lower cost measurement. This would then have resulted in a lower cost measurement.*

Consultant's observations

1. According to the completed questionnaire, the number of full-time equivalents of staff employed in the MP operations group and the purchasing and contracts group is 40.1 and 23. This seemed exceptionally high and was revised to 26.9 and 12.7 after discussion with the acting head of the Montreal Protocol unit. These revised numbers need to be verified by UNIDO. The allocation of central costs will also have to be revised as in part it is based on the number of staff.

2. It is likely that a part of UNIDO's costs would be eligible to be charged as product costs, bringing their practices in line with other agencies. The terms of such a change will presumably need to be agreed on by the Executive Committee, possibly as part of a normalisation of the definitions of administration costs.

3. The allocation of common costs based on the value of the expenditures rather than cost drivers (measures of the actual incremental effort such as the number of projects, contracts, payments, etc.), results in very high allocated amounts. This basis for these allocations is open to discussion as to whether or not they truly reflect the effort involved. The validity is also open to discussion particularly in view of the fact that these costs are funded through other budgets.

World Bank

World Bank

Approach

Unlike the other agencies which implement projects inherent to specific programs, the World Bank focuses on specific country development. Whereas direct responsibility for program and project delivery is the prime *driver* of UN related activities, country capacity is the prime *driver* of World Bank.

The World Bank does not directly implement MF programmes and projects. Third parties act as financial intermediaries between the World Bank, national governments, and the beneficiary enterprises. These intermediaries are often national local development banks or government agencies. The World Bank pays each of the intermediaries an administrative fee of about 3% for the services that they provide.

Processes

Requests for assistance are typically received when a national governments' ozone office approaches the World Bank's country office or a consultant on behalf of an enterprise wanting support. Consultation takes place between the country task manager, a consultant, and the enterprise to draft a proposal. It will be reviewed by the Ozone Operations Review Group (OORG) and subsequently submitted to the MPU. Once vetted, it is then submitted by the MPU to MP the Executive Committee for approval.

The MPU facilitates the dialogue between all parties and, once the project is approved, it ensures that the financial intermediary is informed of the project's requirements. The MPU expedites the formal agreement with the parties and monitors the ongoing status of project implementation.

The MPU also develops annual work programs and related budget requests, and prepares the regular reports needed by the Secretariat. MPU staff also attend a variety of meetings and provide input on various policy matters when requested by the Secretariat.

Project statistics

The MPU is managing approximately 622 projects with approved budgets of about $295 million. The majority of these projects are investment projects.

Personnel

The World Bank has created a MPU within the Global Environment Division. The MPU consists of **eight** staff, including one Technical Specialist, three Environmental Specialists, one Regional Co-ordinator, two Staff Assistants, and one Administrative Assistant.

While the World Bank has been reorganised in recent years, the MPU has remained intact.

Year	1997		1996		1995		1994		Total	
World Bank – Administrative Support Costs	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Personnel costs (salaries & benefits)	620,000	1.2%	523,000	1.5%	379,000	1.5%	356,100	4.5%	1,878,100	1.6%
Consultants (salaries & benefits)	200,000	0.4%	277,000	0.8%	363,100	1.4%	512,900	6.4%	1,353,000	1.1%
Travel (personnel)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Travel (consultants)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Space (rent & common costs)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Equipment (computers, etc.)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Contractual services (firms)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other costs (supplies, etc.)	498,061	1.0%	315,442	0.9%	661,099	2.5%	276,561	3.5%	1,751,163	1.5%
Total cost of co-ordinating unit	1,318,061	2.6%	1,115,442	3.1%	1,403,199	5.4%	1,145,561	14.4%	4,982,263	4.2%
Reimbursement of Country offices & Nat'l execution	2,885,025	5.8%	2,577,652	7.2%	3,304,315	12.7%	2,910,795	36.5%	11,677,787	9.8%
Reimbursement of Central services	205,880	0.4%	151,993	0.4%	322,451	1.2%	100,637	1.3%	780,961	0.7%
Less : cost allocated to projects	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net cost of the Co-ordinating units	4,408,966	8.8%	3,845,087	10.7%	5,029,965	19.4%	4,156,993	52.1%	17,441,011	14.6%
Executing agency support cost (internal)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Financial intermediaries	1,497,100	3.0%	1,075,137	3.0%	778,575	3.0%	239,409	3.0%	3,590,221	3.0%
Total Admin Costs	5,906,066	11.8%	4,920,224	13.7%	5,808,540	22.4%	4,396,402	55.1%	21,031,232	17.6%
Project Disbursement	49,903,319	100.0%	35,837,888	100.0%	25,952,499	100.0%	7,980,301	100.0%	119,674,007	100.0%
Total disbursement	55,809,385		40,758,112		31,761,039		12,376,703		140,705,239	
Treasurer's report	55,809,387		40,457,112		31,686,039		12,376,703		140,329,241	
Difference	-2		301,000		75,000		0		375,998	

World Bank

World Bank

Reconciling items

WORLD BANK

Reclassification of financial statements to reflect financial intermediaries' fees as administrative costs

Year	1997		1996		1995		1994		Total
World Bank – Administrative Support Costs	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Project disbursements as per the financial statements	51,400,419		36,913,025		26,731,074		8,219,710		123,264,228
Less : payments fo financial intermediaries	-1,497,100		-1,075,137		-778,575		-239,409		-3,590,221
Net project disbursements (expenditures)	49,903,319		35,837,888		25,952,499		7,980,301		119,674,007
Administration expenses as per the fin. statements	4,408,968		3,845,087		5,029,965		4,156,993		17,441,013
Plus : payments to financial intermediaries	1,497,100		1,075,137		778,575		239,409		3,590,221
Gross administrative costs	5,906,068		4,920,224		5,808,540		4,396,402		21,031,234
Admin costs as a % of project exp. - per f/s	8.6%		10.4%		18.8%		50.6%		14.1%
Admin costs as a % of project exp. - after adjustments	11.8%		13.7%		22.4%		55.1%		17.6%
Staffing									Average
Salaried staff	5.0		4.0		4.0		3.0		4.0
Consultants	3.5		4.0		5.0		4.0		4.1
Total MPU Staff	8.5		8.0		9.0		7.0		8.1
Executing agency or operations group	0.0		0.0		0.0		0.0		0.0
Total staff	8.5		8.0		9.0		7.0		8.1

World Bank

World Bank

Reconciling items

WORLD BANK analysis of costs reimbursed to country offices	Gross	MPU	Net		Cum ave/estimate
1997					
Personnel costs	620,000	620,000	0		822,312
Consultants	200,000	200,000	0		1,694,366
Travel (personnel)			0		331,337
Travel (consultants)	105,228	105,228	0		313,038
Space (rent & common costs)			0		0
Contractual services	75,000	75,000	0		130,431
Sundry : Staff			0		101,229
Sundry : Consultant	3,513,968		3,513,968		121,256
	4,514,196	1,000,228	3,513,968		3,513,968
1996					
Personnel costs	1,112,622	523,000	589,622	18%	23%
Consultants	1,980,165	277,000	1,703,165	53%	48%
Travel (personnel)	294,261		294,261	9%	9%
Travel (consultants)	428,418	71,614	356,804	11%	9%
Space (rent & common costs)			0	0%	0%
Contractual services	207,065	75,000	132,065	4%	4%
Sundry : Staff	70,133		70,133	2%	3%
Sundry : Consultant	64,329		64,329	2%	3%
	4,156,993	946,614	3,210,379	100%	100%

Reconciling items

WORLD BANK analysis of costs reimbursed to country offices	Gross	MPU	Net		Cum ave/estimate
1995					
Personnel costs	1,430,519	379,000	1,051,519	26%	26%
Consultants	2,133,032	363,100	1,769,932	44%	46%
Travel (personnel)	377,577		377,577	9%	10%
Travel (consultants)	517,875	183,399	334,476	8%	8%
Space (rent & common costs)			0	0%	0%
Contractual services	191,174	75,000	116,174	3%	4%
Sundry : Staff	154,893		154,893	4%	3%
Sundry : Consultant	224,895		224,895	6%	4%
	5,029,965	1,000,499	4,029,466	100%	100%
1994					
Personnel costs	1,112,622	356,100	756,522	25%	
Consultants	1,980,165	512,900	1,467,265	49%	
Travel (personnel)	294,261		294,261	10%	
Travel (consultants)	428,418	206,956	221,462	7%	
Space (rent & common costs)			0	0%	
Contractual services	207,065	75,000	132,065	4%	
Sundry : Staff	70,133		70,133	2%	
Sundry : Consultant	64,329		64,329	2%	
	4,156,993	1,150,956	3,006,037	100%	

UNEP

UNEP

Approach

UNEP has created a MPU to co-ordinate MP projects. Its primary function is to prepare programmes to raise country awareness on ozone issues and to manage related programmes and projects. UNEP's MP-related projects are limited to technical assistance, training, institutional strengthening and country programme preparation. Because UNEP does not handle any investment projects, its projects are on average much smaller than those of other agencies.

Processes

The UNEP operates a number of regional networks, dealing with country offices and keeping them informed. Many of the technical assistance projects are related to the collection, collation and dissemination of technical and case information, and to the conduct of training workshops on policies and legislation.

Project statistics

At the end of 1997, UNEP was managing approximately 320 projects with approved budget expenditures of about $28 million. At the same date, almost $ 16 million or 57% of these funds had been incurred or disbursed. Unliquidated obligations amounted to $0.5 million.

54% of the funds disbursed related to technical assistance projects. 20% related to training, 13% to institutional strengthening and 12% to country programme preparation.

Organisation

In 1997, UNEP's MPU was comprised of 20 staff who worked both on projects and on administrative functions. UNEP also uses a network of 38 consultants for project work.

Based on information provided in the questionnaire, it would appear that all the professionals associated with the MPU allocate their time among projects, administrative support costs and other budgets. The core staff appears to include the chief of the MPU and an office clerk who allocate 50% of their time to MP activities, and three finance assistants and a secretary who allocate 100% of their time to MP activities.

UNEP allocates resources to the MPU based on an evaluation of the expected man-months considered necessary to provide the support needed for the delivery of the planned MLF projects. Of the $1,467,372 of salaries paid to the 20 staff mentioned above, only $624,079 or 42% seems to have been allocated to the MPU's annual operating costs. None of the consultant's fees have been allocated to the MPU.

Accounting policies for the purposes of the financial statements

According to the completed questionnaire, administrative expenses are recorded as a deduction to the trust fund when project costs are incurred.

