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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eighty-eighth Meeting  
Montreal, 15-19 November 2021<sup>1</sup>

**2022 CORE UNIT COSTS FOR UNDP, UNIDO AND THE WORLD BANK**

1. The present document assesses the 2022 core unit costs requests from and administrative cost<sup>2</sup> requirements of UNDP, UNIDO and the World Bank, and the extent to which resources available for total administrative costs in 2022 could cover expected 2022 costs. The assessment is presented separately for each of the three implementing agencies. The document also presents a recommendation.

2. This document is based on information provided by the three implementing agencies on actual core and administrative costs for 2020, estimated costs for 2021, and proposed budget for 2022.<sup>3</sup> During the review of the information submitted, the Secretariat had extensive discussions with each of the three implementing agencies, where all issues were addressed. The Secretariat notes with appreciation the

<sup>1</sup> Online meetings and an intersessional approval process will be held in November and December 2021 due to coronavirus disease (COVID-19).

<sup>2</sup> The allocation of administrative costs for UNDP, UNIDO, and the World Bank was changed in November 1998 (decision 26/41) from a flat rate of 13 per cent applied to all projects to a graduated scale. The costs were changed again in December 2002 to a lower scale that included a core unit grant of US \$1.5 million per agency (decision 38/68). Annual increases have occurred for most agencies since the 46<sup>th</sup> meeting. Decision 41/94(d) requested the Secretariat to conduct an annual review of the administrative costs regime. Decision 56/41 extended the operation of decision 38/68 and its administrative costs regime to apply to the 2009-2011 triennium. At the 67<sup>th</sup> meeting, the Committee decided to apply a new administrative cost regime for the 2012-2014 triennium to UNDP, UNIDO and the World Bank, consisting of annual core unit funding for which an annual increase of up to 0.7 per cent could be considered subject to annual review, and to apply the following agency fees on the basis of funding per agency: an agency fee of 7 per cent for projects with a project cost above US \$250,000, as well as institutional strengthening projects and project preparation; an agency fee of 9 per cent for projects with a project cost at or below US \$250,000; an agency fee no greater than 6.5 per cent, to be determined on a case-by-case basis for projects in the production sector (decision 67/15(b)). At the 73<sup>rd</sup> meeting, the Committee decided to apply the existing administrative cost regime for the bilateral and implementing agencies during the 2015-2017 triennium; to review the administrative cost regime and its core unit funding budget at the first meeting of 2017 (decision 73/62(b) and (c)). At the 79<sup>th</sup> meeting, the Committee decided to apply the existing administrative cost regime for the implementing agencies during the 2018-2020 triennium; and to request UNDP, UNIDO and the World Bank to present their annual reports on core unit funding using the revised format for reporting (decision 79/41(c) and (e)).

<sup>3</sup> The agencies used the revised format for reporting administrative costs contained in Annex XVIII to document UNEP/OzL.Pro/ExCom/79/51, pursuant to decision 79/41(e).

collaboration provided by the three implementing agencies during the review process.

3. To facilitate the review by the Executive Committee, the core unit budget data and other administrative costs for each implementing agency for the last three years (2018-2020) is presented in the main document, while historical data from 2011 is contained in Annex I to the present document.

## UNDP

4. The Executive Committee approved the 2021 request for core unit funding for UNDP at US \$2,113,148 (decision 86/62(b)). Table 1 presents the core unit budget and administrative costs provided by UNDP from 2018 to 2022.

**Table 1. Core unit budget data and other administrative costs for 2018 to 2022 for UNDP (US \$)**

Cost item	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Budget	Estimated	Proposed
Core unit personnel and contractual staff	2,375,437	2,379,866	2,316,147	2,524,800	2,385,632	2,457,201
Travel (staff and consultants)	176,170	182,129	17,032	150,000	500	150,000
Space (rent and common costs)	164,998	153,176	130,925	168,877	130,925	130,925
Equipment supplies and other costs (computers, supplies)	12,146	8,351	15,777	10,000	15,000	10,000
Contractual services (firms)	13,510	24,300	1,648	25,000	5,000	25,000
Reimbursement of central services for core unit staff	381,004	240,968	251,221	250,000	250,000	250,000
Adjustments (+ = underuse and - = overrun)	-1,053,880	-904,918	-601,414	-1,015,528	-673,909	-895,186
Return of funds (- = returned funds)	0	0	-32,878**	0	0	
<b>A. Sub-total core unit costs*</b>	<b>2,069,385</b>	<b>2,083,871</b>	<b>2,098,458</b>	<b>2,113,148</b>	<b>2,113,148</b>	<b>2,127,940</b>
Reimbursement of country offices and national execution, including overheads	2,214,588	488,288	1,077,150	742,500	742,500	742,500
Executing agency support cost (internal), including overheads	0	0	0	0	0	0
Financial intermediaries, including overheads	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)						
Cost recovery	381,004	240,968	251,221	250,000	250,000	250,000
Adjustments (+ = overrun and - = underuse)	1,053,880	904,918	601,414	1,015,528	673,909	895,186
Project costs (- = to be deducted and thus removed)	0	0				
<b>B. Sub-total agency support costs/ implementation costs</b>	<b>3,649,473</b>	<b>1,634,174</b>	<b>1,929,785</b>	<b>2,008,028</b>	<b>1,666,409</b>	<b>1,887,686</b>
<b>Grand total (A + B)</b>	<b>5,718,858</b>	<b>3,718,046</b>	<b>4,028,243</b>	<b>4,121,176</b>	<b>3,779,557</b>	<b>4,015,626</b>

\* The cost of the core unit is higher than the allowed subtotal of US \$2,069,385 in 2018, US \$2,083,871 in 2019, US \$2,098,458 in 2020, and US \$2,113,148 in 2021. An adjustment line and a negative adjustment were, therefore, introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided under agency support costs/implementation to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

5. UNDP's request of US \$2,127,940 for its 2022 core unit budget represents a 0.7 per cent increase

in the budget approved for 2021.<sup>4</sup> UNDP expects the costs of its core unit to exceed this amount by US \$895,186 (indicated as “Adjustment” in Table 1). UNDP has normally exceeded its budget allocation for its core unit<sup>5</sup> and recovered those costs from support costs earned through implementing Multilateral Fund projects.

