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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-second Meeting
Montreal, 3-7 December 2018

CONSOLIDATED BUSINESS PLAN OF THE MULTILATERAL FUND FOR 2019–2021

Introduction

1. The Secretariat and the bilateral and implementing agencies began their collaborative efforts on business planning of the Multilateral Fund for 2019–2021 with the submission of the initial business plan tables on 17 August 2018. The total value of the 2019–2021 business plan tables as submitted is summarized in Table 1.

Table 1: Total initial business plan values for 2019–2021 (US \$000)

Item	2019	2020	2021	Total (2019–2021)	Total after 2021
Grand total	190,040	219,850	168,475	578,364	774,978
Indicative budget	174,600	171,000	180,000*	525,600	
Difference	15,440	48,850	(11,525)	52,764	

* Assumed the same level of the 2018–2020 replenishment of the Multilateral Fund.

2. The Secretariat 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),¹ the Secretariat discussed the issues arising from the review of the initial business plan tables including, *inter alia*: over-programming, HPMP-related activities, projects in the 2018 business plans but not submitted to the 82nd meeting, the production sector including tranches associated with the HCFC production phase-out management plan (HPPMP) for China, and HFC-related activities.

3. Further to the discussion at the IACM, bilateral and implementing agencies revised their business plan tables and resubmitted them with the narrative sections. The total value of the business plan for 2019-2021 is summarized in Table 2.

¹ Montreal, 4 to 6 September 2018.

Table 2: Total revised business plan values for 2019–2021 as submitted (US \$000)

Item	2019	2020	2021	Total (2019–2021)	Total after 2021
Grand total	208,189	214,938	168,713	591,839	612,805
Indicative budget	174,600	171,000	180,000*	525,600	
Difference	33,589	43,938	(11,287)	66,239	

* Assumed the same level of the 2018–2020 replenishment of the Multilateral Fund.

Content

4. This document presents the consolidated business plans of the Multilateral Fund for 2019–2021 and comprises the business plans for 2019–2021 of bilateral agencies,² and UNDP³, UNEP⁴, UNIDO⁵ and the World Bank⁶ submitted to the 82nd meeting.

5. This document consists of the following sections:

- Resource allocation in the business plan for 2019–2021
- Secretariat’s comments on activities required for compliance
- Adjustments to the consolidated business plan of the Multilateral Fund for 2019–2021
- Other policy issues
- Recommendation

Resource allocation in the business plan for 2019–2021

6. Table 3 presents, by year, the value of activities included in the business plan for 2019–2021. The values exceed the indicative budget by US \$66.24 million.

Table 3: Resource allocation in the business plan for 2019–2021 as submitted (US \$000)*

Item	2019	2020	2021	Total (2019–2021)	Total after 2021
Required for compliance					
Approved HPMPs	112,573	122,081	96,856	331,509	171,697
HPMP stage I	0	354	0	354	500
HPMP stage I – additional funding	0	659	0	659	0
HPMP project preparation (PRP) – stage II	1,717	471	131	2,318	68
HPMP stage II	1,761	17,686	5,581	25,028	71,230
HCFC production – stage II	29,145	29,145	29,145	87,434	142,059
HPMP PRP – stage III	599	701	161	1,461	503
HPMP stage III	0	7,313	112	7,425	226,072
HPMP verification	589	589	589	1,766	0
Required for compliance subtotal	146,383	178,999	132,573	457,955	612,128
HFC activities					
HFC – demonstration	10,180	0	0	10,180	0
HFC – enabling activities	940	0	0	940	0
HFC – investment	15,512	0	0	15,512	0

