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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-seventh Meeting
Montreal, 28 November - 2 December 2016

CONSOLIDATED BUSINESS PLAN OF THE MULTILATERAL FUND FOR 2017-2019

Introduction

1. The Secretariat and the bilateral and implementing agencies began their collaborative efforts on business planning for 2017-2019 of the Multilateral Fund with the submission of the initial business plan tables on 15 August 2016. The total value of the 2017-2019 business plan tables as submitted is summarized in Table 1.

Table 1: Total initial business plan values for 2017-2019 (US\$ \$000)

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Grand total	175,936	260,841	191,219	627,995	245,268	346,178
Indicative budget	153,800	169,167	169,167	492,133	169,167	
Difference	22,136	91,674	22,052	135,862	76,101	

2. Programme officers reviewed new activities in particular stage II of HCFC phase-out management plans (HPMPs) in the light of stage I of HPMPs, remaining funding eligibility and costs, and sent comments to bilateral and implementing agencies. During the Inter-agency coordination meeting (IACM) held in Montreal from 31 August to 1 September 2016, the Secretariat discussed the issues arising from the review of the initial business plan tables including *inter alia*: over-programming, projects in the 2016 business plans but not submitted to the 77th meeting, and the production sector including tranches associated with the HCFC production phase-out management plan (HPPMP) for China.

3. Further to the discussion at the IACM, bilateral and implementing agencies revised their business plan tables and resubmitted them together with the narrative sections. The total value of the business plan for 2017-2019 is summarized in Table 2.

Table 2: Total revised business plan values for 2017-2019 as submitted (US \$000)

Item	2017	2018	2019	Total (2017-2019)	Total 2020	Total after 2020
Grand total	173,198	274,359	272,104	719,660	335,485	871,520
Indicative budget	153,800	169,167	169,167	492,133	169,167	
Difference	19,398	105,192	102,937	227,527	166,319	

Content

4. This document presents the consolidated business plans of the Multilateral Fund for 2017-2019 and is based on the business plans for 2017-2019 of bilateral agencies¹ and UNDP², UNEP³, UNIDO⁴ and the World Bank⁵ submitted to the 77th meeting.

5. This document consists of the following sections:

- Resource allocation in the business plan for 2017-2019
- Secretariat's observations on activities required for compliance
- Secretariat's observations on standard activities
- Adjustments to the consolidated business plan of the Multilateral Fund for 2017-2019
- Other policy issues
- Recommendations of the Secretariat

Resource allocation in the business plan for 2017-2019

6. Table 3 presents, by year, the value of activities included in the business plan for 2017-2019. The values exceed the indicative budget by US \$227.53 million.

Table 3: Resource allocation in the business plan for 2017-2019 as submitted (US \$000s)*

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Required for compliance						
Approved HPMPs	23,279	49,698	8,218	81,195	17,350	5,940
HCFC production project preparation (PRP) – stage I	107	0	0	107	0	0
HCFC production – stage I	0	533	533	1,065	533	0
HCFC production – stage II	29,306	29,306	29,306	87,917	29,306	172,777
HPMP stage I	127	853	8	988	191	0
HPMP stage I – additional funding PRP	60	0	0	60	0	0
HPMP stage I – additional funding	1,417	430	0	1,846	0	0
HPMP PRP – stage II	868	4,186	228	5,282	0	80
HPMP stage II	83,116	155,176	198,054	436,347	181,834	409,194
HPMP PRP – stage III	0	0	0	0	102	0
HPMP stage III	0	0	0	0	70,945	283,530
HPMP verification	589	589	589	1,766	589	0

¹ UNEP/OzL.Pro/ExCom/77/21.

² UNEP/OzL.Pro/ExCom/77/22.

³ UNEP/OzL.Pro/ExCom/77/23.

⁴ UNEP/OzL.Pro/ExCom/77/24.

⁵ UNEP/OzL.Pro/ExCom/77/25.

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Standard activities						
Compliance Assistance Programme (CAP)	10,931	11,259	11,596	33,786	11,944	0
Core unit	5,864	5,905	5,946	17,715	5,988	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	5,759	5,893	6,030	17,682	6,172	0
Treasurer	500	500	500	1,500	500	0
Institutional strengthening (IS)	11,276	10,033	11,096	32,405	10,033	0
Grand total	173,198	274,359	272,104	719,660	335,485	871,520
Indicative budget**	153,800	169,167	169,167	492,133	169,167	
Difference	19,398	105,192	102,937	227,527	166,319	

* Including agency support costs where applicable.