Analysis of Implementing agencies' administrative support costs

Year	1997		1996		1995		1994		Total	
UNEP – Administrative Support Costs	$	%	$	%	$	%	$	%	$	%
Personnel costs (salaries & benefits)	624,079	18.6%	624,007	16.4%	338,443	8.5%	235,387	7.8%	1,821,916	12.9%
Consultants (salaries & benefits)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Travel (personnel)	47,673	1.4%	21,726	0.6%	29,238	0.7%	25,969	0.9%	124,606	0.9%
Travel (consultants)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Space (rent & common costs)	247,595	7.4%	232,320	6.1%	217,366	5.5%	158,278	5.3%	855,559	6.0%
Equipment (computers, etc.)	50,330	1.5%	384	0.0%	35,770	0.9%	10,948	0.4%	97,432	0.7%
Contractual services (firms)	28,451	0.8%	45,534	1.2%	42,748	1.1%	34,443	1.1%	151,176	1.1%
Other costs (supplies, etc.)	31,598	0.9%	17,513	0.5%	41,597	1.0%	18,199	0.6%	108,907	0.8%
Total cost of co-ordinating unit	1,029,726	30.6%	941,484	24.7%	705,162	17.7%	483,224	16.1%	3,159,596	22.3%
Reimbursement of Country offices & Nat'l execution	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Reimbursement of Central services	0	0.0%	0	0.0%	170,935	4.3%	44,361	1.5%	215,296	1.5%
Less : cost allocated to projects	-592,661	-17.6%	-446,510	-11.7%	-359,422	-9.0%	-137,524	-4.6%	-1,536,117	-10.9%
Net cost of the Co-ordinating units	437,065	13.0%	494,974	13.0%	516,675	13.0%	390,061	13.0%	1,838,775	13.0%
Executing agency support cost (internal)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Admin Costs	437,065	13.0%	494,974	13.0%	516,675	13.0%	390,061	13.0%	1,838,775	13.0%
Project Disbursement	3,362,037	100.0%	3,807,487	100.0%	3,974,114	100.0%	3,000,469	100.0%	14,144,107	100.0%
Total disbursement	3,799,102		4,302,461		4,490,789		3,390,530		15,982,882	
Treasurer's report	3,797,090		4,303,410		4,490,750		3,390,529		15,981,779	
Difference	2,012		-949		39		1		1,103	

UNEP

UNEP

Staffing					Average
Salaried staff	20.0	24.0	33.0	25.0	25.5
Consultants	0.0	0.0	0.0	0.0	0.0
Total MPU Staff	20.0	24.0	33.0	25.0	25.5
Executing agency or operations group	0.0	0.0	0.0	0.0	0.0
Total staff	20.0	24.0	33.0	25.0	25.5

Cost reporting in the questionnaire

Co-ordinating unit - direct costs

The actual costs of the MPU in 1997 were $1,029,726 of which $592,661 was allocated to projects. The net amount, $437,065 was exactly equal to 13% of project disbursements.

Issues and future trends raised by the implementing agency in the questionnaire

In the questionnaire, UNEP responded that:

Most factors pertinent to UNEP are likely to remain the same.

With respect to product mix, however, Country Programme preparation will most likely disappear in a year's time. Halon and MBr sector will receive focused attention and policy setting support and national activities will increase. Projects are tending to be smaller in funds which increase administrative cost.

Issues and future trends raised by the implementing agency during the visits

During our site visit, UNEP responded that :

1. *The relevance of administrative support costs on a percentage basis, is inconsistent with the types and size of projects UNEP handles. The process of managing training programs and institutional strengthening programs is different from the process of managing investment projects. In particular, investment projects often benefit from project preparation budgets.*

2. *The MF's financial and project reporting requirements differ from those required by UNEP's Nairobi headquarters resulting in some minor inefficiencies.*

3. *UNEP representatives estimated that its administrative cost is about 20% but did not provide quantitative support for this percentage. The excess costs are apparently funded from the General Fund of UNEP headquarters.*

Consultant's notes

1. Included in the costs referred to above is an amount of $247,595 which represents the costs of space. This costs seems somewhat high in proportion to the 20 staff associated to MPU activities.

2. Given that the UNEP staff members are involved in both project and administrative work, the distinction between the two types of work must be approximate and somewhat judgmental. Indeed, it is curious to note that the amount charged to projects, brings the residual administrative costs to exactly 13%.

APPENDIX 2

ANALYSIS OF PROJECTS BY TYPE

Rough-cut analysis of projects by Size for Investment projects (and by type for other projects)

	Projects by Agency											Cumulative percentages			
	World Bank		UNDP		UNEP		UNIDO			TOTAL					
Proj Size / Type	Amt	Nos	Amt	Nos	Amt	Nos	Amt	Nos	Amt	Ave	Nos	Amt	%	Nos	%
Funding <$100K	2,543,300	56	5,269,065	81	0	0	2,117,824	32	9,930,189	58,759	**169**	537,783,408	83%	983	49%
Funding $100K-$250K	17,153,879	105	24,132,718	147	0	0	7,524,224	46	48,810,821	163,795	**298**	527,853,219	82%	814	41%
Funding $250K-$500K	23,995,694	67	43,856,331	123	0	0	12,012,320	31	79,864,345	361,377	**221**	479,042,398	74%	516	26%
Funding $500K-$750K	23,770,905	38	25,912,803	42	0	0	17,368,696	31	67,052,404	604,076	**111**	399,178,053	62%	295	15%
Funding $750K-$1M	19,655,622	22	8,645,339	10	0	0	14,712,166	17	43,013,127	877,819	**49**	332,125,649	51%	184	9%
Funding $1M-$1.25M	19,087,853	17	9,976,380	9	0	0	6,560,857	6	35,625,090	1,113,284	**32**	289,112,522	45%	135	7%
Funding $1.25M-$1.5M	16,504,329	12	8,498,357	6	0	0	9,975,040	7	34,977,726	1,399,109	**25**	253,487,432	39%	103	5%
Funding > $1.5M	132,522,422	50	30,687,519	10	0	0	55,299,765	18	218,509,706	2,801,406	**78**	218,509,706	34%	78	4%
Total Invest	255,234,004	367	156,978,512	428	0	0	125,570,892	188	537,783,408	547,084	**983**	537,783,408	83%	983	49%
Country Program Prep	2,098,498	26	1,148,923	16	2,678,000	78	400,000	5	6,325,421	50,603	**125**	6,325,421	1%	125	6%
Demonstration	549,918	3	1,042,866	8	15000	1	2,616,900	6	4,224,684	234,705	**18**	4,224,684	1%	18	1%
Inst'l Strengthening	1,605,033	8	7,596,349	33	5,241,740	58	1,039,503	5	15,482,625	148,871	**104**	15,482,625	2%	104	5%
Proj Preparation	19,099,859	181	6,026,136	113	140,000	5	3,213,065	107	28,479,060	70,145	**406**	28,479,060	4%	406	20%
Tech Assistance	16,053,708	32	13,022,994	82	15,125,300	122	2,172,100	17	46,374,102	183,297	**253**	46,374,102	7%	253	13%
Training	785,949	5	1,610,358	36	4,896,200	56	40,000	1	7,332,507	74,822	**98**	7,332,507	1%	98	5%
Total Other	40,192,965	255	30,447,626	288	28,096,240	320	9,481,568	141	108,218,399	107,787	1,004	108,218,399	17%	1,004	51%
Total	295,426,969	622	187,426,138	716	28,096,240	320	135,052,460	329	646,001,807	325,114	1,987	646,001,807	100%	1,987	100%
Ave Invest project	695,461		366,772		0		667,930		547,084						
Ave Other project	157,619		105,721		87,801		67,245		107,787						
Average size	474,963		261,768		87,801		410,494		325,114						

Note : This analysis excludes 12 investment and 125 non-investment projects having total approved budgets of $20,659,624 which are managed by bilateral donors.

No administrative fee was paid nor is payable by the Multilateral Fund in respect of these projects.

APPENDIX 3

ANALYSIS OF PROJECTS BY SECTOR

Analysis of Projects (By Agency By Sector)
for all projects approved up to and including December 31, 1997

		AGENCY										
		World Bank		UNDP		UNEP		UNIDO		TOTAL		
Sector	**Code**	**Amt Proj**	No of Proj	**Amt Proj**	No of Proj	**Amt Proj**	No of Proj	**Amt Proj**	No of Proj	**Amt Proj**	No of Proj	**Ave size**
Several	SEV	27,986,529	212	14,928,553	145	23,684,140	252	2,857,288	42	69,456,510	651	**106,692**
Aerosol	ARS	12,316,740	27	5,214,581	29	320,000	4	6,266,792	34	24,118,113	94	**256,576**
Refrigeration	REF	162,360,103	191	70,978,936	172	2,626,600	44	98,835,886	125	334,801,525	532	**629,326**
Mus	MUS	1,073,307	4							1,073,307	4	**268,327**
Foam	FOA	55,527,217	136	84,748,599	315			18,626,391	74	158,902,207	525	**302,671**
Halon	HAL	14,882,236	7	2,369,454	19	593,000	12	536,000	2	18,380,690	40	**459,517**
Other	OTH	5,934,000	2	130,000	2					6,064,000	4	**1,516,000**
Pro	PRO	4,389,934	10	385,000	1					4,774,934	11	**434,085**
Solvents	SOL	10,956,903	33	8,374,465	31			5,041,923	30	24,373,291	94	**259,290**
Fum	FUM	0	0	426,550	4	872,500	8	2758180	20	4,057,230	32	**126,788**
Total		**295,426,969**	622	**187,556,138**	718	**28,096,240**	320	**134,922,460**	327	**646,001,807**	1,987	**325,114**

Note : This analysis excludes 12 investment and 125 non-investment projects having total approved budgets of $20,659,624 which are managed by bilateral donors. No administrative fee was paid nor is payable by the Multilateral Fund in respect of these projects.

