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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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Montreal, 7–11 December 2026
Item 18 of the provisional agenda[1]

REVIEW OF THE ADMINISTRATIVE COST REGIME OF THE MULTILATERAL FUND AND ITS CORE UNIT FUNDING BUDGET (DECISION 93/95(e))

Introduction

1. At the 93rd meeting, the Executive Committee decided to review the administrative cost regime and its core unit funding budget at the last meeting of 2026, including a review of the implementation of subparagraph (b) of decision 93/95 relating to the one-time increase in core unit funding approved for UNDP, UNIDO and the World Bank for the triennium 2024−2026 for the strengthening of their capacity to provide technical and policy support to Article 5 countries (decision 93/95(e)).

2. At the Thirty-Eighth Meeting of the Parties,[2] the level of replenishment for the triennium 2027−2029 was agreed at US $695 million. This funding level is likely to have an impact on the agencies' future business plans and the corresponding levels of administrative support costs.

3. For the preparation of the present document, the Secretariat undertook an analysis of the following documents:

(a) The consolidated business plan of the Multilateral Fund for 2027–2029,[3] to be presented at the 99th meeting, to assess the total agency support costs available to the implementing agencies for their operations during that period, noting that the agencies submitted their business plans for the period 2027–2029 before the replenishment level for the triennium 2027–2029 was agreed;

[1] UNEP/OzL.Pro/ExCom/99/1
[2] Kigali, Rwanda, 2-6 November 2026
[3] UNEP/OzL.Pro/ExCom/99/22

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

(b) The UNEP Compliance Assistance Programme (CAP) budget and the core unit budgets for UNDP, UNIDO and the World Bank, for 2024, 2025 and 2026;[4]

(c) The analysis on the capacity of Multilateral Fund institutions to address HFC phase-down, presented at the 91st meeting;[5] and

(d) Information contained in the review of the administrative cost regime of the Multilateral Fund for the triennium 2024–2026,[6] relating to the additional resources needed by the agencies on the basis of the expected increase in workload associated with HFC phase-down, and the subsequent approval of those resources pursuant to decision 93/95(b) and (d).

4. The Secretariat held discussions with each of the implementing agencies on the implications of the administrative cost regime for the triennium 2027–2029 and collected information on the use of the additional funding approved under decision 93/95, its impact on project development and implementation, and, based on agencies' experience through September 2026, the need for the continuation of this additional funding.

Overview of the administrative cost regime of the Multilateral Fund

5. Since the inception of the Multilateral Fund, the rates of the programme support costs (PSC), calculated as a ratio of project funding approvals per triennium, have generally hovered below 13 per cent,[7] as shown in table 1.

Table 1. Percentage of administrative costs paid by the Multilateral Fund per triennium since 1991[8]

Agency	1991-1999	2000-2002	2003-2005	2006-2008	2009-2011	2012-2014	2015-2017	2018-2020	2021-2023	2024-2026*	2027-2029**	Total
Bilateral	2.8	11.4	10.7	12.4	12.3	11.7	11.8	11.5	11.8	11.8	11.5	10.0
UNDP	12.9	12.9	13.2	18.3	14.0	13.9	12.8	15.0	16.3	11.6	12.1	13.5
UNEP	13.0	9.7	7.3	7.9	7.6	7.0	7.6	7.6	7.4	8.5	7.2	8.0
UNIDO	12.8	13.4	11.7	14.3	11.9	13.8	14.1	15.4	15.2	10.8	13.4	13.0
World Bank	8.6	10.0	9.9	10.2	13.4	11.0	12.7	20.2	16.9	12.6	28.1	11.0
HPMP verification***											9.0	9.0
KIP verification***											9.0	9.0
Total	**10.7**	**11.6**	**10.8**	**12.0**	**12.2**	**12.1**	**12.2**	**13.9**	**13.6**	**10.9**	**12.4**	**11.8**

* Based on actual approvals from the 94th to the 98th meetings and submissions to the 99th meeting.
** Based on the adjusted consolidated business plan of the Multilateral Fund for 2027–2029 (see paragraph 3(a) above).
*** Funding for verifications for HCFC phase-out management plans (HPMPs) and Kigali HFC implementation plans (KIPs) is included within the respective agencies' project funds for triennia prior to 2027–2029.