6. UNDP’s proposed 2022 core unit budget consists of:
- (a) Staff salaries (81.3 per cent of the budget). In 2021, the staff estimated budget was 85.6 per cent of the overall budget (ranging from 70.5 to 85.6 per cent since 2011);
  - (b) Reimbursement of central services (8.3 per cent of the budget). The budgeted amount (US \$250,000) is slightly lower than the actual costs in 2020 (US \$251,221) and same as the estimated costs for 2021;
  - (c) Space rental (4.3 per cent of the budget): space rental costs are budgeted at the same level as 2020 actual costs and 2021 estimated costs. Contractual service costs (0.8 per cent of the budget) are budgeted at higher levels than the estimated costs for 2021, and equipment costs are budgeted at lower levels than the estimated costs for 2021. UNDP indicated that consultations are underway within the organisation on the medium-term and long-term impact of the COVID-19 pandemic and how their business operations need to be changed (e.g., travel policy, electronic meetings and consultations); and
  - (d) Travel (5.0 per cent of the budget). The proposed budget (US \$150,000) is almost 9 times over the actual 2020 costs (US \$17,032). UNDP expects their business operations in 2022 will return to the levels comparable with pre-COVID period (i.e., 2018 and 2019); Article 5 countries will also require extensive support for HCFC phase-out and HFC phase-down related activities.
7. UNDP will return US \$32,878 as savings from the core unit costs from 2020, to the 88<sup>th</sup> meeting. The Executive Committee may wish to note, with appreciation, that UNDP would be returning unused balances.

#### Total administrative costs

8. UNDP expects administrative costs to amount to US \$4,015,626 in 2022, slightly above the estimated 2021 costs of US \$3,779,557.
9. The level of funding for reimbursement of country offices and national execution is expected to be at the same level as the estimated costs in 2021 (US \$742,500). This is lower than the actual costs of 2020 (US \$1,077,150) but higher than the actual cost in 2019 (US \$488,288). This funding level is also lower than the range of costs between 2011 and 2018 (US \$2,442,896 in 2013 to US \$1,472,814 in 2016).
10. The expected resources available to UNDP for administrative costs include the core unit costs and the agency support costs plus any balance of income for administrative costs not previously used. Agency support costs are made available to UNDP only after approved project costs are disbursed. Table 2 presents

<sup>4</sup> UNDP originally submitted a request of US \$2,444,912 for its 2022 core unit primarily driven by additional staff for handling HFC phase-down activities. During the review process, the Secretariat informed UNDP that the current policies on core unit funding do not allow for consideration of increase above 0.7 per cent. Subsequently, UNDP adjusted the funding request, accordingly.

<sup>5</sup> On five occasions over the past nine years, the level of core unit costs exceeded more than US \$800,000: US \$837,220 in 2012, US \$849,676 in 2013, US \$929,036 in 2017, US \$1,053,880 in 2018, US \$904,918 in 2019, and US \$601,414 in 2020. In 2021, UNDP will exceed its costs by US \$673,909 (about 31.9 per cent over budget).

this assessment for 2018 to 2021.

**Table 2. Assessment of availability of income for future administrative costs for UNDP (US \$)**

Description	2018	2019	2020	2021*
Net agency support costs plus core unit costs	5,007,070	2,829,316	4,236,224	4,203,082
Total administrative cost	5,718,858	3,718,046	4,028,243	3,779,557
Balance per year	(711,788)	(888,730)	207,981	423,525
Running balance	(411,987)	(1,300,717)	(1,092,736)	(669,211)

\* Including agency support costs approved at the 87<sup>th</sup> meeting, and the value of agency support costs and core unit costs from submissions to the 88<sup>th</sup> meeting.

11. Based on the analysis presented in Table 2, at the end of 2021 UNDP could have a negative accumulated balance amounting to US \$669,211. In 2022, UNDP would have to generate at least US \$4,684,837 in agency support costs and core unit costs to cover its expected total administrative costs of US \$4,015,626.

## UNIDO

12. The Executive Committee approved the 2021 request for core unit funding for UNIDO at US \$2,022,000 (decision 86/62(b)). Table 3 presents the core unit budget and administrative costs provided by UNIDO from 2018 to 2022.<sup>6</sup> The figures listed as “actual” are based on a model prepared by UNIDO to estimate the support cost of the Montreal Protocol unit pursuant to decision 56/41.<sup>7</sup>