APPENDIX 4

ADMINISTRATIVE COST DATA SUBMITTED BY AGENCIES

The Multilateral Fund for the Implementation of the Montreal Protocol
Analysis if Implementing Agencies' Administrative Support Costs

Year	1997		1996		1995		1994		Total	
TOTAL	$	%	$	%	$	%	$	%	$	%
Personnel costs (salaries & benefits)	2,339,445	2.0%	2,150,705	2.3%	1,348,423	1.8%	1,030,519	5.5%	6,869,092	2.3%
Consultants (salaries & benefits)	312,131	0.3%	354,668	0.4%	436,300	0.6%	513,300	2.7%	1,616,399	0.5%
Travel (personnel)	168,102	0.1%	120,021	0.1%	134,275	0.2%	111,258	0.6%	533,656	0.2%
Travel (consultants)	41,496	0.0%	32,039	0.0%	10,549	0.0%	0	0.0%	84,084	0.0%
Space (rent & common costs)	519,713	0.4%	484,084	0.5%	467,279	0.6%	237,639	1.3%	1,708,715	0.6%
Equipment (computers, etc.)	80,553	0.1%	10,866	0.0%	54,944	0.1%	26,496	0.1%	172,859	0.1%
Contractual services (firms)	32,078	0.0%	56,634	0.1%	44,843	0.1%	34,443	0.2%	167,998	0.1%
Other costs (supplies, etc.)	590,796	0.5%	378,878	0.4%	736,727	1.0%	310,522	1.6%	2,016,923	0.7%
Total cost of co-ordinating unit	4,084,314	3.5%	3,587,895	3.9%	3,233,340	4.3%	2,264,177	12.0%	13,169,726	4.4%
Reimbursement of Country offices & Nat'l execution	3,175,781	2.7%	2,730,488	3.0%	3,437,288	4.6%	3,142,075	16.6%	12,485,632	4.1%
Reimbursement of Central services	1,697,166	1.5%	1,550,139	1.7%	1,577,456	2.1%	327,878	1.7%	5,152,639	1.7%
Less : cost allocated to projects	-644,761	-0.6%	-493,148	-0.5%	-359,422	-0.5%	-137,524	-0.7%	-1,634,855	-0.5%
Net cost of the Co-ordinating units	8,312,500	7.1%	7,375,374	8.0%	7,888,662	10.5%	5,596,606	29.7%	29,173,142	9.7%
Executing agency support cost (internal)	5,600,034	4.8%	5,358,752	5.8%	4,386,014	5.9%	1,398,348	7.4%	16,743,148	5.5%
Financial intermediaries	1,497,100	1.3%	1,075,137	1.2%	778,575	1.0%	239,409	1.3%	3,590,221	1.2%
Total Admin Costs	15,409,634	13.2%	13,809,263	15.1%	13,053,251	17.4%	7,234,363	38.3%	49,506,511	16.4%
Project Disbursement	116,466,550	100.0%	91,630,974	100.0%	74,890,109	100.0%	18,872,849	100.0%	301,860,482	100.0%
Total disbursement	131,876,184		105,440,237		87,943,360		26,107,212		351,366,993	
Treasurer's report	146,896,373		106,226,797		67,564,517		26,353,516		347,041,203	
Difference	-15,020,189		-786,560		20,378,843		-246,304		4,325,790	

Total 1994 to 1997

Total 1994 to 1997

Staffing	1997	1996	1995	1994	Average
Salaried staff	9.9	9.2	11.4	9.0	9.9
Consultants	1.3	2.4	3.5	2.3	2.4
Total MPU Staff	11.3	11.5	14.9	11.2	12.2
Executing agency or operations group	13.1	9.8	6.7	6.7	9.1
Total staff	24.3	21.3	21.6	18.0	21.3

Agency	UNDP		UNEP		UNIDO		World Bank		Combined	
1997										
Personnel costs (salaries & benefits)	667,033	2.0%	624,079	18.6%	428,333	1.5%	620,000	1.2%	2,339,445	2.0%
Consultants (salaries & benefits)	105,131	0.3%	0	0.0%	7,000	0.0%	200,000	0.4%	312,131	0.3%
Travel (personnel)	89,840	0.3%	47,673	1.4%	30,589	0.1%	0	0.0%	168,102	0.1%
Travel (consultants)	41,496	0.1%	0	0.0%	0	0.0%	0	0.0%	41,496	0.0%
Space (rent & common costs)	243,650	0.7%	247,595	7.4%	28,468	0.1%	0	0.0%	519,713	0.4%
Equipment (computers, etc.)	23,223	0.1%	50,330	1.5%	7,000	0.0%	0	0.0%	80,553	0.1%
Contractual services (firms)	3,627	0.0%	28,451	0.8%	0	0.0%	0	0.0%	32,078	0.0%
Other costs (supplies, etc.)	30,639	0.1%	31,598	0.9%	30,498	0.1%	498,061	1.0%	590,796	0.5%
Total cost of co-ordinating unit	1,204,639	3.5%	1,029,726	30.6%	531,888	1.8%	1,318,061	2.6%	4,084,314	3.5%
Reimbursement of Country offices & Nar'l execution	210,756	0.6%	0	0.0%	80,000	0.3%	2,885,025	5.8%	3,175,781	2.7%
Reimbursement of Central services	205,923	0.6%	0	0.0%	1,285,363	4.4%	205,880	0.4%	1,697,166	1.5%
Less : cost allocated to projects	-52,100	-0.2%	-592,661	-17.6%	0	0.0%	0	0.0%	-644,761	-0.6%
Net cost of the Co-ordinating units	1,569,218	4.6%	437,065	13.0%	1,897,251	6.5%	4,408,966	8.8%	8,312,500	7.1%
Executing agency support cost (internal)	2,181,350	6.4%	0	0.0%	3,418,684	11.8%	0	0.0%	5,600,034	4.8%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	1,497,100	3.0%	1,497,100	1.3%
Total Admin Costs	3,750,568	11.0%	437,065	13.0%	5,315,935	18.3%	5,906,066	11.8%	15,409,634	13.2%
Project Disbursement	34,177,580	100.0%	3,362,037	100.0%	29,023,614	100.0%	49,903,319	100.0%	116,466,550	100.0%
Total disbursement	37,928,148		3,799,102		34,339,549		55,809,385		131,876,184	
Treasurer's report	54,493,213		3,797,090		32,796,683		55,809,387		146,896,373	
Difference	-16,565,065		2,012		1,542,866		-2		-15,020,189	

1997

Staffing					Average
Salaried staff	8.7	20.0	6.0	5.0	9.9
Consultants	0.8	0.0	1.0	3.5	1.3
Total MPU Staff	9.5	20.0	7.0	8.5	11.3
Executing agency or operations group	12.1	0.0	40.3	0.0	13.1
Total staff	21.6	20.0	47.3	8.5	24.3

1997

Agency	UNDP		UNEP		UNIDO		World Bank		Combined	
1996	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Personnel costs (salaries & benefits)	692,898	2.6%	624,007	16.4%	310,800	1.2%	523,000	1.5%	2,150,705	2.3%
Consultants (salaries & benefits)	42,068	0.2%	0	0.0%	35,600	0.1%	277,000	0.8%	354,668	0.4%
Travel (personnel)	71,495	0.3%	21,726	0.6%	26,800	0.1%	0	0.0%	120,021	0.1%
Travel (consultants)	32,039	0.1%	0	0.0%	0	0.0%	0	0.0%	32,039	0.0%
Space (rent & common costs)	232,761	0.9%	232,320	6.1%	19,003	0.1%	0	0.0%	484,084	0.5%
Equipment (computers, etc.)	5,482	0.0%	384	0.0%	5,000	0.0%	0	0.0%	10,866	0.0%
Contractual services (firms)	11,100	0.0%	45,534	1.2%	0	0.0%	0	0.0%	56,634	0.1%
Other costs (supplies, etc.)	25,039	0.1%	17,513	0.5%	20,884	0.1%	315,442	0.9%	378,878	0.4%
Total cost of co-ordinating unit	1,112,882	4.1%	941,484	24.7%	418,087	1.7%	1,115,442	3.1%	3,587,895	3.9%
Reimbursement of Country offices & Nar'l execution	61,586	0.2%	0	0.0%	91,250	0.4%	2,577,652	7.2%	2,730,488	3.0%
Reimbursement of Central services	229,574	0.9%	0	0.0%	1,168,572	4.7%	151,993	0.4%	1,550,139	1.7%
Less : cost allocated to projects	-46,638	-0.2%	-446,510	-11.7%	0	0.0%	0	0.0%	-493,148	-0.5%
Net cost of the Co-ordinating units	1,357,404	5.0%	494,974	13.0%	1,677,909	6.7%	3,845,087	10.7%	7,375,374	8.0%
Executing agency support cost (internal)	2,010,207	7.5%	0	0.0%	3,348,545	13.4%	0	0.0%	5,358,752	5.8%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	1,075,137	3.0%	1,075,137	1.2%
Total Admin Costs	3,367,611	12.5%	494,974	13.0%	5,026,454	20.1%	4,920,224	13.7%	13,809,263	15.1%
Project Disbursement	26,979,507	100.0%	3,807,487	100.0%	25,006,092	100.0%	35,837,888	100.0%	91,630,974	100.0%
Total disbursement	30,347,118		4,302,461		30,032,546		40,758,112		105,440,237	
Treasurer's report	33,209,390		4,303,410		28,256,885		40,457,112		106,226,797	
Difference	-2,862,272		-949		1,775,661		301,000		-786,560	

1996

Staffing					Average
Salaried staff	5.6	24.0	4.0	3.0	9.2
Consultants	0.4	0.0	5.0	4.0	2.4
Total MPU Staff	6.0	24.0	9.0	7.0	11.5
Executing agency or operations group	12.1	0.0	26.9	0.0	9.8
Total staff	18.1	24.0	35.9	7.0	21.3

The Multilateral Fund for the Implementation of the Montreal Protocol
Analysis if Implementing Agencies' Administrative Support Costs