[4] The UNEP Compliance Assistance Programme budget for 2027 (UNEP/OzL.Pro/ExCom/99/77) and the 2027 core unit costs for UNDP, UNIDO and the World Bank (UNEP/OzL.Pro/ExCom/99/78) will be considered at the 99th meeting.
[5] UNEP/OzL.Pro/ExCom/91/67
[6] UNEP/OzL.Pro/ExCom/93/101
[7] Decision VIII/4 of the Eighth Meeting of the Parties (December 1996) *inter alia* requested the Executive Committee to, over the next three years, work toward the goal of reducing agency support costs from their current level of 13 per cent to an average of below 10 per cent to make more funds available for other activities. The 25th meeting of the Executive Committee decided: (a) to defer further consideration of the subject (administrative costs of the implementing agencies) to its 26th meeting; (b) to request the implementing agencies to take into account the suggestions made and the views expressed in the course of the discussion when preparing their 1999 business plans, with a view to reaching the goal of reducing agency support costs from their current level of 13 per cent to an average of below 10 per cent so as to make more funds available for other activities (decision 25/54). The 29th meeting of the Executive Committee decided that the level of administrative support costs for retroactive projects would be set at 6 per cent (decision 29/72).
[8] A similar analysis was presented in the document on the review of the administrative cost regime for the 2024–2026 triennium (UNEP/OzL.Pro/ExCom/93/101). The minor differences in some of the figures in table 1 are due to projects that had been closed and balances returned to the Fund, or projects that have been transferred to other agencies.

6. For certain periods and for specific implementing agencies, PSC were above 13 per cent due to a decrease in project funding approvals resulting in a corresponding proportional increase of the core unit budgets for those years.

7. During the triennium 2024–2026, the agencies supported countries in the implementation of approved HPMP stages, the preparation and/or implementation of stage I of KIPs, energy-efficiency projects approved pursuant to decisions 89/6, 91/65, 94/60 and 95/87, and project preparation activities for inventories of unwanted controlled substances. Core unit funding, UNEP CAP funding, and the additional resources approved under decision 93/95 contributed to ensuring that sufficient resources were available to provide this support to countries.

Analysis of the business plan for the 2027–2029 triennium

8. Table 2 presents the trends in approved funding and support costs over the last two triennia and expected funding and support costs in the 2027–2029 triennium.

Table 2. Administrative costs paid by the Fund for the 2021–2023 and 2024–2026 triennia and expected for the 2027–2029 triennium (US $)

Agency	2021-2023*			2024-2026**			2027-2029***		
	Funding	Support costs	Support cost (%)	Funding	Support costs	Support cost (%)	Funding	Support costs	Support cost (%)
Bilateral	12,052,424	1,423,608	11.8	12,838,395	1,518,380	11.8	10,705,518	1,232,927	11.5
UNDP	71,967,915	11,707,793	16.3	104,534,829	12,177,262	11.6	133,546,612	16,129,846	12.1
UNEP	71,263,972	5,308,967	7.4	74,784,619	6,386,182	8.5	85,539,306	6,188,820	7.2
UNIDO	73,577,084	11,208,391	15.2	125,989,429	13,576,417	10.8	103,367,010	13,815,097	13.4
World Bank	48,061,680	8,113,881	16.9	63,704,337	8,043,493	12.6	24,992,868	7,027,712	28.1
HPMP verification****							1,620,000	145,800	9.0
KIP verification****							300,000	27,000	9.0
Total	**276,923,075**	**37,762,640**	**13.6**	**381,851,609**	**41,701,734**	**10.9**	**360,071,314**	**44,567,202**	**12.4**

* Actual funding.
** Based on actual approvals from the 94th to the 98th meetings and submissions to the 99th meeting.
*** Based on the adjusted consolidated business plan of the Multilateral Fund for 2027–2029 (see paragraph 3(a) above).
**** Funding for HPMP and KIP verifications is included within the respective agencies' project funds for triennia prior to 2027–2029.