** Based on decision 74/3(c) for 2017, and the level of previous replenishments for 2018, 2019 and 2020.

Secretariat's observations on activities required for compliance

Production sector

7. A total of US \$1.7 million (including US \$107,000 for project preparation activities in 2017) is included for stage I of the HPPMP in the Democratic People's Republic of Korea.

8. US \$29.31 million per year is included for 2017 to 2020 and US \$172.78 million for after 2020 for stage II of the HPPMP for China. This annual level of funding for 2017 to 2020⁶ would exceed the average annual amount left after stage I (US \$21.87 million for each year between 2017 and 2030) by 34 per cent.

Stage I of HPMPs and additional projects

9. There are three countries⁷ for which stage I of HPMPs have not yet been approved. The business plan includes US \$1.18 million for activities of which US \$988,385 is programmed for the period 2017 to 2019.

10. Implementing agencies included additional projects outside stage I of HPMPs for six countries, namely Bahrain, Bolivia (Plurinational State of), Costa Rica, Cuba, Ecuador and Paraguay⁸, amounting to US \$1.91 million for the period of 2017 to 2019 (including one project preparation activity amounting to US \$60,000 in 2017 for Bolivia (Plurinational State of)). These requests fall under different decisions of the Executive Committee that allow those countries to submit additional projects during the implementation of stage I of their HPMPs.

Stage II of HPMPs in low-volume-consuming (LVC) countries

11. The total level of funding for stage II of HPMPs for the servicing sector in LVC countries is US \$25.99 million of which US \$423,865 is for the period 2017 to 2019 to reach the 67.5 per cent reduction from the baseline consumption of HCFCs in 2025. The value of projects for the servicing sector

⁶ The Executive Committee decided that the total funding for the HPPMP for China would be up to US \$385 million. Of this amount, US \$95 million was approved for stage I with a balance of US \$290 million.

⁷ Mauritania, South Sudan and Syrian Arab Republic. However, the HPMP for South Sudan has been submitted to the 77th meeting (UNEP/OzL.Pro/ExCom/77/63.)

⁸ A project to phase out HCFC consumption in the foam sector has been submitted to the 77th meeting, but subsequently withdrawn.

in LVC countries required to reach a 35 per cent reduction is US \$707,387 (including US \$563,292 for the period of 2017 to 2019).

Stage II of HPMPs in non-LVC countries

12. The total level of funding for stage II of HPMPs in non-LVC countries is US \$1 billion with an associated phase-out of 13,090 ODP tonnes of HCFCs (including US \$435.36 million for the period of 2017 to 2019 with a phase-out of 4,640 ODP tonnes of HCFCs). The funding distribution by sector is provided in Table 4.

Table 4: Funding distribution of stage II of HPMPs in non-LVC countries by sector (US \$000)

Sector	2017-2019	2020	After 2020	Total	Per cent of total
Foam general	4,628	769	0	5,397	0.5
Foam rigid	79,720	27,809	91,405	198,934	19.9
Foam rigid and refrigeration servicing	747	121	0	868	0.1
Foam rigid and extruded polystyrene (XPS)	5,632	1,609	805	8,046	0.8
XPS foam	64,900	23,540	75,153	163,593	16.3
Foam, refrigeration, air conditioning	27,887	17,330	2,179	47,396	4.7
Fire fighting	31	3		34	0.0
Production of hydrocarbon-based refrigerant, XPS and foam	6,572	0	1,502	8,075	0.8
Refrigeration air-conditioning	84,913	28,051	702	113,666	11.4
Refrigeration assembly	1,221	467	0	1,688	0.2
Refrigeration general (including manufacturing, commercial, and industrial)	100,435	42,815	21,346	164,596	16.4
Refrigeration servicing	43,635	23,205	172,160	239,000	23.9
Solvent	14,984	6,518	27,796	49,298	4.9
Production sector monitoring	54	18	18	90	0.0
Grand total	435,360	172,256	393,065	1,000,681	100.0

Project preparation for stage III of HPMPs

13. The total level of funding for project preparation for stage III of HPMPs (Chile, the Democratic Republic of the Congo and Peru) is US \$101,700 for the period after 2019.

Stage III of HPMPs in LVC countries

14. The total level of funding for stage III of HPMPs in two LVC countries (Armenia and the Republic of Moldova) in the refrigeration servicing sector amounts to US \$429,670 for the period after 2019.

Stage III of HPMPs in non-LVC countries

15. The total level of funding for stage III of the HPMP in one non-LVC country (China) is US \$354.05 million for after 2019 in the refrigeration air-conditioning sector and refrigeration industrial and commercial sector.