Agency	UNDP		UNEP		UNIDO		World Bank		Combined	
1995	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Personnel costs (salaries & benefits)	367,397	1.3%	338,443	8.5%	263,583	1.6%	379,000	1.5%	1,348,423	1.8%
Consultants (salaries & benefits)	15,000	0.1%	0	0.0%	58,200	0.4%	363,100	1.4%	436,300	0.6%
Travel (personnel)	83,837	0.3%	29,238	0.7%	21,200	0.1%	0	0.0%	134,275	0.2%
Travel (consultants)	10,549	0.0%	0	0.0%	0	0.0%	0	0.0%	10,549	0.0%
Space (rent & common costs)	226,006	0.8%	217,366	5.5%	23,907	0.1%	0	0.0%	467,279	0.6%
Equipment (computers, etc.)	14,174	0.0%	35,770	0.9%	5,000	0.0%	0	0.0%	54,944	0.1%
Contractual services (firms)	2,095	0.0%	42,748	1.1%	0	0.0%	0	0.0%	44,843	0.1%
Other costs (supplies, etc.)	10,271	0.0%	41,597	1.0%	23,760	0.1%	661,099	2.5%	736,727	1.0%
Total cost of co-ordinating unit	729,329	2.6%	705,162	17.7%	395,650	2.4%	1,403,199	5.4%	3,233,340	4.3%
Reimbursement of Country offices & Nar'l execution	112,973	0.4%	0	0.0%	20,000	0.1%	3,304,315	12.7%	3,437,288	4.6%
Reimbursement of Central services	241,895	0.9%	170,935	4.3%	842,175	5.1%	322,451	1.2%	1,577,456	2.1%
Less : cost allocated to projects	0	0.0%	-359,422	-9.0%	0	0.0%	0	0.0%	-359,422	-0.5%
Net cost of the Co-ordinating units	1,084,197	3.8%	516,675	13.0%	1,257,825	7.6%	5,029,965	19.4%	7,888,662	10.5%
Executing agency support cost (internal)	1,877,251	6.6%	0	0.0%	2,508,763	15.2%	0	0.0%	4,386,014	5.9%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	778,575	3.0%	778,575	1.0%
Total Admin Costs	2,961,448	10.4%	516,675	13.0%	3,766,588	22.8%	5,808,540	22.4%	13,053,251	17.4%
Project Disbursement	28,427,496	100.0%	3,974,114	100.0%	16,536,000	100.0%	25,952,499	100.0%	74,890,109	100.0%
Total disbursement	31,388,944		4,490,789	117.9%	20,302,588	81.2%	31,761,039	88.6%	87,943,360	
Treasurer's report	12,702,044		4,490,750	117.9%	18,685,684	74.7%	31,686,039	88.4%	67,564,517	
Difference	18,686,900		39	0.0%	1,616,904	6.5%	75,000	0.2%	20,378,843	

1995

Staffing	UNDP	UNEP	UNIDO	World Bank	1995 Average
Salaried staff	5.4	33.0	4.0	3.0	11.4
Consultants	5.0	0.0	5.0	4.0	3.5
Total MPU Staff	10.4	33.0	9.0	7.0	14.9
Executing agency or operations group	not available	0.0	26.9	0.0	6.7
Total staff	10.4	33.0	35.9	7.0	21.6

Agency	UNDP		UNEP		UNIDO		World Bank		Combined	
1994	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Personnel costs (salaries & benefits)	198,115	3.6%	235,387	7.8%	240,917	10.1%	356,100	4.5%	1,030,519	5.5%
Consultants (salaries & benefits)	400	0.0%	0	0.0%	0	0.0%	512,900	6.4%	513,300	2.7%
Travel (personnel)	49,461	0.9%	25,969	0.9%	35,828	1.5%	0	0.0%	111,258	0.6%
Travel (consultants)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Space (rent & common costs)	62,712	1.1%	158,278	5.3%	16,649	0.7%	0	0.0%	237,639	1.3%
Equipment (computers, etc.)	12,548	0.2%	10,948	0.4%	3,000	0.1%	0	0.0%	26,496	0.1%
Contractual services (firms)	0	0.0%	34,443	1.1%	0	0.0%	0	0.0%	34,443	0.2%
Other costs (supplies, etc.)	1,246	0.0%	18,199	0.6%	14,516	0.6%	276,561	3.5%	310,522	1.6%
Total cost of co-ordinating unit	324,482	5.9%	483,224	16.1%	310,910	13.1%	1,145,561	14.4%	2,264,177	12.0%
Reimbursement of Country offices & Nar'l execution	191,280	3.5%	0	0.0%	40,000	1.7%	2,910,795	36.5%	3,142,075	16.6%
Reimbursement of Central services	0	0.0%	44,361	1.5%	182,880	7.7%	100,637	1.3%	327,878	1.7%
Less : cost allocated to projects	0	0.0%	-137,524	-4.6%	0	0.0%	0	0.0%	-137,524	-0.7%
Net cost of the Co-ordinating units	515,762	9.3%	390,061	13.0%	533,790	22.5%	4,156,993	52.1%	5,596,606	29.7%
Executing agency support cost (internal)	309,986	5.6%	0	0.0%	1,088,362	45.8%	0	0.0%	1,398,348	7.4%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	239,409	3.0%	239,409	1.3%
Total Admin Costs	825,748	15.0%	390,061	13.0%	1,622,152	68.3%	4,396,402	55.1%	7,234,363	38.3%
Project Disbursement	5,516,988	100.0%	3,000,469	100.0%	2,375,091	100.0%	7,980,301	100.0%	18,872,849	100.0%
Total disbursement	6,342,736		3,390,530		3,997,243		12,376,703		26,107,212	
Treasurer's report	7,902,432		3,390,529		2,683,852		12,376,703		26,353,516	
Difference	-1,559,696		1		1,313,391		0		-246,304	

1994					**1994**
Staffing					Average
Salaried staff	3.9	25.0	4.0	3.0	9.0
Consultants	0.0	0.0	5.0	4.0	2.3
Total MPU Staff	3.9	25.0	9.0	7.0	11.2
Executing agency or operations group	not available	0.0	26.9	0.0	6.7
Total staff	3.9	25.0	35.9	7.0	18.0

Section 1a – Agency disbursements per financial statements submitted to the treasurer

		1997	1996	1995	1994	Total
TOTAL	Project disbursement for the year	116,466,550	91,630,974	74,890,109	18,872,849	301,860,482
	Administrative costs for the year	14,330,779	11,707,245	12,776,116	7,243,917	46,058,057
	Total disbursement for the year	130,797,329	103,338,219	87,666,225	26,116,766	347,918,539
	Administrative costs as a % of project disbursement	12.3%	12.8%	17.1%	38.4%	15.3%
	Unliquidated obligations at the end of the year	49,476,158	39,119,098	32,577,274	7,303,431	
WBANK	Project disbursement for the year	49,903,319	35,837,888	25,952,499	7,980,301	119,674,007
	Administrative costs for the year	5,906,068	4,920,224	5,808,540	4,396,402	21,031,234
	Total disbursement for the year	55,809,387	40,758,112	31,761,039	12,376,703	140,705,241
	Administrative costs as a % of project disbursement	11.8%	13.7%	22.4%	55.1%	17.6%
	Unliquidated obligations at the end of the year	18,913,475	10,763,651	13,204,977	3,302,694	

Notes : 1 – Administrative costs are recorded in the trust fund statement when they are disbursed.
2 – Adjusted to show financial intermediaries fees as part of administrative costs rather than project disbursements.

		1997	1996	1995	1994	Total
UNIDO	Project disbursement for the year	29,023,614	25,006,092	16,536,000	2,375,091	72,940,797
	Administrative costs for the year	3,773,069	3,250,791	3,766,588	1,622,152	12,412,600
	Total disbursement for the year	32,796,683	28,256,883	20,302,588	3,997,243	85,353,397
	Administrative costs as a % of project disbursement	13.0%	13.0%	22.8%	68.3%	17.0%
	Unliquidated obligations at the end of the year	14,435,842	11,880,572	380,769	1,873,348	

Notes : 1 – Administrative costs are recorded in the trust fund statement at 13% when costs are incurred.

		1997	1996	1995	1994	Total
UNDP	Project disbursement for the year	34,177,580	26,979,507	28,427,496	5,516,988	95,101,571
	Administrative costs for the year	4,214,577	3,041,256	2,684,353	835,302	10,775,488
	Total disbursement for the year	38,392,157	30,020,763	31,111,849	6,352,290	105,877,059
	Administrative costs as a % of project disbursement	12.3%	11.3%	9.4%	15.1%	11.3%
	Unliquidated obligations at the end of the year	15,606,900	16,474,875	18,991,528	2,127,389	

Notes : 1 – Administrative costs are recorded in the trust fund statement when costs are incurred.

		1997	1996	1995	1994	Total
UNEP	Project disbursement for the year	3,362,037	3,807,487	3,974,114	3,000,469	14,144,107
	Administrative costs for the year	437,065	494,974	516,635	390,061	1,838,735
	Total disbursement for the year	3,799,102	4,302,461	4,490,749	3,390,530	15,982,842
	Administrative costs as a % of project disbursement	13.0%	13.0%	13.0%	13.0%	13.0%
	Unliquidated obligations at the end of the year	519,941	0	0	0	

Notes : 1 – Administrative costs are recorded in the trust fund statement when project costs are incurred.

