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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-sixth Meeting
Montreal, 2-6 November 2020
Postponed to 8-12 March 2021¹

**ANALYSIS OF THE ADMINISTRATIVE COST REGIME AND CORE UNIT FUNDING
(DECISION 84/61(c))**

Background

1. Since the establishment of the Multilateral Fund, the Executive Committee has kept under review the Fund's administrative costs, usually at the meeting immediately prior to the next replenishment of the Multilateral Fund in order to decide on the administrative cost regime for the next triennium.
2. At its 84th meeting, while approving the 2020 core unit budgets for UNDP, UNIDO and the World Bank, the Executive Committee *inter alia* requested the Secretariat to present, at the 86th meeting, the outcomes of the analysis on the administrative cost regime and core unit funding, taking into consideration relevant decisions by the Executive Committee, including those at its 84th and 85th meetings, on the basis of which the Committee would decide whether the administrative cost regime of the Multilateral Fund for the 2018–2020 triennium could be maintained for the 2021–2023 triennium (decision 84/61(c)).

Analysis for the 2018–2020 and 2021–2023 trienniaAdministrative cost regime for the 2018–2020 triennium and related decisions

3. At its 79th meeting, the Executive Committee considered the report prepared by a consultant on the review of the administrative cost regime and its core unit funding budget for the assessment of administrative costs for the 2018–2020 triennium.² Subsequent to a discussion, the Committee decided *inter alia*:

¹ Due to coronavirus disease (COVID-19)

² UNEP/OzL.Pro/ExCom/79/43

- (a) To maintain the current administrative cost regime of the Multilateral Fund for the 2018–2020 triennium (decision 79/41(c));
- (b) To request UNDP, UNIDO and the World Bank to present their annual reports on core unit funding using the revised format (decision 79/41(e)); and
- (c) To request the Secretariat to prepare for the 82nd meeting a document on the duties and costs associated with project management units (PMUs), analysing how those costs and duties related to institutional strengthening (IS), the Compliance Assistance Programme (CAP), project preparation funding, and support cost for project implementation and verification activities; as well as the extent to which agencies passed on administrative duties to other institutions (decision 79/41(f)).

4. The Executive Committee considered this matter at the 82nd meeting³ and 83rd meeting⁴ and *inter alia* requested bilateral and implementing agencies, when submitting tranche funding requests for HCFC phase-out management plans (HPMPs), to include in the tranche implementation plan, the specific activities that would be implemented by the PMU, and the associated funding; and in the implementation report of the previous tranche, the activities implemented by the PMU and the associated funding disbursed (decision 83/61(b)).⁵

Impact of the COVID-19 pandemic

5. In 2020, due to the extraordinary situation resulting from the COVID-19 pandemic, both the Executive Committee⁶ and the Parties to the Montreal Protocol⁷ were unable to hold in-person meetings as originally planned.

6. To ensure continuity of compliance-related activities in Article 5 countries, the Executive Committee implemented, on an exceptional basis and without setting a precedent, an intersessional approval process (IAP) for both the 85th and 86th meetings that were originally proposed to be held in 2020, to consider certain documents, reports and projects that were submitted to those meetings. As the meetings could not be held in 2020, the Committee postponed both, the 85th and 86th meetings, to March 2021. The Executive Committee also agreed to consider those documents not addressed through the IAPs, mostly policy-related documents, at its postponed 86th meeting. During the IAP established for the 86th meeting, the Executive Committee *inter alia* approved the UNEP CAP, and the core unit budgets for UNDP, UNIDO and the World Bank for 2021.⁸ In approving the latter, the Committee noted that the levels for the 2021 core unit budgets could be adjusted based on the outcomes of discussion of the Analysis of the administrative cost regime and core unit funding (decision 84/61(c)), at the postponed 86th meeting in March 2021.⁹

7. The Parties to the Montreal Protocol also held their meetings in the form of online work with a reduced agenda. Under such circumstances, the Parties were unable to adopt a decision on the replenishment of the Multilateral Fund for the period 2021–2023. Instead, during the on-line Thirty-Second Meeting, the

³ UNEP/OzL.Pro/ExCom/82/63

⁴ UNEP/OzL.Pro/ExCom/83/39

⁵ At the 81st meeting, a new format for reporting PMU costs for stage II of the HPMP for China was approved (decision 81/46).

⁶ The 85th meeting (Montreal, Canada, 25 to 29 May 2020) and the 86th meeting (Montreal, Canada, 2 to 6 November 2020).