9. During the triennium 2018–2020, there was a decrease in project funding as compared to the previous triennium. From 2020, the constraints imposed by the COVID-19 pandemic resulted in project implementation delays, which affected the submission of HPMP funding tranche requests. For the triennium 2021–2023, countries across the globe were slowly recovering from the pandemic, and during the triennium 2024–2026, project activities, including KIPs and new initiatives (e.g., energy-efficiency projects), were implemented; some of these new initiatives required additional coordination and technical support, which were provided by the implementing agencies.

10. For the triennium 2027–2029, based on the adjusted consolidated business plan for 2027–2029,[9] the overall funding for projects and activities and associated PSC is estimated at US $360.07 million and US $44.57 million, respectively.[10] The current business plan does not include activities related to stage II of KIPs, as Executive Committee discussions on policies related to the preparation of stage II of KIPs are ongoing.

[9] In the context of the consolidated business plan of the Multilateral Fund for 2027–2029 (UNEP/OzL.Pro/ExCom/99/22).
[10] UNEP/OzL.Pro/ExCom/99/22

Analysis related to the capacity of the Multilateral Fund institutions to address HFC phase-down

Analysis presented at the 91st meeting and decision taken at the 93rd meeting

11. At its 91st meeting, the Executive Committee considered an analysis related to the capacity of the Multilateral Fund institutions to address HFC phase-down while still addressing HCFC phase-out.[11] The document identified key areas requiring strengthened resources and expertise and highlighted the need to strengthen technical and institutional capacity to implement activities relating to HCFC phase-out, HFC phase-down, and other activities beyond compliance. Following the Committee's consideration of that document and pursuant to decision 91/67(b), the Secretariat prepared the review of the administrative cost regime of the Multilateral Fund for the triennium 2024–2026,[12] which included an analysis of the additional resources required by the implementing agencies to address the expected increase in workload associated with HFC phase-down. The document highlighted important elements relevant for capacity-building of Multilateral Fund institutions. During consultations conducted by the Secretariat with implementing agencies and countries, including through network meetings, continued capacity-building was identified as important for addressing key issues arising during the initial phase of KIP implementation, the final stages of HPMP implementation, and other new initiatives, including life-cycle refrigerant management (LRM) and energy-efficiency activities.

12. Following consideration of the information presented in the document, the Committee, *inter alia*, approved an increase in the core unit funding for UNDP, UNIDO and the World Bank, by US $200,000 each, for each year of the triennium 2024–2026, for the strengthening of their capacity to provide technical and policy support to Article 5 countries, on the understanding that the increase only applied to the triennium 2024–2026. The Committee also approved the increase in the UNEP's CAP budget for the years 2024, 2025 and 2026 by US $200,000, US $150,000 and US $150,000, respectively, for providing technical and policy assistance to low-volume-consuming (LVC) countries to support KIP implementation. The Committee further decided that the administrative cost regime and its core unit funding budget would be reviewed at the last meeting of 2026 (decision 93/95).