:tion 2a – Staffing of MP co-ordinating units

		1997	1996	1995	1994	Average
TAL sonnel	Number of full-time, part-time agency staff (employees)	39.7	37.6	46.4	35.9	39.9
	Employment cost of employees (salaries and benefits)	3,182,738	3,051,753	2,067,643	1,561,663	2,465,949
	Average salary	80,170	81,164	44,561	43,500	61,803
	Number of consultants working as full or part-time staff	5.3	6.4	15.0	4.0	7.7
	Employment cost of consultants (salaries and benefits)	312,131	354,668	436,300	513,300	404,100
	Average employment cost	58,893	55,417	29,087	128,322	52,651
	Number of staff (all types)	45.0	44.0	61.4	39.9	47.6
	Employment cost of all staff	3,494,869	3,406,421	2,503,943	2,074,963	2,870,049
	Average salary	77,664	77,419	40,781	52,004	60,327
BANK :rsonnel	Number of full-time, part-time agency staff (employees)	5.0	4.0	4.0	3.0	4.0
	Employment cost of employees (salaries and benefits)	620,000	523,000	379,000	356,100	469,525
	Average salary	124,000	130,750	94,750	118,700	117,381
	Number of consultants working as full or part-time staff	3.5	4.0	5.0	4.0	4.1
	Employment cost of consultants (salaries and benefits)	200,000	277,000	363,100	512,900	338,250
	Average employment cost	57,143	69,250	72,620	128,225	82,000
	Number of staff (all types)	8.5	8.0	9.0	7.0	8.1
	Employment cost of all staff	820,000	800,000	742,100	869,000	807,775
	Average salary	96,471	100,000	82,456	124,143	99,418
INIDO 'ersonnel	Number of full-time, part-time agency staff (employees)	6.0	4.0	4.0	4.0	4.5
	Employment cost of employees (salaries and benefits)	428,333	310,800	263,583	240,917	310,908
	Average salary	71,389	77,700	65,896	60,229	69,091
	Number of consultants working as full or part-time staff	1.0	2.0	5.0	0.0	2.0
	Employment cost of consultants (salaries and benefits)	7,000	35,600	58,200	0	25,200
	Average employment cost	7,000	17,800	11,640	n/a	12,600
	Number of staff (all types)	7.0	6.0	9.0	4.0	6.5
	Employment cost of all staff	435,333	346,400	321,783	240,917	336,108
	Average salary	62,190	57,733	35,754	60,229	51,709
UNDP Personnel	Number of full-time, part-time agency staff (employees)	8.7	5.6	5.4	3.9	5.9
	Employment cost of employees (salaries and benefits)	667,033	692,898	367,397	198,115	481,361
	Average salary	76,670	123,732	68,036	50,799	81,587
	Number of consultants working as full or part-time staff	0.8	0.4	5.0	0.0	1.6
	Employment cost of consultants (salaries and benefits)	105,131	42,068	15,000	400	40,650
	Average employment cost	131,414	105,170	3,000	4,000,000	26,225
	Number of staff (all types)	9.5	6.0	10.4	3.9	7.5
	Employment cost of all staff	772,164	734,966	382,397	198,515	522,011
	Average salary	81,280	122,494	36,769	50,900	70,068
UNEP Personnel	Number of full-time, part-time agency staff (employees)	20.0	24.0	33.0	25.0	25.5
	Employment cost of employees (salaries and benefits)	1,467,372	1,525,055	1,057,663	766,531	1,204,155
	Average salary	73,369	63,544	32,050	30,661	47,222
	Number of consultants working as full or part-time staff	0.0	0.0	0.0	0.0	0.0
	Employment cost of consultants (salaries and benefits)	0	0	0	0	0
	Average employment cost	n/a	n/a	n/a	n/a	n/a
	Number of staff (all types)	20.0	24.0	33.0	25.0	25.5
	Employment cost of all staff	1,467,372	1,525,055	1,057,663	766,531	1,204,155
	Average salary	73,369	63,544	32,050	30,661	47,222

ection 4 – Information regarding staffing of MP executing agency units

		1997	1996	1995	1994	Average
OTAL	Number of full-time, part-time agency staff (employees)	52.4	47.2	26.9	13.3	34.9
rsonnel	Employment cost of employees (salaries and benefits)	4,166,298	3,816,332	1,083,763	884,538	2,487,733
	Average salary	79,585	80,854	40,289	66,507	71,205
	Number of consultants working as full or part-time staff	0.0	0.0	0.0	0.0	0.0
	Employment cost of consultants (salaries and benefits)	5,986	1,225	378	0	1,897
	Average employment cost	299,300	61,250	37,800	n/a	151,780
	Number of staff (all types)	52.4	47.2	26.9	13.3	35.0
	Employment cost of all staff	4,172,284	3,817,557	1,084,141	884,538	2,489,630
	Average salary	79,669	80,846	40,288	66,507	71,234
BANK	Number of full-time, part-time agency staff (employees)	0.0	0.0	0.0	0.0	0.0
rsonnel	Employment cost of employees (salaries and benefits)	0	0	0	0	0
	Average salary	n/a	n/a	n/a	n/a	n/a
	Number of consultants working as full or part-time staff	0.0	0.0	0.0	0.0	0.0
	Employment cost of consultants (salaries and benefits)	0	0	0	0	0
	Average employment cost	n/a	n/a	n/a	n/a	n/a
	Number of staff (all types)	0.0	0.0	0.0	0.0	0.0
	Employment cost of all staff	0	0	0	0	0
	Average salary	n/a	n/a	n/a	n/a	n/a
NIDO	Number of full-time, part-time agency staff (employees)	40.3	35.1	26.9	13.3	28.9
rsonnel	Employment cost of employees (salaries and benefits)	3,040,022	2,880,156	1,083,763	884,538	1,972,120
	Average salary	75,528	82,056	40,289	66,507	68,269
	Number of consultants working as full or part-time staff	0.0	0.0	0.0	0.0	0.0
	Employment cost of consultants (salaries and benefits)	0	0	378	0	95
	Average employment cost	n/a	n/a	37,800	n/a	37,800
	Number of staff (all types)	40.3	35.1	26.9	13.3	28.9
	Employment cost of all staff	3,040,022	2,880,156	1,084,141	884,538	1,972,214
	Average salary	75,528	82,056	40,288	66,507	68,266
NDP	Number of full-time, part-time agency staff (employees)	12.1	12.1	n/a	n/a	12.1
rsonnel	Employment cost of employees (salaries and benefits)	1,126,276	936,176	n/a	n/a	1,031,226
	Average salary	93,081	77,370	n/a	n/a	85,225
	Number of consultants working as full or part-time staff	0.0	0.0	n/a	n/a	0.0
	Employment cost of consultants (salaries and benefits)	5,986	1,225	n/a	n/a	3,606
	Average employment cost	299,300	61,250	n/a	n/a	180,275
	Number of staff (all types)	12.1	12.1	n/a	n/a	12.1
	Employment cost of all staff	1,132,262	937,401	n/a	n/a	1,034,832
	Average salary	93,421	77,343	n/a	n/a	85,382
NEP	Number of full-time, part-time agency staff (employees)	0.0	0.0	0.0	0.0	0.0
rsonnel	Employment cost of employees (salaries and benefits)	0	0	0	0	0
	Average salary	n/a	n/a	n/a	n/a	n/a
	Number of consultants working as full or part-time staff	0.0	0.0	0.0	0.0	0.0
	Employment cost of consultants (salaries and benefits)	0	0	0	0	0
	Average employment cost	n/a	n/a	n/a	n/a	n/a
	Number of staff (all types)	0.0	0.0	0.0	0.0	0.0
	Employment cost of all staff	0	0	0	0	0
	Average salary	n/a	n/a	n/a	n/a	n/a

Section 2b – Space and common costs of MP co-ordinating units

1997 Space costs	World Bank	UNIDO	UNDP	UNEP	Total
Space costs, including rent if any	$70,000	$28,468	$226,707	$247,595	$572,770
Square meters used for the coord. unit	186	99	437	345	1,067
Cost per square meters	$377	$288	$519	$718	$537
Square meters per person	22	14	46	17	24
Cost per person	$8,235	$4,067	$23,864	$12,380	$12,728
Number of staff (employees and consultants)	8.5	7.0	9.5	20.0	45
Basis on which MPU pays for space		UNIDO building is owned. Costs are shared $1.294 per module (4.5 sq. meter)	UNDP premises are rented. Rent is paid at $54 per sq. ft.	UNEF building is rented. Rent is paid at $586 per sq. meter.	

Section 4 – Information regarding administrative costs of executing agencies

1997 Space costs	World Bank	UNIDO	UNDP	UNEP	Total
Space costs, including rent if any	n/a	$261,481	$183,316	n/a	$444,797
Square meters used for the coord. unit	n/a	909	379	n/a	1,288
Cost per square meters	n/a	$288	$484	n/a	$345
Square meters per person	n/a	23	31	n/a	25
Cost per person	n/a	$6,496	$15,125	n/a	$8,493
Number of staff (employees and consultants)	0.0	40.3	12.1	0.0	52.4
Basis on which unit pays for space		UNIDO building is owned. Costs are shared $1.294 per module (4.5 sq. meter)	NOPS premises are rented. Rent is paid at $45 per sq. ft.		

Section 4a – Breakdown of Executing Agency Costs

		1997	1996	1995	1994	Total
TOTAL	Personnel costs (salaries and benefits)	4,163,959	3,805,020	2,083,763	884,538	10,937,280
Direct	Consultants (salaries and benefits)	5,986	1,225	378	0	7,589
	Travel (personnel and consultants)	54,074	22,029	3,903	9,026	89,032
	Space (rent and common costs)	444,797	397,428	200,966	109,584	1,152,775
	Equipment (computers, etc.)	0	0	0	0	0
	Contractual service (firms)	748,092	740,697	0	0	1,488,789
	Other costs (supplies, etc.)	274,599	254,249	219,753	85,214	833,815
	Total cost of MP unit at executing agency	5,691,507	5,220,648	2,508,763	1,088,362	14,509,280
	Less : costs allocated to projects	-207,153	-20,689	0	0	-227,842
	Net administrative costs of the implementing unit	5,484,354	5,199,959	2,508,763	1,088,362	14,281,438
Other	Reimbursement of country office costs	0	0	0	0	0
	Reimbursement of central services	1,238,800	1,199,222	728,377	150,304	3,316,703
	Other (please specify)	0	0	0	0	0
	Total	6,723,154	6,399,181	3,237,140	1,238,666	17,598,141
UNIDO	Personnel costs (salaries and benefits)	3,040,022	2,880,156	2,083,763	884,538	8,888,479
Direct	Consultants (salaries and benefits)	0	0	378	0	378
	Travel (personnel and consultants)	12,568	28	3,903	9,026	25,525
	Space (rent and common costs)	261,481	214,112	200,966	109,584	786,143
	Equipment (computers, etc.)	0	0	0	0	0
	Contractual service (firms)	0	0	0	0	0
	Other costs (supplies, etc.)	274,599	254,249	219,753	85,214	833,815
	Total cost of MP unit at executing agency	3,588,670	3,348,545	2,508,763	1,088,362	10,534,340
	Less : costs allocated to projects	-169,986	0	0	0	-169,986
	Net administrative costs of the implementing unit	3,418,684	3,348,545	2,508,763	1,088,362	10,364,354
Other	Reimbursement of country office costs	0	0	0	0	0
	Reimbursement of central services	1,123,120	1,040,429	728,377	150,304	3,042,230
	Other (please specify)	0	0	0	0	0
	Total	4,541,804	4,388,974	3,237,140	1,238,666	13,406,584
UNDP	Personnel costs (salaries and benefits)	1,123,937	924,864	0	0	2,048,801
Direct	Consultants (salaries and benefits)	5,986	1,225	Breakdown	Breakdown	7,211
	Travel (personnel and consultants)	41,506	22,001	not available	not available	63,507
	Space (rent and common costs)	183,316	183,316	0	0	366,632
	Equipment (computers, etc.)	0	0	0	0	0
	Contractual service (firms)	748,092	740,697	0	0	1,488,789
	Other costs (supplies, etc.)	0	0	0	0	0
	Total cost of MP unit at executing agency	2,102,837	1,872,103	0	0	3,974,940
	Less : costs allocated to projects	-37,167	-20,689	0	0	-57,856
	Net administrative costs of the implementing unit	2,065,670	1,851,414	0	0	3,917,084
Other	Reimbursement of country office costs	0	0	Breakdown	Breakdown	0
	Reimbursement of central services	115,680	158,793	not available	not available	274,473
	Other (please specify)	0	0	0	0	0
	Total	2,181,350	2,010,207	0	0	4,191,557

