

Cities Alliance - Executive Committee Meeting
17 January 2010
Mumbai, India

15% Staff Costs Guidelines

BACKGROUND:

Since the early days of the Alliance, the CA has applied a guideline that up to 15% of a CA project budget could be used for costs of staff of the implementing organization for “identifying, supervising and delivering activities.”

At Santiago meeting of EXCO (7-8 Sept 2009), the Secretariat reported on discrepancies in member reporting of uses of funds. The 15% fee is not being systematically followed. Certain members have been charging an administration fee and a project level fee. The Secretariat reported on its efforts to increase transparency in its required budget reporting and correct some bad practices.

The EXCO endorsed Secretariat’s efforts and requested the Secretariat to bring to the Mumbai EXCO meeting in January 2010 an assessment of the problems and unsolvable issues and also a comparison with other World Bank-based Global Programmes.

UPDATE:

Although the secretariat has not yet made a comparison with other WB-based programmes, it has made progress in investigating this issue since the Santiago meetings. It has also implemented the Costing Definitions presented at the meeting (see Annex), to bring increased transparency and accuracy to the budgets in project applications. Precise analysis of the problem is difficult, though, even with good definitions because of the structure and limitations of accounting, costing and reporting systems of CA member organisations. There is inherently a certain amount of the problem of “comparing apples and oranges.”

The secretariat continues to receive pressure, particularly from UN-H and GTZ, to increase the 15% guideline.

For purposes of addressing the issues, it is useful to look at two dimensions of the problem:

1. Administration costs (costs of identifying and supervising the project).

The secretariat has identified some projects that exceed 15% for administrative / supervisory costs. For example, in case of GTZ, some projects have an overhead fee taken at HQ level and then at country project level. Likewise, in some cases there appears to have been more than 15% in supervision costs in UN-H implemented

grants. Further, UN-H administrative staff (Programme Support Division – PMOs) would like to see an additional 5% of admin budget available to cover their costs of supporting financial reporting and monitoring for UN-H implemented CA funds.

2. Costs of staff and staff-consultants in delivering TA, training and other project activities.

Because of the 15% limitations, we have found cases where staff costs related to project implementation (eg, project technical support; delivering training; etc.) have been included (hidden) in activity budget lines rather than as part of task team costs. We have also found cases where costs for project implementation have appeared to be for staff-consultant costs (because of the structure and limitations of accounting/costing systems), but after further investigation we were satisfied that staff-consultants were competitively procured for the assignment.

The procurement issue is central to the policy decision. A reason to limit the amount of staff and staff-consultants costs for delivery project services is the principle that clients should have the best qualified specialists to deliver the project activities, procured on a competitive basis. When a salaried staff member of a member organisation provides the services, or a longer-term consultant hired under a broader TOR, then the client might not have access to the most qualified support for the project.

The secretariat recognizes that there are cases, especially in lower income countries, where more intensive staff supervision costs are necessary/ beneficial for advancing project objectives. There are also cases where full-time staff/consultants are hired specifically for project activities through transparent and competitive processes.

The secretariat also notes that CA policy gives preference for client execution, and implementation of the policy should lead to reduced implementation by CA members (and thus, reduce incidences of the problems). There is, however, also an on-going study on project implementation modalities, the results of which are a few months away.

RECOMMENDATION:

The secretariat would support an amendment to CA operating guidelines to re-categorize the 15% to cover only supervision and administrative costs, and thus to exclude from the limit the implementation of activities by CA member organizations.

This recommendation is contingent upon CA members faithfully adhering to the Costing Definitions and transparently reflect in project budgets and financial reporting those costs which are for implementation and which for supervision/administration. This would then allow an appraisal, on a case-by-case basis, on the procurement processes for the CA member implementation costs and the rationale for the member implementing the those specific activities.

Cities Alliance Cost Structure Definition for preparing proposal budgets.

The expenditures that are eligible for Cities Alliance funding are subject to policies and procedures governed by the Cities Alliance Charter. The expenditure definition provided below is in accordance with these policies and procedures. All proposal budgets submitted to Cities Alliance are reviewed and analyzed to make sure that the grant amount approved are only for the eligible expenditures.

Expenditure Heads	Definition of the Expenditures
<p>Project Management/ Supervision/ Administration Cost</p>	<p><i>Project Management/Supervision cost</i>- reasonable incremental expenditures directly attributable to the management, overall supervision, grant management and general execution of the project by the recipient/implementer.(e.g. recipient/implementer Personnel staff cost, travel and per diem cost and fee for grant management)</p> <p><i>Administration cost</i> – reasonable administrative and operating costs directly attributable to the project. (E.g. Office supplies, communication and logistics cost)</p> <p><i>Eligible expenditure for Management/Administration/Supervision/ Implementation cost should not exceed 15% of the funds requested from CA. This cost excludes any Consultancy Service Fee provided to Project Consultant hired for the project period.</i></p>
<p>Consultancy:</p>	<p>-The cost of providing Consultancy Services by International / National consultants or firms under a specific TOR for the project period or part of it. The costing assumptions should detail:</p> <p>Number of contracts involved for each component International or National consultant and Type of contract (individual or a firm) Fee/Rate (International and National Consultant fees should be costed separately) Period of the contract Travel costs, per diem and accommodations (if paid separately)</p> <p><i>The eligible expenditure charged against this expenditure category should also be verifiable against time sheets/invoices/other documentations. This excludes Consultant hired specifically for Training/ Workshop / Seminars</i></p>
<p>Training/Workshops/ Seminars/Consulting –</p>	<p>Training -- costs associated with the training of the project beneficiary for achieving and sustaining the project goals/objectives. This includes Consultants hired with specific TORs. The cost assumptions should detail:</p> <p>Number of training events Number of expected participants per training Cost of venue and equipment rental for training</p>

	<p>Cost of training supplies Travel cost of project beneficiaries Consultants Services assumptions (see Consultancy Service section above.)</p> <p>Workshops/Seminars –costs for conducting workshops/ seminars for achieving the project objectives/goals - The costing assumptions should detail: Number of workshop/seminars. Number of participants expected. Cost of workshop/seminar venue Cost of workshop/seminar supplies Consultants fee for conducting the workshop (if Consultants are specifically hired for conducting the training specific TOR)</p> <p><i>If recipient/implementing partner personnel staff cost incurred for Training/Workshop/Seminars under this category should be co financed by the recipient/implementing partner under the current policy of Cities Alliance</i></p>
Dissemination Cost:	<p>The cost associated with the production, preparation, acquisition, and distribution expenses of outputs not otherwise covered above. (E.g. reports/study materials etc). The expense can also include multimedia cost, web hosting, newspaper media, radio and Television.</p>
Others -	<p>Reasonable costs such as bank charges, project audits, and foreign currency exchange charges (if any). Itemize cost in this category as a note to the proposal budget table.</p>
<p>Note: If there are costs that do not fall within the above definitions please consult with Cities Alliance Secretariat to be included in the budget.</p>	