**Table 3. Core unit budget data and other administrative costs for 2018 to 2022 for UNIDO (US \$)**

Cost item	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Budget	Estimated	Proposed
Core unit personnel and contractual staff	1,307,624	1,351,602	1,416,184	1,294,600	1,289,700	1,395,100
Travel (staff and consultant)	196,736	137,864	16,004	121,700	0	200,000
Space (rent and common costs)	80,548	84,323	84,131	73,900	73,300	71,800
Equipment supplies and other costs (computers, supplies)	33,842	63,164	33,721	48,000	34,800	49,800
Contractual services (firms)	580	6,356	2,455	16,700	0	19,000
Reimbursement of central services for core unit staff	442,123	464,626	496,559	467,100	421,900	541,200
Adjustments (+ = underuse and - = overrun)	7,931	-24,066	49,404	0	202,300	-240,746
Return of funds (- = returned funds)	-7,931	0	-49,404	0	0	0
<b>A. Sub-total core unit costs*</b>	<b>2,061,454</b>	<b>2,083,870</b>	<b>2,049,054</b>	<b>2,022,000</b>	<b>2,022,000</b>	<b>2,036,154</b>
Reimbursement of country offices and national execution, including overheads	729,854	1,339,603	814,755	1,444,000	916,900	906,800
Executing agency support cost (internal), including overheads	1,354,611	1,386,593	1,352,699	1,586,200	762,100	1,686,200
Financial intermediaries, including overheads	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)						
Cost recovery	0	0	0	0	0	0
Adjustments (+ = overrun and - = underuse)	0	24,066	0	0	-202,300	240,746
Project costs (- = to be deducted and thus removed)	-136,283	-38,099	0	0	0	0

<sup>6</sup> UNIDO has never had an appropriate cost centre accounting system that could facilitate reporting based on actual data with an audit trail. UNIDO has indicated that an alignment was established in 2017 to reflect the total administrative costs, including those which as per current UNIDO methodology may have been termed as possible project-related administrative costs.

<sup>7</sup> UNIDO was requested to provide the assumption for its administrative costs model, and in future requests for core unit funding to furnish administrative cost information distinguishing project-related activities from administrative costs. Subsequently, through decision 59/28(c), the Executive Committee took note of the methodology for identifying project-related costs in UNIDO’s annual report on administrative costs (UNEP/OzL.Pro/ExCom/60/51).

Cost item	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>B. Sub-total agency support costs/ implementation costs</b>	<b>1,948,182</b>	<b>2,712,163</b>	<b>2,167,455</b>	<b>3,030,200</b>	<b>1,476,700</b>	<b>2,833,746</b>
<b>Grand total (A + B)</b>	<b>4,009,636</b>	<b>4,796,033</b>	<b>4,216,509</b>	<b>5,052,200</b>	<b>3,498,700</b>	<b>4,869,900</b>

\* The cost of the core unit is higher than the allowed subtotal of \$2,083,870 in 2019. An adjustment line and a negative adjustment were, therefore, introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided under agency support costs/implementation to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

### Core unit costs

13. UNIDO's request of US \$2,036,154 for its 2022 core unit budget represents a 0.7 per cent increase in the budget approved for 2021. UNIDO expects the costs of its core unit to exceed this amount by US \$240,746 (indicated in the row "Adjustment" in Table 3).

14. UNIDO's proposed 2022 core unit budget consists of:

- (a) Staff salaries (61.3 per cent of the budget consisting of 7.4 staff members). In 2021, the staff estimated budget was 70.9 per cent of the overall budget (ranging from 60.7 to 69.1 per cent since 2011); the number of staff for 2022 is slightly higher than 2021 due to staff movements and workflow allocations; the staffing requirement has been addressed through recruitment of consultants to temporarily fill vacancies to support project implementation;
- (b) Central services (23.8 per cent of the budget). These expenses relate to the costs of UNIDO's Secretariat's governing bodies and general management apportioned based on the number of staff in the Montreal Protocol unit. The costs increased in 2020 was mainly due to a higher number of core unit staff resulting in higher proportion of cost allocation and investment to set up a reliable and secure electronic meeting facilities as a result of the COVID-19 pandemic. The costs are expected to decrease in 2021 as the number of staff involved in Montreal Protocol operations is lower; the budgets for the year 2022 is estimated based on approved appropriation for the year 2022 taking into consideration higher levels of activities in the year 2022.
- (c) Contractual services (0.8 per cent of the budget). The budgeted amount for 2022 (US \$19,000) is more than that for 2021 (US \$16,700); the estimated costs for 2021 is projected zero due to further savings under printing and translation. UNIDO indicated that the actual 2020 expenses came out almost at the estimated level;
- (d) Travel (8.8 per cent of the budget). The proposed budget (US \$200,000) is higher than that for 2021 (US \$121,700), but is within the cost range incurred since 2011 (US \$16,004 to US \$284,000). UNIDO indicated that the COVID-19 pandemic brought further restrictions on travel in 2021, thus no expenditure is estimated. Travel is expected to resume in 2022 because Article 5 countries will need support for implementation of HPMP activities and preparation for HFC phase-down activities; and
- (e) Space rental (3.2 per cent of the budget).

15. UNIDO will return US \$49,404 from as savings from the core unit costs from 2020, to the 88<sup>th</sup> meeting. The Executive Committee may wish to note, with appreciation, that UNIDO would be returning unused balances.

Total administrative costs

16. Total net administrative costs are proposed at US \$4,869,900 for 2022, which is higher than the 2021 estimated costs of US \$3,498,700, but in the range of costs between 2011 and 2021 (US \$4,009,636 to US \$6,821,000).

17. The reimbursement of country offices and national execution budgeted at US \$906,800 for 2022, is lower than the estimated costs for 2021 (US \$916,900) but higher than the actual costs for 2020 (US \$814,755). However, this amount is lower than previous years (ranging from US \$1,814,900 to US \$3,602,000 between 2011 and 2014). UNIDO explained that the actual costs in 2020 and estimated costs for 2021 decreased due to stabilised operations of UNIDO country offices after their initial recruitments based on their restructured operations.