		1997	1996	1995	1994	Total
VBANK	Personnel costs (salaries and benefits)	0	0	0	0	0
)irect	Consultants (salaries and benefits)	0	0	0	0	0
	Travel (personnel and consultants)	0	0	0	0	0
	Space (rent and common costs)	0	0	0	0	0
	Equipment (computers, etc.)	0	0	0	0	0
	Contractual service (firms)	0	0	0	0	0
	Other costs (supplies, etc.)	0	0	0	0	0
	Total cost of MP unit at executing agency	0	0	0	0	0
	Less : costs allocated to projects	0	0	0	0	0
	Net administrative costs of the implementing unit	0	0	0	0	0
)ther	Reimbursement of country office costs	0	0	0	0	0
	Reimbursement of central services	0	0	0	0	0
	Other (please specify)	0	0	0	0	0
	Total	0	0	0	0	0
NEP	Personnel costs (salaries and benefits)	0	0	0	0	0
irect	Consultants (salaries and benefits)	0	0	0	0	0
	Travel (personnel and consultants)	0	0	0	0	0
	Space (rent and common costs)	0	0	0	0	0
	Equipment (computers, etc.)	0	0	0	0	0
	Contractual service (firms)	0	0	0	0	0
	Other costs (supplies, etc.)	0	0	0	0	0
	Total cost of MP unit at executing agency	0	0	0	0	0
	Less : costs allocated to projects	0	0	0	0	0
	Net administrative costs of the implementing unit	0	0	0	0	0
ther	Reimbursement of country office costs	0	0	0	0	0
	Reimbursement of central services	0	0	0	0	0
	Other (please specify)	0	0	0	0	0
	Total	0	0	0	0	0

Section 2c – Level of effort required by project

Type of project	Investment	Investment	Investment	Proj. Prep.	Tech. asst.
Size project	100,000	1,000,000	1,000,000	30,000	50,000
Project sector	Ref	Ref	Foam	Any	Any
Agencies	3	3	3	3	3
TOTAL					
Project identification, formulation and approval					
Initial screening of a potential project	0.5	0.8	0.8	0.3	0.5
Preparation of a project proposal (from project approved funds)	2.0	3.5	3.5	0.5	1.8
Preparation of a project proposal (without project preparation funds)	0.0	0.0	0.0	0.3	0.0
Proposal related activities between submission and approval	1.3	1.8	1.8	0.8	1.0
Other activities prior to approval by Executing Committee	1.2	2.5	2.2	0.7	1.0
Project Implementation and monitoring	0.0	0.0	0.0	0.0	0.0
Preparing agreements, terms of reference	1.8	3.2	3.2	0.0	1.5
Selecting, contracting and mobilizing resources	3.0	6.2	6.2	0.0	2.3
Processing contractual and accouting documents	1.7	3.5	3.5	0.0	1.5
Processing payments related to capital costs	0.5	1.5	1.5	0.5	0.5
Processing payments related to reimbursement of operating costs	0.8	1.7	1.7	0.3	0.2
Monitoring progress	3.7	7.3	7.3	0.7	2.3
Preparation of project completion report	2.2	3.7	3.7	0.0	1.2
Total person days	18.7	35.7	35.3	4.2	13.8

ction 2c – Level of effort required by project

Type of project	Investment	Investment	Investment	Proj. Prep.	Tech. asst.
Size project	100,000	1,000,000	1,000,000	30,000	50,000
Project sector	Ref	Ref	Foam	Any	Any
	1	1	1	1	1
ORLD BANK					
ject identification, formulation and approval					
tial screening of a potential project	0.5	1.0	1.0	0.5	0.5
eparation of a project proposal (from project approved funds)	3.0	4.0	4.0	1.0	2.0
eparation of a project proposal (without project preparation funds)	0.0				
oposal related activities between submission and approval	2.0	2.0	2.0	1.0	1.0
her activities prior to approval by Executing Committee	2.0	5.0	4.0	1.0	1.0
ject Implementation and monitoring					
eparing agreements, terms of reference	3.0	4.0	4.0		1.0
lecting, contracting and mobilizing resources	4.0	8.0	8.0		2.0
ocessing contractual and accouting documents	2.0	4.0	4.0		2.0
ocessing payments related to capital costs		2.0	2.0		
ocessing payments related to reinbursement of operating costs	1.0	2.0	2.0		
onitoring progress	6.0	12.0	12.0	1.0	2.0
eparation of project completion report	5.0	8.0	8.0		2.0
tal person days	28.5	52.0	51.0	4.5	13.5
	1	1	1	1	1
IIDO					
oject identification, formulation and approval					
itial screening of a potential project	0.5	1.0	1.0	0.0	0.5
eparation of a project proposal (from project approved funds)	1.0	2.5	2.5	0.5	1.5
eparation of a project proposal (without project preparation funds)	N/A	N/A	N/A	0.0	N/A
oposal related activities between submission and approval	1.0	1.5	1.5	0.5	1.0
her activities prior to approval by Executing Committee	0.5	0.5	0.5	0.0	1.0
oject Implementation and monitoring					
eparing agreements, terms of reference	0.5	1.5	1.5	N/A	1.5
lecting, contracting and mobilizing resources	1.0	2.5	2.5	N/A	1.0
ocessing contractual and accouting documents	1.0	2.5	2.5	N/A	0.5
ocessing payments related to capital costs	0.5	0.5	0.5	0.5	0.5
ocessing payments related to reinbursement of operating costs	0.5	1.0	1.0	0.0	0.5
onitoring progress	1.0	2.0	2.0	0.5	1.0
eparation of project completion report	0.5	1.0	1.0	N/A	0.5
tal person days	8.0	16.5	16.5	2.0	9.5
	1	1	1	1	1
NDP					
oject identification, formulation and approval					
itial screening of a potential project	0.5	0.5	0.5	0.5	0.5
eparation of a project proposal (from project approved funds)	2.0	4.0	4.0	N/A	2.0
eparation of a project proposal (without project preparation funds)	N/A	N/A	N/A	1.0	N/A
oposal related activities between submission and approval	1.0	2.0	2.0	1.0	1.0
ther activities prior to approval by Executing Committee	1.0	2.0	2.0	1.0	1.0
oject Implementation and monitoring					
eparing agreements, terms of reference	2.0	4.0	4.0	N/A	2.0
electing, contracting and mobilizing resources	4.0	8.0	8.0	N/A	4.0
rocessing contractual and accouting documents	2.0	4.0	4.0	N/A	2.0
rocessing payments related to capital costs	1.0	2.0	2.0	1.0	1.0
rocessing payments related to reinbursement of operating costs	1.0	2.0	2.0	1.0	N/A
Ionitoring progress	4.0	8.0	8.0	0.5	4.0
reparation of project completion report	1.0	2.0	2.0	N/A	1.0
otal person days	19.5	38.5	38.5	6.0	18.5

Year	1997		1996		1995		1994		Total	
UNDP	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Personnel costs (salaries & benefits)	667,033	2.0%	692,898	2.6%	367,397	1.3%	198,115	3.6%	1,925,443	2.0%
Consultants (salaries & benefits)	105,131	0.3%	42,068	0.2%	15,000	0.1%	400	0.0%	162,599	0.2%
Travel (personnel)	89,840	0.3%	71,495	0.3%	83,837	0.3%	49,461	0.9%	294,633	0.3%
Travel (consultants)	41,496	0.1%	32,039	0.1%	10,549	0.0%	0	0.0%	84,084	0.1%
Space (rent & common costs)	243,650	0.7%	232,761	0.9%	226,006	0.8%	62,712	1.1%	765,129	0.8%
Equipment (computers, etc.)	23,223	0.1%	5,482	0.0%	14,174	0.0%	12,548	0.2%	55,427	0.1%
Contractual services (firms)	3,627	0.0%	11,100	0.0%	2,095	0.0%	0	0.0%	16,822	0.0%
Other costs (supplies, etc.)	30,639	0.1%	25,039	0.1%	10,271	0.0%	1,246	0.0%	67,195	0.1%
Total cost of co-ordinating unit	1,204,639	3.5%	1,112,882	4.1%	729,329	2.6%	324,482	5.9%	3,371,332	3.5%
Reimbursement of Country offices & Nat'l execution	210,756	0.6%	61,586	0.2%	112,973	0.4%	191,280	3.5%	576,595	0.6%
Reimbursement of Central services	205,923	0.6%	229,574	0.9%	241,895	0.9%	0	0.0%	677,392	0.7%
Less : cost allocated to projects	-52,100	-0.2%	-46,638	-0.2%	0	0.0%	0	0.0%	-98,738	-0.1%
Net cost of the Co-ordinating units	1,569,218	4.6%	1,357,404	5.0%	1,084,197	3.8%	515,762	9.3%	4,526,581	4.8%
Executing agency support cost (internal)	2,181,350	6.4%	2,010,207	7.5%	1,877,251	6.6%	309,986	5.6%	6,378,794	6.7%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Admin Costs	3,750,568	11.0%	3,367,611	12.5%	2,961,448	10.4%	825,748	15.0%	10,905,375	11.5%
Project Disbursement	34,177,580	100.0%	26,979,507	100.0%	28,427,496	100.0%	5,516,988	100.0%	95,101,571	100.0%
Total disbursement	37,928,148		30,347,118		31,388,944		6,342,736		106,006,946	
Treasurer's report	54,493,213		33,209,390		12,702,044		7,902,432		108,307,079	
Difference	-16,565,065		-2,862,272		18,686,900		-1,559,696		-2,300,133	

UNDP

UNDP

Note 1 : Reimbursement of central services was originally included by UNDP in 1997 only. As this apparently represented a retroactive and cumulative charge for years 1995, 1996 and 1997, PwC reallocated that amount to those three years based on data submitted in a previous questionnaire.

Note 2 : With respect to project disbursements, differences between UNDP reporting and the Treasurer's report arise primarily due to differences in recording unliquidated obligations, or in other words, firm commitments.

Note 3 : UNDO reports unrecorded liabilities to country offices in the amount of $723,000 at the end of 1997. These are apparently entitlements that could be reimbursed but have not been invoiced by country offices.