HPMP verification

16. The Secretariat has included an amount of US \$588,600 per year for verification reports⁹ assuming that 18 reports, each at a cost of US \$32,700, will be prepared (US \$1.77 million for the period of 2017 to 2019 and US \$588,600 for 2020).

Secretariat's observations on standard activitiesStandard costs

17. The standard costs, e.g., CAP, core unit costs, Secretariat/Executive Committee and monitoring and evaluation costs, and the Treasurer's costs, are expected to be maintained at the rates of increases that have been agreed to-date.

IS

18. For IS activities, US \$42.44 million has been included in the business plan of which US \$32.41 million is for the period of 2017 to 2019¹⁰, and US \$10.03 million for 2020.

Adjustments to the consolidated business plan of the Multilateral Fund for 2017-2019

19. During the IACM, adjustments to the business plans of bilateral and implementing agencies were agreed based on relevant decisions of the Executive Committee as explained under the introduction section. In reviewing the revised business plan of bilateral and implementing agencies for 2017-2019, the Secretariat noted that the following adjustments were not included:

Table 5: Adjustments to the consolidated business plan of the Multilateral Fund for 2017-2019

Adjustment	2017-2019 (US \$000)	2020 and after 2020 (US \$000)
HPMP values to reflect the actual amounts approved under the agreements	394	5
HPMP values to reflect tranches of HPMPs that are due but not submitted to the 77 th meeting	3,897	0
New HPMP activities (stage I) with submissions to the 77 th meeting to match the proposed funding level as originally submitted	45	11
New HPMP activities (stages II) with submissions to the 77 th meeting to match the proposed funding level as originally submitted	16,674	-142,601
Stage II of HPPMP starting in 2017 as per decision 71/23(c)	-22,295	38,535
Additional stage I of HPMP preparation	-23	0
Stage I of HPMPs with phase-out exceeding the maximum eligibility for HCFC-141b (including those contained in imported pre-blended polyol)	-16	0
Project preparation for stage II of HPMPs pursuant to decision 71/42	-98	-34
Stage II of HPMPs in LVC countries to the maximum allowable value to achieve 35 or 67.5 per cent reduction in the HCFC baseline consumption based on decision 74/50(c)(xii)	-34	-1,244
Stage II of HPMPs in non-LVC countries with the foam sector based on a maximum cost-effectiveness of US \$7.00/kg ¹¹	0	-11

⁹ Decision 61/46(c) requires verification reports for a sample of 20 per cent of the LVC countries with approved HPMPs.

¹⁰ In line with decision 74/51(c), to approve all IS projects and renewals at a level 28 per cent higher than the historically agreed level, with a minimum level of IS funding of US \$42,500 per year.

¹¹ As agreed at the IACM.

Adjustment	2017-2019 (US \$000)	2020 and after 2020 (US \$000)
Stage II of HPMPs in non-LVC countries with the refrigeration servicing sector based on a maximum cost-effectiveness of US \$4.80/kg	-0.497	-103
Stage II of HPMPs with phase-out exceeding the maximum eligibility for HCFC-141b (including those contained in imported pre-blended polyol)	-1,498	0

20. Table 6 presents the results of the proposed adjustments to the consolidated business plan for 2017-2019.

Table 6: Adjusted resource allocation for the business plan for 2017-2019 (US \$000s)*

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Required for compliance						
Approved HPMPs	27,542	49,727	8,218	85,487	16,293	7,002
HCFC production PRP – stage I	107	0	0	107	0	0
HCFC production – stage I	0	533	533	1,065	533	0
HCFC production – stage II	21,874	21,874	21,874	65,623	21,874	218,743
HPMP stage I	127	898	8	1,034	202	0
HPMP stage I – additional funding PRP	37	0	0	37	0	0
HPMP stage I – additional funding	1,400	430	0	1,830	0	0
HPMP PRP – stage II	837	4,184	163	5,184	0	46
HPMP stage II	81,134	172,260	198,095	451,488	188,680	258,389
HPMP PRP – stage III	0	0	0	0	102	0
HPMP stage III	0	0	0	0	70,945	283,530
HPMP verification	589	589	589	1,766	589	0
Standard activities						
CAP	10,931	11,259	11,596	33,786	11,944	0
Core unit	5,864	5,905	5,946	17,715	5,988	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	5,759	5,893	6,030	17,682	6,172	0
Treasurer	500	500	500	1,500	500	0
IS	11,276	10,033	11,096	32,405	10,033	0
Grand total	167,975	284,084	264,648	716,707	333,854	767,710
Indicative budget**	153,800	169,167	169,167	492,133	169,167	
Difference	14,175	114,917	95,481	224,574	164,687	
By agency						
France	180	0	0	180	5	0
Germany	2,017	10,445	751	13,212	7,553	5,433
Italy	266	107	266	638	0	0
Japan	285	130	100	516	100	0
UNDP	27,101	79,968	82,603	189,672	92,213	163,584
UNEP	26,508	28,590	24,956	80,055	33,381	15,766
UNIDO	52,272	86,584	85,332	224,188	130,921	268,171
World Bank	52,498	71,278	63,522	187,298	62,421	314,758
HPMP verification	589	589	589	1,766	589	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	5,759	5,893	6,030	17,682	6,172	0