18. Executing agency cost for 2022 (US \$1,686,200) is US \$924,100 higher than the estimated costs in 2021, and US \$333,501 higher than the 2020 actual costs. Executing agency costs have ranged from US \$762,100 to US \$3,302,800 for the 2011–2021 period. UNIDO explained that for the executing agency support cost, the decrease in 2020 was due to change in the execution model with the Foreign Economic Cooperation Office in China, the decrease projected for 2021 (US \$824,100) was due to adjustments to the actual needs, and the increase budgeted for 2022 is mainly due to expected increase project activities to pre-COVID levels.

19. The expected resources available from the Multilateral Fund for administrative costs include the core unit costs and the agency support costs, plus any balance of income for administrative costs not previously used. Agency support costs are made available to UNIDO only after approved project costs are disbursed. Table 4 presents the assessment for 2018 to 2021.

**Table 4. Assessment of availability of income for future administrative costs for UNIDO (US \$)**

Description	2018	2019	2020	2021*
Net agency support costs plus core unit costs	4,378,967	3,469,402	3,142,479	3,841,253
Total administrative cost excluding project costs	4,009,636	4,796,033	4,216,509	3,498,700
Balance per year	369,331	(1,326,631)	(1,074,030)	342,553
Running balance	(2,743,484)	(4,070,115)	(5,144,145)	(4,801,592)

\* Including agency support costs approved at the 87<sup>th</sup> meeting, and the value of agency support costs and core unit costs from submissions to the 88<sup>th</sup> meeting.

20. Based on the analysis presented in Table 4, UNIDO could have a negative accumulated balance at the end of 2021, amounting to US \$4,801,592. UNIDO would have to generate at least US \$9,671,492 in agency support costs and core unit costs in 2022 to cover the total 2022 administrative costs of US \$4,869,900. UNIDO mentioned that as in the past, they would continue to manage their operations based on their delivery of their project operations and core unit funding received.

**World Bank**

21. The Executive Committee approved the 2021 request for core unit funding for the World Bank at US \$1,735,000 (decision 86/62(b)). Table 5 presents the core unit budget and administrative costs provided by the World Bank from 2018 to 2022.

**Table 5. Core unit budget data and other administrative costs for 2018 to 2022 for the World Bank (US \$)**

Cost item	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Budget	Estimated	Proposed
Core unit personnel and contractual staff	1,226,215	1,250,888	1,055,231	1,235,000	1,235,000	1,235,000
Travel (staff and consultant)	180,873	151,281	13,481	200,000	10,000	200,000
Space (rent and common costs)	0	0	0	0	0	0

Cost item	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Budget	Estimated	Proposed
Equipment supplies and other costs (computers, supplies)	1,637	0	0	0	0	0
Contractual services (firms)	73,389	38,983	10,292	85,000	85,000	85,000
Reimbursement of central services for core unit staff	245,946	249,954	212,792	215,000	255,000	215,000
Adjustments (+ = underuse and - = overrun)	6,940	43,894	443,204	0	150,000	0
Return of funds (- = returned funds)	-6,940	-43,894	-443,204	0	-150,000	0
<b>A. Sub-total core unit costs</b>	<b>1,728,060</b>	<b>1,691,106</b>	<b>1,291,796</b>	<b>1,735,000</b>	<b>1,585,000</b>	<b>1,735,000</b>
Reimbursement of country offices and national execution, including overheads	2,114,429	1,258,437	1,172,183	2,000,000	800,000	2,000,000
Executing agency support cost (internal), including overheads	0	0	0	0	0	0
Financial intermediaries, including overheads	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)						
Cost recovery	0	0	0	0	0	0
Adjustments (+ = overrun and - = underuse)	0	0	0	0	0	0
Project costs (- = to be deducted and thus removed)						
<b>B. Sub-total agency support costs/ implementation costs</b>	<b>2,114,429</b>	<b>1,258,437</b>	<b>1,172,183</b>	<b>2,000,000</b>	<b>800,000</b>	<b>2,000,000</b>
<b>Grand total (A + B)</b>	<b>3,842,489</b>	<b>2,949,544</b>	<b>2,463,979</b>	<b>3,735,000</b>	<b>2,385,000</b>	<b>3,735,000</b>

### Core unit costs

22. The World Bank's request of US \$1,735,000 for its 2022 core unit budget is in the same amount as its 2021 core unit budget as approved. Unlike UNDP and UNIDO, the World Bank is not subsidized by revenue from agency support costs or its general fund.

23. The World Bank's proposed 2022 core unit budget consists of:

- (a) Staff salaries (71.2 per cent of the budget). The 2020 staff costs (US \$1,055,231) were 6.4 per cent higher than the 2020 estimated costs (US \$991,571). Higher staff costs had been anticipated at the time of preparing the 2020 budget; as of the year 2021 the Montreal Protocol unit is fully staffed and the salaries will remain at the same levels in 2022;
- (b) Reimbursement of central services (12.4 per cent of the budget). The 2020 estimated and actual costs for this item are at about the same levels; 2021 estimates for central services is expected to increase due to allocation of cost for audit in the amount of US \$40,000;
- (c) Travel (11.5 per cent of the budget). The 2022 proposed travel costs are estimated based on activities resuming to normal levels in 2022; the budget for 2022 is the same as for 2021; and
- (d) Contractual services (4.9 per cent of the budget). The 2022 proposed contractual services (firms) costs are higher than the actual costs for 2020 but at the same levels as the estimated costs for 2021. The 2020 actual costs for space and equipment/supplies were zero as these costs were absorbed by the World Bank budget (rather than the core unit budget).

24. The World Bank will return US \$443,204 as savings from the core unit costs from 2020, to the 88<sup>th</sup> meeting. The Executive Committee may wish to note, with appreciation, that the World Bank would be returning unused balances.