Reconciling items

UNDP

Reconciliation of financial statements to response provided in cost questionnaire

	1997	1996	1995	1994	Total
Administrative costs as per the financial statements	4,214,577	3,041,256	2,684,353	835,302	10,775,488
Administrative costs as per questionnaire	3,750,568	3,367,611	2,961,448	825,748	10,905,375
Difference to be explained	464,009	-326,355	-277,095	9,554	-129,887
Balance – unexplained	464,009	-326,355	-277,095	9,554	-129,887

Staffing					Average
Salaried staff	8.7	5.6	5.4	3.9	5.9
Consultants	0.8	0.4	5.0	0.0	1.6
Total MPU Staff	9.5	6.0	10.4	3.9	7.5
Executing agency or operations group	12.1	12.1	not available	not available	12.1
Total staff	21.6	18.1	10.4	3.9	19.6

UNDP

UNDP

Year	1997		1996		1995		1994		Total	
UNIDO – Administrative Support Costs	$	%	$	%	$	%	$	%	$	%
Personnel costs (salaries & benefits)	428,333	1.5%	310,800	1.2%	263,583	1.6%	240,917	10.1%	1,243,633	1.7%
Consultants (salaries & benefits)	7,000	0.0%	35,600	0.1%	58,200	0.4%	0	0.0%	100,800	0.1%
Travel (personnel)	30,589	0.1%	26,800	0.1%	21,200	0.1%	35,828	1.5%	114,417	0.2%
Travel (consultants)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Space (rent & common costs)	28,468	0.1%	19,003	0.1%	23,907	0.1%	16,649	0.7%	88,027	0.1%
Equipment (computers, etc.)	7,000	0.0%	5,000	0.0%	5,000	0.0%	3,000	0.1%	20,000	0.0%
Contractual services (firms)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other costs (supplies, etc.)	30,498	0.1%	20,884	0.1%	23,760	0.1%	14,516	0.6%	89,658	0.1%
Total cost of co-ordinating unit	531,888	1.8%	418,087	1.7%	395,650	2.4%	310,910	13.1%	1,656,535	2.3%
Reimbursement of Country offices & Nat'l execution	80,000	0.3%	91,250	0.4%	20,000	0.1%	40,000	1.7%	231,250	0.3%
Reimbursement of Central services	1,285,363	4.4%	1,168,572	4.7%	842,175	5.1%	182,880	7.7%	3,478,990	4.8%
Less : cost allocated to projects	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net cost of the Co-ordinating units	1,897,251	6.5%	1,677,909	6.7%	1,257,825	7.6%	533,790	22.5%	5,366,775	7.4%
Executing agency support cost (internal)	3,418,684	11.8%	3,348,545	13.4%	2,508,763	15.2%	1,088,362	45.8%	10,364,354	14.2%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Admin Costs	5,315,935	18.3%	5,026,454	20.1%	3,766,588	22.8%	1,622,152	68.3%	15,731,129	21.6%
Project Disbursement	29,023,614	100.0%	25,006,092	100.0%	16,536,000	100.0%	2,375,091	100.0%	72,940,797	100.0%
Total disbursement	34,339,549		30,032,546		20,302,588		3,997,243		88,671,926	
Treasurer's report	32,796,683		28,256,885		18,685,684		2,683,852		82,423,104	
Difference	1,542,866		1,775,661		1,616,904		1,313,391		6,248,822	

UNIDO

UNIDO

Note 1 : Reimbursement of central services calculated as follows:

Central services charged to MPU	162,243	128,143	113,798	32,576	436,760
Central services charges to Executing agency	1,123,120	1,040,429	728,377	150,304	3,042,230
Total shown above as reimbursement of central serv.	1,285,363	1,168,572	842,175	182,880	3,478,990

Reconciling items

UNIDO

Reconciliation of financial statements to response provided in cost questionnaire

	1997	1996	1995	1994	Total
Administrative costs as per the financial statements	3,773,069	3,250,791	3,766,588	1,622,152	12,412,600
Administrative costs as per questionnaire	5,315,935	5,026,454	3,766,588	1,622,152	15,731,129
Difference to be explained	-1,542,866	-1,775,663	0	0	-3,318,529
Cost allocation of central services to executing agency, not actually reimbursed	1,123,120	1,040,429	728,377	150,304	3,042,230
Cost allocation of central services to MPU, not actually reimbursed	162,243	128,143	113,798	32,576	436,760
Balance - unexplained	-56,838,931	-134,253,462	187,863,892	40,844,107	38,696,383

Staffing

					Average
Salaried staff	6.0	4.0	4.0	4.0	4.5
Consultants	1.0	2.0	5.0	0.0	2.0
Total MPU Staff	7.0	6.0	9.0	4.0	6.5
Executing agency or operations group	40.3	35.1	26.9	13.3	28.9
Total staff	47.3	41.1	35.9	17.3	35.4

Year	1997		1996		1995		1994		Total	
World Bank – Administrative Support Costs	$	%	$	%	$	%	$	%	$	%
Personnel costs (salaries & benefits)	620,000	1.2%	523,000	1.5%	379,000	1.5%	356,100	4.5%	1,878,100	1.6%
Consultants (salaries & benefits)	200,000	0.4%	277,000	0.8%	363,100	1.4%	512,900	6.4%	1,353,000	1.1%
Travel (personnel)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Travel (consultants)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Space (rent & common costs)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Equipment (computers, etc.)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Contractual services (firms)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other costs (supplies, etc.)	498,061	1.0%	315,442	0.9%	661,099	2.5%	276,561	3.5%	1,751,163	1.5%
Total cost of co-ordinating unit	1,318,061	2.6%	1,115,442	3.1%	1,403,199	5.4%	1,145,561	14.4%	4,982,263	4.2%
Reimbursement of Country offices & Nat'l execution	2,885,025	5.8%	2,577,652	7.2%	3,304,315	12.7%	2,910,795	36.5%	11,677,787	9.8%
Reimbursement of Central services	205,880	0.4%	151,993	0.4%	322,451	1.2%	100,637	1.3%	780,961	0.7%
Less : cost allocated to projects	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net cost of the Co-ordinating units	4,408,966	8.8%	3,845,087	10.7%	5,029,965	19.4%	4,156,993	52.1%	17,441,011	14.6%
Executing agency support cost (internal)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Financial intermediaries	1,497,100	3.0%	1,075,137	3.0%	778,575	3.0%	239,409	3.0%	3,590,221	3.0%
Total Admin Costs	5,906,066	11.8%	4,920,224	13.7%	5,808,540	22.4%	4,396,402	55.1%	21,031,232	17.6%
Project Disbursement	49,903,319	100.0%	35,837,888	100.0%	25,952,499	100.0%	7,980,301	100.0%	119,674,007	100.0%
Total disbursement	55,809,385		40,758,112		31,761,039		12,376,703		140,705,239	
Treasurer's report	55,809,387		40,457,112		31,686,039		12,376,703		140,329,241	
Difference	-2		301,000		75,000		0		375,998	

World Bank

World Bank

Reconciling items

WORLD BANK

Reclassification of financial statements to reflect financial intermediaries' fees as administrative costs

Year	1997		1996		1995		1994		Total
World Bank – Administrative Support Costs	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**
Project disbursements as per the financial statements	51,400,419		36,913,025		26,731,074		8,219,710		123,264,228
Less : payments fo financial intermediaries	-1,497,100		-1,075,137		-778,575		-239,409		-3,590,221
Net project disbursements (expenditures)	49,903,319		35,837,888		25,952,499		7,980,301		119,674,007
Administration expenses as per the fin. statements	4,408,968		3,845,087		5,029,965		4,156,993		17,441,013
Plus : payments to financial intermediaries	1,497,100		1,075,137		778,575		239,409		3,590,221
Gross administrative costs	5,906,068		4,920,224		5,808,540		4,396,402		21,031,234
Admin costs as a % of project exp. - per f/s	8.6%		10.4%		18.8%		50.6%		14.1%
Admin costs as a % of project exp. - after adjustments	11.8%		13.7%		22.4%		55.1%		17.6%

Staffing					Average
Salaried staff	5.0	4.0	4.0	3.0	4.0
Consultants	3.5	4.0	5.0	4.0	4.1
Total MPU Staff	8.5	8.0	9.0	7.0	8.1
Executing agency or operations group	0.0	0.0	0.0	0.0	0.0
Total staff	8.5	8.0	9.0	7.0	8.1

World Bank

World Bank

Reconciling items

WORLD BANK analysis of costs reimbursed to country offices	Gross	MPU	Net		Cum ave/estimate
1997					
Personnel costs	620,000	620,000	0		822,312
Consultants	200,000	200,000	0		1,694,366
Travel (personnel)			0		331,337
Travel (consultants)	105,228	105,228	0		313,038
Space (rent & common costs)			0		0
Contractual services	75,000	75,000	0		130,431
Sundry : Staff			0		101,229
Sundry : Consultant	3,513,968		3,513,968		121,256
	4,514,196	1,000,228	3,513,968		3,513,968
1996					
Personnel costs	1,112,622	523,000	589,622	18%	23%
Consultants	1,980,165	277,000	1,703,165	53%	48%
Travel (personnel)	294,261		294,261	9%	9%
Travel (consultants)	428,418	71,614	356,804	11%	9%
Space (rent & common costs)			0	0%	0%
Contractual services	207,065	75,000	132,065	4%	4%
Sundry : Staff	70,133		70,133	2%	3%
Sundry : Consultant	64,329		64,329	2%	3%
	4,156,993	946,614	3,210,379	100%	100%

Reconciling items

WORLD BANK analysis of costs reimbursed to country offices	Gross	MPU	Net		Cum ave/estimate
1995					
Personnel costs	1,430,519	379,000	1,051,519	26%	26%
Consultants	2,133,032	363,100	1,769,932	44%	46%
Travel (personnel)	377,577		377,577	9%	10%
Travel (consultants)	517,875	183,399	334,476	8%	8%
Space (rent & common costs)			0	0%	0%
Contractual services	191,174	75,000	116,174	3%	4%
Sundry : Staff	154,893		154,893	4%	3%
Sundry : Consultant	224,895		224,895	6%	4%
	5,029,965	1,000,499	4,029,466	100%	100%
1994					
Personnel costs	1,112,622	356,100	756,522	25%	
Consultants	1,980,165	512,900	1,467,265	49%	
Travel (personnel)	294,261		294,261	10%	
Travel (consultants)	428,418	206,956	221,462	7%	
Space (rent & common costs)			0	0%	
Contractual services	207,065	75,000	132,065	4%	
Sundry : Staff	70,133		70,133	2%	
Sundry : Consultant	64,329		64,329	2%	
	4,156,993	1,150,956	3,006,037	100%	