⁷ The 42nd Open-ended Working Group meeting (Montreal, Canada, 13 to 17 July 2020), and the combined twelfth meeting of the Conference of the Parties to the Vienna Convention for the Protection of the Ozone Layer and the Thirty-Second Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer (Tashkent, Uzbekistan, 23 to 27 November 2020).

⁸ Paragraphs 139(c) and 141(b), respectively, of UNEP/OzL.Pro/ExCom/86/IAP/3.

⁹ Paragraph 141(c) of UNEP/OzL.Pro/ExCom/86/IAP/3.

Parties noted that they will take a decision in 2021 on the replenishment of the Fund to adopt a budget for the triennium 2021–2023, including regular contributions, and adopted an interim budget for the Multilateral Fund for the triennium 2021–2023 of US \$268 million, prioritizing those funds for the year 2021 as part of the triennium 2021–2023, until such time as the Parties adopt a final decision on replenishment, including a revised budget, for the triennium 2021–2023, on the understanding that the interim budget will be provided from anticipated contributions due to the Multilateral Fund and other sources for the triennium 2018–2020 (decision XXXII/1).

8. The Parties also authorized the Ozone Secretariat to organize an extraordinary Meeting of the Parties in 2021 to enable Parties to take a decision on the replenishment of the Multilateral Fund for the triennium 2021–2023 if and when the circumstances related to the pandemic permit it (decision XXXII/2).

Policy-related documents to be discussed

9. In line with the agreed procedures for conducting the 85th and 86th meetings, most policy documents would be considered at the postponed 86th meeting, including, *inter alia*, the review of institutional strengthening projects, the cost guidelines for HFC phase-down, the implications of a parallel or integrated implementation of HCFC phase-out and HFC phase-down activities, and matters related to energy efficiency. The outcomes of the discussions by the Executive Committee and the decisions it would adopt on those policy issues would determine the funding levels of projects and the associated administrative support costs for the bilateral and implementing agencies. Once these decisions are adopted, the Secretariat would be able to undertake the analysis of the administrative cost regime for the 2021–2023 triennium.

Business-as-usual

10. Under “business-as-usual” scenario, for the assessment of the administrative cost regime for the period 2021–2023, the Secretariat would have *inter alia* analyzed the information available from projects that would have been approved at the 85th meeting and the projects that would have been submitted to the 86th meeting; decisions that the Executive Committee would have adopted at its 85th meeting on policy issues as well as policy documents that were to be submitted to the 86th meeting; and the final document on the replenishment of the Multilateral Fund for the 2021–2023 triennium that would have been prepared by the Technology and Economic Assessment Panel (TEAP) Task Force and submitted for consideration by the Parties to the Montreal Protocol.

11. In light of the extraordinary situation as explained above, the Secretariat considered meaningful to present the analysis of the administrative cost regime for the 2021–2023 triennium to the 88th meeting, taking into consideration the discussions and/or decisions on relevant policy matters by the Executive Committee during its meetings in 2021, and the discussions by the Parties on the replenishment of the Fund for the 2021–2023 triennium.

Administrative cost regime for 2021

12. Based on their business plans submitted to the 86th meeting,¹⁰ bilateral and implementing agencies are expected to submit project proposals for 127 Article 5 countries for consideration by the Executive Committee at its 87th and 88th meetings. In view of the comprehensive review of the administrative cost regime carried out for the assessment of administrative costs for the 2018–2020 triennium and the subsequent detailed analysis of relevant components, and in order to allow the agencies to continue submitting project proposals with the required administrative support costs, the Executive Committee may wish to maintain the current administrative cost regime for projects to be submitted in 2021 pending

¹⁰ UNEP/OzL.Pro/ExCom/86/25

completion of the analysis and a decision on the level of administrative support costs for the 2021–2023 triennium.

Recommendation

13. The Executive Committee may wish:

- (a) To note the information contained in document UNEP/OzL.Pro/ExCom/86/85 on the Analysis of the administrative cost regime and core unit funding (decision 84/61(c));
 - (b) To allow bilateral and implementing agencies to continue using the existing administrative cost regime for projects to be submitted in 2021, on an exceptional basis and without setting a precedent; and
 - (c) To request the Secretariat to present, at the 88th meeting, the outcomes of the analysis on the administrative cost regime and core unit funding, taking into consideration relevant decisions by the Executive Committee, including those from the 84th to 87th meetings and relevant outcomes of discussions by the Parties on the replenishment of the Multilateral Fund for the 2021–2023 triennium, on the basis of which the Committee would decide whether the administrative cost regime of the Multilateral Fund for the 2018–2020 triennium could be maintained for the 2021–2023 triennium.
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