#### Total administrative costs

25. The budget for reimbursement of country offices proposed for 2022 (US \$2,000,000) is higher than the estimated costs for 2021 of US \$800,000, but is at the same level budgeted for 2021 for providing support for management and supervision of Montreal Protocol activities. The total administrative costs are estimated at US \$3,735,000 in 2022, above the estimated costs for 2021 of US \$2,385,000.

26. The expected resources available to the World Bank for administrative costs include the core unit costs and the agency support costs plus any balance of income for administrative costs not previously used. Agency support costs are made available to the World Bank only after approved project costs are disbursed. Table 6 presents the assessment for 2018 and 2021.

**Table 6. Assessment of availability of income for future administrative costs for the World Bank (US \$)**

Description	2018	2019	2020	2021*
Net agency support costs plus core unit costs	3,251,742	1,915,543	1,879,691	2,412,800
Total administrative cost excluding project costs	3,842,489	2,949,544	2,463,979	2,385,000
Balance per year	(590,747)	(1,034,001)	(584,288)	27,800
Running balance	3,365,723	2,331,723	1,747,435	1,775,235

\* Including agency support costs approved at the 87<sup>th</sup> meeting, and the value of agency support costs and core unit costs from submissions to the 88<sup>th</sup> meeting.

27. Based on the analysis presented in Table 6, the World Bank could accumulate a balance of US \$1,775,235 based on approvals at the 87<sup>th</sup> meeting and submissions to the 88<sup>th</sup> meeting. The World Bank would have to generate at least US \$1,959,765 in agency support costs and core unit costs in 2022 to cover its expected total 2022 administrative costs of US \$3,735,000.

#### **Return of unspent balances for the year 2020**

28. UNDP, UNIDO and the World Bank returned balances amounting to US \$32,878, US \$49,404 and US \$443,204, respectively for the year 2020. Noting that the return of balances varies significantly across the three implementing agencies, the Secretariat discussed with them on processes followed for estimating return of balances for the year 2020, keeping in view that some of the expenditures (e.g., travel, contractual services) had minimal expenditures during the year due to the pandemic. In responding:

- (a) UNDP explained that it views the core unit budget approved along with programme support costs earned as sources of funds that would finance their activities and, hence, it uses administrative support costs to fund the difference between its core unit costs and core unit budget; the return of funds for the year 2020 relates to savings in travel and space cost items (i.e., difference between actual costs for the year 2020 compared to estimates for the year 2020 for these cost items). Similar to the previous years, programme support costs amounting to US \$601,414 and core unit budget amounting to US \$2,098,458 were used to finance activities in the year 2020;
- (b) UNIDO explained that during 2020, the budgets for core unit staff and consultants exceeded the estimated levels mainly due to payment for staff movements and temporary recruitment of consultants for managing Montreal Protocol activities; after taking into account the additional costs and savings under different budget items, the net savings against the core unit budget approved were returned; and



- (c) The World Bank realised savings on all the cost items, excluding core unit personnel and contractual staff and reimbursement of central services in the year 2020, and returned the savings against the total core unit budget approved.

### **Decisions on the 2021-2023 replenishment of the Multilateral Fund and the analysis of the administrative cost regime**

29. Due to the situation resulting from the COVID-19 pandemic, the Parties to the Montreal Protocol were unable to hold in-person meetings in 2020 as originally planned;<sup>8</sup> instead, the meetings were held in the form of online work. Under such circumstances, the Parties were unable to adopt a decision on the replenishment of the Multilateral Fund for Implementation of the Montreal Protocol for the period 2021-2023.

30. With regard to matters related to the replenishment of the Multilateral Fund, during the Thirty-Second Meeting,<sup>9</sup> the 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).

31. 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 global pandemic permit it (decision XXXII/2).

32. Concurrently with the preparation of the present document, the Parties to the Montreal Protocol were holding the preparatory segment<sup>10</sup> of the combined Twelfth meeting of the Conference of the Parties to the Vienna Convention and Thirty-Third Meeting of the Parties to the Montreal Protocol.<sup>11</sup> In concluding discussions on matters related to the Montreal Protocol, the Parties submitted to the high-level segment the following three draft decisions:

- (a) Contributions to the Multilateral Fund for the Implementation of the Montreal Protocol for the triennium 2021–2023, submitted by Australia, the European Union and New Zealand, to adopt the level of indicative contributions for a number of parties<sup>12</sup> for 2022 on an interim basis pending a final decision by the Parties on a revised budget for the Multilateral Fund for the triennium 2021-2023; and that any contributions made by parties in advance of a final decision on the revised budget for the Fund for the triennium 2021-2023 shall be without prejudice to the overall level of the replenishment or to the agreed level of contributions by parties;
- (b) Updated interim budget for the Multilateral Fund for the Implementation of the Montreal

<sup>8</sup> The 42<sup>nd</sup> meeting of the Open-ended Working Group (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).

<sup>9</sup> Online meeting, held on 23–27 November 2020.

<sup>10</sup> Online, 23-29 October 2021.

<sup>11</sup> Online, 29 October 2021.

<sup>12</sup> Australia, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, New Zealand, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland.

Protocol for the triennium 2021–2023, submitted by Canada, to adopt an updated interim budget for the Fund for the triennium 2021–2023 of US \$400 million 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 updated interim budget will be provided from contributions due to the Fund and other sources for the triennium; and

- (c) Extraordinary Meeting of the Parties in 2022, submitted by Norway, to authorize the Ozone Secretariat to organize an extraordinary Meeting of the Parties in 2022, to enable parties to take a decision on the replenishment of the Fund for the triennium 2021–2023.