Year	1997		1996		1995		1994		Total	
UNEP – Administrative Support Costs	$	%	$	%	$	%	$	%	$	%
Personnel costs (salaries & benefits)	624,079	18.6%	624,007	16.4%	338,443	8.5%	235,387	7.8%	1,821,916	12.9%
Consultants (salaries & benefits)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Travel (personnel)	47,673	1.4%	21,726	0.6%	29,238	0.7%	25,969	0.9%	124,606	0.9%
Travel (consultants)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Space (rent & common costs)	247,595	7.4%	232,320	6.1%	217,366	5.5%	158,278	5.3%	855,559	6.0%
Equipment (computers, etc.)	50,330	1.5%	384	0.0%	35,770	0.9%	10,948	0.4%	97,432	0.7%
Contractual services (firms)	28,451	0.8%	45,534	1.2%	42,748	1.1%	34,443	1.1%	151,176	1.1%
Other costs (supplies, etc.)	31,598	0.9%	17,513	0.5%	41,597	1.0%	18,199	0.6%	108,907	0.8%
Total cost of co-ordinating unit	1,029,726	30.6%	941,484	24.7%	705,162	17.7%	483,224	16.1%	3,159,596	22.3%
Reimbursement of Country offices & Nat'l execution	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Reimbursement of Central services	0	0.0%	0	0.0%	170,935	4.3%	44,361	1.5%	215,296	1.5%
Less : cost allocated to projects	-592,661	-17.6%	-446,510	-11.7%	-359,422	-9.0%	-137,524	-4.6%	-1,536,117	-10.9%
Net cost of the Co-ordinating units	437,065	13.0%	494,974	13.0%	516,675	13.0%	390,061	13.0%	1,838,775	13.0%
Executing agency support cost (internal)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Financial intermediaries	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Admin Costs	437,065	13.0%	494,974	13.0%	516,675	13.0%	390,061	13.0%	1,838,775	13.0%
Project Disbursement	3,362,037	100.0%	3,807,487	100.0%	3,974,114	100.0%	3,000,469	100.0%	14,144,107	100.0%
Total disbursement	3,799,102		4,302,461		4,490,789		3,390,530		15,982,882	
Treasurer's report	3,797,090		4,303,410		4,490,750		3,390,529		15,981,779	
Difference	2,012		-949		39		1		1,103	

UNEP

UNEP

Staffing

	1997	1996	1995	1994	Average
Salaried staff	20.0	24.0	33.0	25.0	25.5
Consultants	0.0	0.0	0.0	0.0	0.0
Total MPU Staff	20.0	24.0	33.0	25.0	25.5
Executing agency or operations group	0.0	0.0	0.0	0.0	0.0
Total staff	20.0	24.0	33.0	25.0	25.5

APPENDIX 5

ADMINISTRATIVE COSTS APPROVED BY FUND

Analysis of administrative fees approved by year of approvals

					Projects by agency			
		World Bank			UNDP	UNEP	UNIDO	TOTAL
Year	Total	Admin, legal and financial	Other	1#%	Amt	Amt	Amt	Amt
1991	820,000	320,000	500,000		102,174	192,920	0	1,115,094
1992	978,960	978960	0		1,074,425	221,000	0	2,274,385
1993	1,987,742	1,702,742	285,000		1,749,609	520,364	795,067	5,052,782
1994	1,145,005	1145005			7,353,485	555,547	4,086,487	13,140,524
1995	6,515,036	1,450,646	183,399	4,880,991	4,102,541	536,219	3,507,448	14,661,244
1996	4,341,983			4341983	3,811,790	483,184	2,692,765	11,329,722
1997	8,100,602			8,100,602	6,333,511	1,109,737	5,831,506	21,375,356
	0							
	0					0		0
Total admin fee	23,889,328	5,597,353	968,399	17,323,576	24,527,535	3,618,971	16,913,273	68,949,107

APPENDIX 6

ILLUSTRATION OF RATE BASED ON SIZE

Simulation of the use of a two-rate system

Scenario 1 – Current situation

	Number of projects	Approved Amount	Repartition	Current Rate	Admin Fee
Non-Investment Projects	1,004	108,218,399	17%	13.0%	14,068,392
Investment Projects under $500,000	688	138,605,355	21%	13.0%	18,018,696
	1,692	246,823,754	38%		32,087,088
Portion under $500,000	295	147,500,000	23%	13.0%	19,175,000
Portion over $500,000		251,678,053	39%	13.0%	32,718,147
Investment Projects over $500,000	295	399,178,053	62%	13.0%	51,893,147
Total	1,987	646,001,807	100%	13.0%	83,980,235

Scenario 2 – Reduced rate for portions of projects over $500,000

	Number of projects	Approved Amount	Repartition	Potential Rate	Admin Fee
Non-Investment Projects	1,004	108,218,399	17%	13.0%	14,068,392
Investment Projects under $500,000	688	138,605,355	21%	13.0%	18,018,696
	1,692	246,823,754	38%		32,087,088
Portion under $500,000	295	147,500,000	23%	13.0%	19,175,000
Portion over $500,000		251,678,053	39%	10.0%	25,167,805
Investment Projects over $500,000	295	399,178,053	62%		44,342,805
Total	1,987	646,001,807	100%	11.8%	76,429,893

APPENDIX 7

ILLUSTRATION OF RATE BASED ON SECTOR

Simulation of the use of a two-rate system based on sector

Scenario 1 – Current situation

	Number of projects	Approved Amount	Repartition	Current Rate	Admin Fee
Other types of projects	930	152,298,075	24%	13.0%	19,798,750
	930	152,298,075	24%		19,798,750
Refrigeration projects	532	334,801,525	52%	13.0%	43,524,198
Foam projects	525	158,902,207	25%	13.0%	20,657,287
Mature sectors	1,057	493,703,732	76%	13.0%	64,181,485
Total	1,987	646,001,807	100%	13.0%	83,980,235

Scenario 2 – Reduced rate for portions of projects over $500,000

	Number of projects	Approved Amount	Repartition	Potential Rate	Admin Fee
Other types of projects	930	152,298,075	24%	13.0%	19,798,750
	930	152,298,075	24%		19,798,750
Refrigeration projects	532	334,801,525	52%	10.0%	33,480,153
Foam projects	525	158,902,207	25%	10.0%	15,890,221
Mature sectors	1,057	493,703,732	76%		49,370,373
Total	1,987	646,001,807	100%	10.7%	69,169,123

APPENDIX 8

ILLUSTRATION OF A RATE BASED ON PROJECT TYPE

Simulation of the use of a two-rate system based on project type

Scenario 1 – Current situation

	Number of projects	Approved Amount	Repartition	Current Rate	Admin Fee
Other types of projects	1,203	564,823,224	87%	13%	73,427,019
	1,203	564,823,224	87%		73,427,019
Project preparation	406	28,479,060	4%	13%	3,702,278
Country programme preparation	125	6,325,421	1%	13%	822,305
Technical assistance	253	46,374,102	7%	13%	6,028,633
Administration-like projects	784	81,178,583	13%	13%	10,553,216
Total	1,987	646,001,807	100%	13%	83,980,235

Scenario 2 – Reduced rate for portions of projects over $500,000

	Number of projects	Approved Amount	Repartition	Potential Rate	Admin Fee
Other types of projects	1,203	564,823,224	87%	13%	73,427,019
	1,203	564,823,224	87%		73,427,019
Project preparation	406	28,479,060	4%	0%	0
Country programme preparation	125	6,325,421	1%	0%	0
Technical assistance	253	46,374,102	7%	0%	0
Administration-like projects	784	81,178,583	13%		0
Total	1,987	646,001,807	100%	11%	73,427,019

APPENDIX 9

ANALYSIS CAPITAL AND OPERATING COST CONTENT

Operating Cost By Sector

SECTOR	PROJECTS	TOTAL FUND APPROVED	SUPPORT COST 13%	CAPITAL COST		OPERATING COST	
ARS	95	$24,124,113.00	$1,864,653.00	$30,489,827.00	126%	($6,856,974.00)	-28%
FOA	533	$159,754,779.00	$18,003,248.00	$143,288,734.00	90%	$14,295,192.00	9%
FUM	36	$4,790,960.00	$527,439.00	$2,289,100.00	48%	$0.00	0%
HAL	58	$21,834,149.00	$1,762,040.00	$4,819,673.00	22%	($129,101.00)	-1%
MUS	4	$1,073,307.00	$130,000.00	$0.00	0%	$0.00	0%
OTH	4	$6,064,000.00	$174,720.00	$1,515,516.00	25%	($301,516.00)	-5%
PRO	11	$4,774,934.00	$95,550.00	$4,758,460.00	100%	($406,556.00)	-9%
REF	604	$347,025,519.00	$32,730,512.00	$274,619,014.00	79%	$55,258,729.00	16%
SEV	675	$71,314,380.00	$5,769,192.00	$423,750.00	1%	$260,620.00	0%
SOL	104	$25,905,290.00	$2,103,275.00	$25,596,340.00	99%	($2,315,041.00)	-9%
Totals	2124	$666,661,431.00	$63,160,629.00	$487,800,414.00		$59,805,353.00	

Operating Cost By Type

TYPE	PROJECTS	TOTAL FUND APPROVED	SUPPORT COST 13%	CAPITAL COST		OPERATING COST	
CPG	132	$6,566,078.00	$549,500.00	$0.00	0%	$0.00	0%
DEM	38	$7,292,142.00	$477,718.00	$4,900,008.00	67%	$0.00	0%
INS	106	$15,871,499.00	$1,842,674.00	$423,750.00	3%	$260,620.00	2%
INV	995	$542,777,626.00	$53,685,701.00	$467,570,152.00	86%	$59,444,655.00	11%
PRP	436	$30,683,983.00	$1,645,189.00	$100,000.00	0%	$0.00	0%
TAS	285	$52,033,677.00	$4,108,663.00	$14,703,064.00	28%	$100,078.00	0%
TRA	132	$11,436,426.00	$851,184.00	$103,440.00	1%	$0.00	0%
Totals	2124	$666,661,431.00	$63,160,629.00	$487,800,414.00		$59,805,353.00	