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Treasurer	500	500	500	1,500	500	0

* Including agency support costs where applicable.

** Based on decision 74/3(c) for 2016 and 2017, and the level of previous replenishments for 2018.

Other policy issues

Activities in the 2016 business plan not approved at the 77th meeting

21. Activities included in the 2016 business plans of bilateral and implementing agencies but not submitted to the 77th meeting have already been included in the 2017-2019 business plan. Any project submitted to the 77th meeting but subsequently deferred should also be included in the 2017-2019 business plan along with the resource allocation provided for them in the 2015-2017 triennium as advised by the bilateral and implementing agencies.

22. The approval of activities not included in the 2016 business plan at the 77th meeting may result in less resources being available for the remainder of the 2015-2017 replenishment as indicated in the Update on the status of implementation of the 2016-2018 consolidated business plan of the Multilateral Fund¹².

Over-budgeting

23. After adjustments are made, the activities in the business plan exceed the overall indicative budget by US \$224.57 million for 2017-2019 (i.e., US \$14.18 million in 2017, US \$114.92 million in 2018, and US \$95.48 million in 2019), and by US \$164.69 million in 2020. The indicative budget assumes US \$169.167 million annually for the next replenishment period of 2018-2020 at the same level as the current replenishment (2015-2017).

24. The business plan values for 2017 is US \$14.1 million (9.2 per cent) above the overall budget of US \$153.8 million. This may likely be accounted for: by funds allocated for activities that might not be submitted as planned; and by the level of approved funding below the business plan values. However, the entries in the business plan for 2018 to 2020 exceed the indicative budget by an average of US \$145 million, annually. The over-budgeting is mostly related to business plan values for non-LVC countries whose stages II of HPMPs have tranches funded back-loaded, i.e., with higher tranche values after 2017.

25. The total value of new HPMPs (stages I and II) submitted to the 77th meeting was US \$720.38 million for 2017 to after 2020¹³ that exceeds business plan cost-effectiveness values by US \$108.33 million. The approval in principle of these new HPMPs will determine the actual resource requirements for 2018-2020 and beyond.

26. The 2017-2019 business plan would more accurately reflect the resource allocation required to fund them if the business plans were further adjusted based on the values approved in principle for them at the 77th meeting. This is particularly important at this time as Technology and Economic Assessment Panel (TEAP) Task Force will be using the business plan as one of the reference documents for its assessment of future replenishment needs. The Executive Committee may wish to adjust the 2017-2019 business plan based on the level of funds approved in principle for the HPMPs approved at the 77th meeting.

¹² UNEP/OzL.Pro/ExCom/77/5.

¹³ Excluding 2016 values.

RECOMMENDATIONS

27. The Executive Committee may wish:

- (a) To note the consolidated business plan of the Multilateral Fund for 2017-2019 contained in document UNEP/OzL.Pro/ExCom/77/20;
- (b) To decide whether:
 - (i) To adjust the business plan as proposed by the Secretariat in document UNEP/OzL.Pro/ExCom/77/20;
 - (ii) To further adjust the business plan during the discussion by the Executive Committee and/or during the presentation of the business plan by bilateral and implementing agencies by adding those HCFC phase-out management plans (HPMPs), institutional strengthening activities from the 2016 business plan that were deferred at the 77th meeting to the 2017 business plan;
 - (iii) To further adjust the business plan based on the values approved in principle for new HPMPs at the 77th meeting;
- (c) To request bilateral and implementing agencies to include in the business plans stage II of HPMP activities for Kenya and Syrian Arab Republic; and
- (d) To endorse the consolidated business plan of the Multilateral Fund for 2017-2019, as adjusted by the Secretariat [and the Executive Committee], while noting that endorsement denoted neither approval of the projects identified therein nor their funding or tonnage levels.