33. Keeping in view the ongoing discussions on replenishment by the Parties and discussions and decisions of the Executive Committee on the administrative cost regime for the triennium 2021-2023, the Secretariat considers that the core unit funding for the year 2022 could be maintained in line with the decision 79/41(c).

34. In addition, the Secretariat is presenting the analysis of the administrative cost regime and core unit funding (decision 86/92(c)) for the consideration of the Executive Committee at its 88<sup>th</sup> meeting;<sup>13</sup> that document presents an analysis of the programme support costs available to the agencies for managing their operations and provides estimates for the 2021-2023 triennium. Based on decisions of the Executive Committee on the matter, changes in 2022 core unit budgets, if any, would be incorporated in the final approved funding for core unit for 2022.

## RECOMMENDATION

35. The Executive Committee may wish:

- (a) To note:
  - (i) The report on the 2022 core unit costs for UNDP, UNIDO and the World Bank as contained in document UNEP/OzL.Pro/ExCom/88/35;
  - (ii) With appreciation, that the core unit operation of UNDP, UNIDO and the World Bank were below their budgeted levels and that UNDP and UNIDO would return unused balances of US \$32,878 and US \$49,404, respectively and the World Bank has returned the unused balances of US \$443,204, to the Multilateral Fund at the 88<sup>th</sup> meeting;
- (b) To consider whether to approve the requested 2022 core unit budgets for:
  - (i) UNDP in the amount of US \$2,127,940;
  - (ii) UNIDO in the amount of US \$2,036,154; and
  - (iii) The World Bank in the amount of US \$1,735,000; and
- (c) To note that the levels for the 2022 core unit budgets indicated in sub-paragraph (b) above could be adjusted based on the outcomes of discussion of the Analysis of the administrative cost regime and core unit funding (decision 86/92(c)) (UNEP/OzL.Pro/ExCom/88/70) at the 88<sup>th</sup> meeting.

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<sup>13</sup> UNEP/OzL.Pro/ExCom/88/68

## Annex I

## CORE UNIT BUDGET DATA AND OTHER ADMINISTRATIVE COSTS FOR 2012 TO 2022 FOR UNDP, UNIDO AND THE WORLD BANK (US\$)

## UNDP

Cost item	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>A. Core unit</b>												
Core unit personnel and contractual staff	2,171,918	2,076,816	2,050,914	1,991,859	2,043,505	2,305,838	2,375,437	2,379,866	2,316,147	2,524,800	2,385,632	2,457,201
Travel (staff and consultant)	261,674	249,131	163,639	168,418	155,061	173,099	176,170	182,129	17,032	150,000	500	150,000
Space (rent and common costs)	104,805	101,236	105,219	109,380	159,872	162,982	164,998	153,176	130,925	168,877	130,925	130,925
Equipment supplies and other costs (computers, supplies, etc.)	25,052	17,781	16,967	19,442	16,485	9,196	12,146	8,351	15,777	10,000	15,000	10,000
Contractual services (firms)	0	18,461	22,955	16,175	0	24,547	13,510	24,300	1,648	25,000	5,000	25,000
Reimbursement of central services for core unit staff	258,332	384,704	311,137	317,160	251,317	308,375	381,004	240,968	251,221	250,000	250,000	250,000
Adjustments (+ = underuse and - = overrun)	-837,220	-849,676	-658,389	-595,905	-585,526	-929,036	-1,053,880	-904,918	-601,414	-1,015,528	-673,909	-895,186
Return of funds (- = returned funds)	0	0	0	0	0	0	0	0	-32,878	0	0	0
<b>A. Sub-total core unit costs*</b>	<b>1,984,561</b>	<b>1,998,453</b>	<b>2,012,442</b>	<b>2,026,529</b>	<b>2,040,715</b>	<b>2,055,000</b>	<b>2,069,385</b>	<b>2,083,871</b>	<b>2,098,458</b>	<b>2,113,148</b>	<b>2,113,148</b>	<b>2,127,940</b>
<b>B. Agency support costs/implementation</b>											2,787,057	3,023,126
Reimbursement of country offices and national execution, including overheads	1,828,279	2,442,896	1,694,992	1,775,969	1,472,814	1,749,877	2,214,588	488,288	1,077,150	742,500	742,500	742,500
Executing agency support cost (internal), including overheads	612	0	0	0	0	0	0	0	0	0	0	0
Financial intermediaries, including overheads	0	0	0	0	0	0	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)												
Cost recovery	258,332	384,704	311,137	317,160	251,317	308,375	381,004	240,968	251,221	250,000	250,000	250,000
Adjustments (+ = overrun and - = underuse)	837,220	849,676	658,389	595,905	585,526	929,036	1,053,880	904,918	601,414	1,015,528	673,909	895,186
Project costs (- = to be deducted and thus removed)	0	0	0	0	0	0	0	0	0	0	0	0
<b>B. Sub-total agency support costs/ implementation costs</b>					<b>2,309,657</b>	<b>2,987,288</b>	<b>3,649,473</b>	<b>1,634,174</b>	<b>1,929,785</b>	<b>2,008,028</b>	<b>1,666,409</b>	<b>1,887,686</b>
<b>Total Administrative Support Costs</b>	<b>4,909,004</b>	<b>5,675,729</b>	<b>4,676,959</b>	<b>4,715,563</b>								
Supervisory costs incurred by MPU	47,028	47,801	53,814	56,970								
<b>Grand total (A + B)**</b>	<b>4,956,032</b>	<b>5,723,531</b>	<b>4,730,773</b>	<b>4,772,532</b>	<b>4,350,371</b>	<b>5,042,289</b>	<b>5,718,858</b>	<b>3,718,046</b>	<b>4,028,243</b>	<b>4,121,176</b>	<b>3,779,557</b>	<b>4,015,626</b>
Net agency support costs plus core unit costs***	4,499,632	4,501,941	3,633,827	4,456,969	5,029,025	4,550,866	5,007,070	2,829,316	4,236,224		4,203,082	
Total administrative cost	4,956,032	5,723,531	4,730,773	4,772,532	4,350,371	5,042,289	5,718,858	3,718,046	4,028,243		3,779,557	
Balance per year	-456,400	-1,221,590	-1,096,946	-315,563	678,654	-491,423	-711,788	-888,730	207,981		423,525	
Running balance****	2,746,670	1,525,079	428,133	112,570	791,223	299,801	-411,987	-1,300,717	-1,092,736		-669,211	