13. During the consultations on the activities undertaken to strengthen their capacity, agencies indicated that they are addressing some of these gaps through the following:

(a) *Change in delivery and implementation mechanisms*. Implementing agencies are working on improving the efficiency of their processes, procedures, and are implementing mechanisms with a view to improving cost-effectiveness, reducing bureaucracy obstacles, and simplifying operational processes and procedures. Examples include the consolidation of multiple fund transfers under an umbrella agreement; and the streamlining of equipment procurement and delivery processes through harmonized specifications and long-term agreements with suppliers, thus ensuring timely delivery of equipment and conversion and training activities;

(b) *Collaboration with technical experts in specialized areas relating to Montreal Protocol projects*. Core teams of the implementing agencies are being strengthened by engaging experts already in their institutions through cooperation and synergies with other units within their organizations. During the triennium 2024–2026, the agencies demonstrated such collaboration on energy-efficiency project structuring and financing through innovative non-grant financial mechanisms. It is also expected that participation in technical seminars and meetings, and coordination with their organizational units handling other

[11] UNEP/OzL.Pro/ExCom/91/67
[12] UNEP/OzL.Pro/ExCom/93/101

emerging areas of work (e.g., energy efficiency), will, over a period of time, continue to strengthen capacity of staff.

(c) *Additional support required for HCFC phase-out and HFC phase-down activities*. Over the last three years, implementing agencies have provided targeted support to countries in implementing activities planned under HPMPs and KIPs that were largely in the initial phase of implementation. This support facilitated compliance and faster reductions in the consumption of controlled substances, to the extent feasible. The additional resources approved under decision 93/95 assisted the agencies in addressing the increased workload resulting from the parallel and/or integrated implementation of HCFC phase-out and HFC phase-down activities, while providing support to countries in meeting their compliance obligations.

(d) In addition, agencies have used the additional funding approved under decision 93/95 to deploy additional personnel in different regions to support project implementation (e.g., Africa region).

Observations by the Secretariat on the support needed for the implementing agencies

Update on the use of additional funds approved under decision 93/95

14. The agencies indicated that the additional funding approved under decision 93/95 has strengthened their capacity to support countries in project implementation, by increasing the number of personnel for serving the countries in identified regions in a timely and effective manner and engaging technical experts to assist countries in KIP and HPMP implementation and other emerging areas of work (e.g., energy-efficiency projects while phasing down HFCs and unwanted controlled substances inventory activities). These resources were used to provide support for policy and regulatory measures for HFC import and export monitoring; workshops and consultations on plans of action and strategies for the integrated implementation of HCFC phase-out and HFC phase-down activities, including consultations on the adoption of alternative refrigeration and air-conditioning technologies; measures to maximize refrigerant recovery and reuse and enhance servicing practices; and the development and implementation of energy-efficiency projects pursuant to decisions 89/6, 91/65, 94/60, and 95/87. For LVC countries, these resources helped strengthen national capacity for monitoring and reporting HFC consumption; raising awareness of alternative low-global-warming-potential (GWP) technologies and facilitating their adoption in various applications; maximizing recovery and reuse of HCFCs and HFCs; and developing mechanisms to minimize the lock-in of high-GWP refrigerants.

Needs for the triennium 2027–2029

15. During the triennium 2027–2029, agencies will continue to implement activities relating to HPMPs, KIPs, and various energy-efficiency projects.[13] The national inventories of unwanted controlled substances approved pursuant to decision 91/66 will also need to be completed, owing to delays in some cases due also to lack of expertise. Additional technology choices, as well as operational processes and policy decisions, including those related to decision 98/61(b), may also require the participation of additional stakeholders (e.g., national financial institutions, hazardous waste management institutions, and specialized service sector training bodies), which may increase the need for providing support to countries/regions on design and implementation of additional activities. Furthermore, group 2 countries will require support to meet their freeze targets and initiate implementation of their KIPs while also phasing out HCFCs.

[13] This includes implementation of stage I of KIPs, possible preparation of stage II of KIPs, completion of remaining activities related to HPMPs, including processes for monitoring service tail for HCFCs beyond 2030, energy-efficiency activities and LRM activities.

16. Country capacity for project implementation through national ozone units, as well as management processes, require to be continuously strengthened to ensure the cost-effective and integrated implementation of activities. This, in turn, will have an impact on the agencies' capacity-building requirements for supporting countries in implementing their projects in the next triennium.

17. It is recognized that LVC countries continue to face challenges and require special attention for ensuring systematic and smooth implementation of different activities under the Montreal Protocol. During consultations, agencies emphasized that these countries have limited human and institutional resources, their economies are small, many are geographically remote, and they are "technology takers" with significant consumption in the service sector. While support was provided through UNEP's CAP and other agencies, the importance of providing resources to the agencies for project management support and technical and policy advice was highlighted.

18. Based on consultations with the agencies and the analysis presented above, the Secretariat identified two areas where the implementing agencies would benefit from continuous support: (a) strengthening agency technical capacity to assist all Article 5 countries in implementing existing and emerging activities; and (b) strengthening technical and management support for projects in LVC countries. Continued support in these areas would facilitate timely and systematic project design and implementation and build the capacity of agencies to address emerging areas of work.

Strengthening the technical capacity of agencies

Core unit

19. The funding available under core unit budgets provides resources for staffing and other operational activities for project implementation support. The additional resources approved under decision 93/95 supplemented these budgets and enabled agencies to assist countries that required enhanced support. Together, the core unit funding and the additional resources available under decision 93/95 have assisted the agencies in addressing capacity-building support required for policy and technical aspects of HFC phase-down activities, including in group 2 countries, supporting the control and monitoring processes of HCFC consumption, particularly beyond 2030, and addressing emerging areas such as LRM and energy-efficiency activities. Continued implementation of those activities will require resources beyond those available under the existing core unit funding arrangements.

Impact of the additional support on the overall administrative cost for the agencies

20. Maintaining the additional core unit funding of US $200,000 per year for UNDP, UNIDO and the World Bank during the triennium 2027–2029 would result in a 0.7 per cent increase in programme support costs, estimated as a percentage of project costs included in the current adjusted business plans of the three agencies for the triennium. For UNEP's CAP, continuation of the additional funding of US $500,000 for the triennium 2027–2029, plus agency support costs, would represent an increase of 1.4 per cent of the CAP budget funding. Given the capacity-building and technical and policy assistance needs of Article 5 countries, the Secretariat considers that these additional resources would assist agencies in providing enhanced support for project preparation and implementation.

21. The continued provision of these additional resources should be reviewed at the end of the triennium 2027–2029, in the context of the review of the administrative cost regime of the Multilateral Fund for the triennium 2030–2032. This analysis to be presented at the last meeting of 2029, should take into consideration the cost guidelines applicable to the different activities, the support requirements associated with activities planned for the triennium 2030–2032, and the anticipated reduction in effort associated with the completion of HPMP-related activities from 2030 onwards.

Recommendation

22. The Executive Committee may wish:

(a) To note the review of the administrative cost regime of the Multilateral Fund and its core unit funding budget (decision 93/95(e)), as contained in document UNEP/OzL.Pro/ExCom/99/87;

(b) To consider:

(i) Maintaining the administrative cost regime of the Multilateral Fund for the triennium 2024–2026 for the triennium 2027–2029;

(ii) Maintaining the additional funding in the core unit funding for UNDP, UNIDO and the World Bank approved in decision 93/95(b), of US $200,000 each, for each year of the triennium 2027–2029, for the strengthening of their capacity to provide technical and policy support to Article 5 countries;

(iii) Maintaining the additional funding in the Compliance Assistance Programme (CAP) budget that was approved in decision 93/95(d) for the years 2027, 2028 and 2029 by US $200,000, US $150,000 and US $150,000, respectively, for providing technical and policy assistance to low-volume-consuming (LVC) countries to support implementation of Kigali HFC implementation plans, on the understanding that:

a. The funding allocation for each year would be used within 24 months, and the balances would be returned to the Multilateral Fund;

b. UNEP would report on the technical and policy assistance activities provided to LVC countries and their impact as part of the narrative of their CAP annual progress reports; and

(c) To review the administrative cost regime and its core unit funding budget at the last meeting of 2029, i.e., the last meeting of the triennium 2027–2029.