\*The cost of the core unit is higher than the allowed subtotal of US \$1,984,561 in 2012, US \$1,998,453 in 2013, US \$2,012,442 in 2014, US \$2,026,529 in 2015, US \$2,040,715 in 2016, US \$2,055,000 in 2017, US \$2,069,385 in 2018, US \$2,083,871 in 2019, US \$2,098,458 in 2020 and US \$2,113,148 in 2021. An adjustment line and a negative adjustment were, therefore, introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided under agency support costs/implementation to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

\*\*Reflects total annual amount provided by the Multilateral Fund. In the transition to the revised reporting format, the budget lines "total administrative support costs", and "supervisory costs incurred by Montreal Protocol Unit" are reflected in order to show trends in the period between 2011 and 2015. These lines will be removed over time.

\*\*\* For 2021, including agency support costs approved at the 87<sup>th</sup> meeting, and the value of agency support costs and core unit costs from submissions to the 88<sup>th</sup> meeting.

\*\*\*\* Excludes any balance from years prior to 2002.

## UNIDO

Cost item	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>A. Core unit</b>												
Core unit personnel and contractual staff	1,550,900	1,445,700	1,380,600	1,293,800	1,383,600	1,501,300	1,307,624	1,351,602	1,416,184	1,294,600	1,289,700	1,395,100
Travel (staff and consultant)	175,100	284,000	161,800	147,700	161,100	157,800	196,736	137,864	16,004	121,700	0	200,000
Space (rent and common costs)	89,300	99,400	71,800	75,400	76,200	76,600	80,548	84,323	84,131	73,900	73,300	71,800
Equipment supplies and other costs (computers, supplies, etc.)	30,900	51,800	41,100	52,600	30,900	48,000	33,842	63,164	33,721	48,000	34,800	49,800
Contractual services (firms)	700	700	2,000	17,500	1,000	4,900	580	6,356	2,455	16,700	0	19,000
Reimbursement of central services for core unit staff	414,200	498,800	454,200	447,300	432,900	471,600	442,123	464,626	496,559	467,100	421,900	541,200
Adjustments (+ = underuse and - = overrun)	-276,539	-381,947	-99,058	-7,771	-44,985	-205,200	7,931	-24,066	49,404	0	202,300	-240,746
Return of funds (- = returned funds)					0	0	-7,931	0	-49,404	0	0	0
<b>A. Sub-total core unit costs*</b>	<b>1,984,561</b>	<b>1,998,453</b>	<b>2,012,442</b>	<b>2,026,529</b>	<b>2,040,715</b>	<b>2,055,000</b>	<b>2,061,454</b>	<b>2,083,870</b>	<b>2,049,054</b>	<b>2,022,000</b>	<b>2,022,000</b>	<b>2,036,154</b>
<b>B. Agency support costs/implementation</b>												
Reimbursement of country offices and national execution, including overheads	1,818,300	3,602,000	1,814,900	1,327,500	1,145,400	584,300	729,854	1,339,603	814,755	1,444,000	916,900	906,800
Executing agency support cost (internal), including overheads	2,900,900	3,302,800	2,913,500	2,289,600	1,600,400	1,703,200	1,354,611	1,386,593	1,352,699	1,586,200	762,100	1,686,200
Financial intermediaries, including overheads					0	0	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)												
Cost recovery					0	0	0	0	0	0	0	0
Adjustments (+ = overrun and - = underuse)	276,539	381,947	99,058	7,771	44,985	205,200	0	24,066	0	0	-202,300	240,746
Project costs (- = to be deducted and thus removed)					-187,800	-134,800	-136,283	-38,099	0	0	0	0
<b>B. Sub-total agency support costs/implementation costs</b>					<b>2,602,985</b>	<b>2,357,900</b>	<b>1,948,182</b>	<b>2,712,163</b>	<b>2,167,455</b>	<b>3,030,200</b>	<b>1,476,700</b>	<b>2,833,746</b>
<b>Total administrative support costs</b>	<b>6,980,300</b>	<b>9,285,200</b>	<b>6,839,900</b>	<b>5,651,400</b>								
<b>Minus project-related costs</b>	<b>-1,798,710</b>	<b>-2,464,200</b>	<b>-2,308,000</b>	<b>-977,800</b>								
<b>Grand total (A + B)**</b>	<b>5,181,590</b>	<b>6,821,000</b>	<b>4,531,900</b>	<b>4,673,600</b>	<b>4,643,700</b>	<b>4,412,900</b>	<b>4,009,636</b>	<b>4,796,033</b>	<b>4,216,509</b>	<b>5,052,200</b>	<b>3,498,700</b>	<b>4,869,900</b>
Net support costs plus core unit costs***	4,369,868	4,216,594	3,996,254	4,706,844	4,581,895	3,411,570	4,378,967	3,469,402	3,142,479		3,841,253	
Total administrative cost excluding project-related costs	5,181,590	6,821,000	4,531,900	4,673,600	4,643,700	4,412,900	4,009,636	4,796,033	4,216,509		3,498,700	
Balance per year	-811,722	-2,604,406	-535,646	33,244	-61,805	-1,001,330	369,331	-1,326,631	-1,074,030		342,553	
Running balance****	1,057,129	-1,547,277	-2,082,924	-2,049,680	-2,111,485	-3,112,815	-2,743,484	-4,070,115	-5,144,145		-4,801,592	

\* The cost of the core unit is higher than the allowed subtotal of US \$1,984,561 in 2012, US \$1,998,453 in 2013, US \$2,012,442 in 2014, US \$2,026,529 in 2015, US \$2,040,715 in 2016, US \$2,055,000 in 2017 and US \$2,083,870 in 2019. An adjustment line and a negative adjustment were, therefore, introduced to arrive at the required ceiling. A corresponding positive adjustment is also provided under agency support costs/implementation to ensure that the total costs incurred for administrative costs also reflect the amount exceeded by the agency.

\*\* Reflects total annual amount provided by the Multilateral Fund. In the transition to the revised reporting format, the budget lines "total administrative support costs", and "minus project-related costs" are reflected in order to show trends in the period between 2011 and 2015. These lines will be removed over time.

\*\*\* For 2021, including agency support costs approved at the 87<sup>th</sup> meeting, and the value of agency support costs and core unit costs from submissions to the 88<sup>th</sup> meeting.

\*\*\*\* The Secretariat had estimated a running balance in 2007 since 2002 of US \$2,127,930, but UNIDO's balance of US \$1,828,243 is used instead of the Secretariat's calculation.

**THE WORLD BANK**

Cost item	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		2022
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Estimated	Proposed
<b>A. Core unit</b>												
Core unit personnel and contractual staff	1,184,796	984,571	1,022,179	827,111	1,089,481	1,086,340	1,226,215	1,250,888	1,055,231	1,235,000	1,235,000	1,235,000
Travel (staff and consultant)	205,425	111,021	155,778	205,498	216,356	178,550	180,873	151,281	13,481	200,000	10,000	200,000
Space (rent and common costs)	55,607	56,906	44,130	434	1,027	0	0	0	0	0	0	0
Equipment supplies and other costs (computers, supplies, etc.)	92,303	31,169	55,508	19,618	33,178	262	1,637	0	0	0	0	0
Contractual services (firms)	25,769	13,389	14,828	49,989	96,839	189,400	73,389	38,983	10,292	85,000	85,000	85,000
Reimbursement of central services for core unit staff	156,762	113,539	90,624	210,909	225,643	210,378	245,946	249,954	212,792	215,000	255,000	215,000
Adjustments (+ = underuse and - = overrun)	0	0	0	0	62,476	60,070	6,940	43,894	443,204	0	150,000	0
Return of funds (- = returned funds)	-3,981	-414,405	-341,953	-411,441	-62,476	-60,070	-6940	-43,894	-443,204	0	-150,000	0
<b>A. Sub-total core unit costs</b>	<b>1,716,681</b>	<b>896,190</b>	<b>1,041,094</b>	<b>902,118</b>	<b>1,662,524</b>	<b>1,664,930</b>	<b>1,728,060</b>	<b>1,691,106</b>	<b>1,291,796</b>	<b>1,735,000</b>	<b>1,585,000</b>	<b>1,735,000</b>
<b>B. Agency support costs/implementation</b>												
Reimbursement of country offices and national execution, including overheads	1,829,418	1,611,939	1,298,103	1,210,733	1,249,361	1,491,814	2,114,429	1,258,437	1,172,183	2,000,000	800,000	2,000,000
Executing agency support cost (internal), including overheads	0	0	0	0	0	0	0	0	0	0	0	0
Financial intermediaries, including overheads	121,740	10,000	0	0	0	0	0	0	0	0	0	0
Reimbursement of central services for core unit staff (including overhead)												
Cost recovery	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments (+ = overrun and - = underuse)	0	0	0	0	0	0	0	0	0	0	0	0
Project costs (- = to be deducted and thus removed)												
<b>B. Sub-total agency support costs/ implementation costs</b>					<b>1,249,361</b>	<b>1,491,814</b>	<b>2,114,429</b>	<b>1,258,437</b>	<b>1,172,183</b>	<b>2,000,000</b>	<b>800,000</b>	<b>2,000,000</b>
<b>Grand total (A + B)</b>	<b>3,667,839</b>	<b>2,518,129</b>	<b>2,339,197</b>	<b>2,112,851</b>	<b>2,911,885</b>	<b>3,156,744</b>	<b>3,842,489</b>	<b>2,949,544</b>	<b>2,463,979</b>	<b>3,735,000</b>	<b>2,385,000</b>	<b>3,735,000</b>
Net agency support costs plus core unit costs*	2,136,706	4,139,161	2,975,314	5,458,181	2,549,351	1,882,431	3,251,742	1,915,543	1,879,691		2,412,800	
Total administrative cost	3,667,839	2,518,129	2,339,197	2,112,851	2,911,885	3,156,744	3,842,489	2,949,544	2,463,979		2,385,000	
Balance per year	-1,531,133	1,621,032	636,117	3,345,330	-362,534	-1,274,313	-590,747	-1,034,001	-584,288		27,800	
Running balance**	-9,162	1,611,870	2,247,987	5,593,317	5,230,783	3,956,470	3,365,723	2,331,723	1,747,435		1,775,235	

\* For 2021, including agency support costs approved at the 87<sup>th</sup> meeting, and the value of agency support costs and core unit costs from submissions to the 88<sup>th</sup> meeting.

\*\* Excludes any balance from years prior to 2002.