² UNEP/OzL.Pro/ExCom/82/26

³ UNEP/OzL.Pro/ExCom/82/27

⁴ UNEP/OzL.Pro/ExCom/82/28

⁵ UNEP/OzL.Pro/ExCom/82/29

⁶ UNEP/OzL.Pro/ExCom/82/30

Item	2019	2020	2021	Total (2019–2021)	Total after 2021
HFC – investment PRP	180	0	0	180	0
HFC activities subtotal	26,813	0	0	26,813	0
Standard activities					
Compliance Assistance Programme (CAP)	11,301	11,640	11,989	34,929	0
Core unit	5,932	5,961	5,991	17,884	0
Institutional strengthening (IS)	10,461	10,883	10,546	31,891	677
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,799	6,954	7,114	20,868	0
Treasurer	500	500	500	1,500	0
Standard activities subtotal	34,993	35,939	36,140	107,072	677
Grand total	208,189	214,938	168,713	591,839	612,805
Indicative budget	174,600	171,000	180,000**	525,600	
Difference	33,589	43,938	(11,287)	66,239	

* Including agency support costs where applicable.

** Assumed the same level of the 2018–2020 replenishment of the Multilateral Fund.

Secretariat's comments on activities required for compliance

Production sector

7. A total of US \$229.49 million is included for the HPPMP for China. This amount includes US \$87.43 million for the period 2019–2021 for stage II and US \$142.06 million for after 2021. At the 81st meeting, the Executive Committee approved, on an exceptional basis, US \$24.29 million (including agency support costs) that would be deducted from the funding of stage II of the HPPMP. Taking into account approvals at the 81st meeting, the average annual level of funding after stage I of the HPPMP starting in 2019 should be US \$23.50 million (or US \$70.49 million for the period 2019–2021) assuming the maximum amount of funding (US \$406.56 million including agency support costs) per decision 69/28(e). Therefore, the proposed level of funding for 2019–2021 would exceed the average annual amount by approximately 24 per cent.

Stage I of HPMPs and additional projects

8. There is one country (Syrian Arab Republic) for which stage I of the HPMP has not yet been approved. The business plan includes US \$853,978 for activities, of which US \$353,978 is programmed for 2019–2021.

9. Implementing agencies included additional funding for projects outside stage I of the HPMPs for two countries (Bahrain and Costa Rica), amounting to US \$659,364 for 2019–2021. 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

10. The total level of funding for stage II of HPMPs for low-volume-consuming (LVC) countries is US \$25.66 million, of which US \$10.18 million is for 2019–2021 to meet the 67.5 per cent reduction of the HCFC baseline in 2025. The value of projects for LVC countries required to meet a 35 per cent reduction in 2020 is US \$267,441 including US \$194,342 for 2019–2021.

11. The total level of funding for stage II of HPMPs in non-LVC countries is US \$70.33 million with an associated phase-out of 758.2 ODP tonnes of HCFCs, including US \$14.65 million for 2019–2021 with a phase-out of 273.6 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	2019–2021	After 2021	Total	Per cent of total (%)
Rigid foam	1,092	514	1,606	2.3
Rigid foam and refrigeration servicing	2,635	0	2,635	3.7
Refrigeration air-conditioning	853	0	853	1.2
Refrigeration assembly	178	467	645	0.9
Refrigeration manufacturing	1,303	30,413	31,716	45.1
Refrigeration servicing	8,592	24,285	32,877	46.7
Grand total	14,652	55,679	70,332	100.0

HPMP verification

12. The Secretariat has included an amount of US \$588,600 per year for verification reports,⁷ assuming that 18 reports, each at a cost of US \$32,700, will be prepared (US \$1.77 million for 2019–2021).

HFC-related activities

13. One of the pre-requisites for including an HFC activity in a business plan is a letter of intention/endorsement from the government concerned indicating its intent to make best efforts to ratify the Kigali Amendment as early as possible, if it has not done so, in line with decision 79/46(d)(i). All of these activities, with the exception of India and the Democratic People's Republic of Korea, were submitted with the required letter.

14. HFC activities submitted in the business plan include enabling, demonstration projects, investment projects and preparation projects.

15. The total level of funding for HFC enabling activities is US \$940,300 in 2019 for seven countries.

16. The total level of funding for technology demonstration of HFC-23 by-product conversion is US \$10.18 million in 2019 for two countries (China and India).

17. The total level of funding for HFC investment activities amounts to US \$15.51 million in 2019 for five countries (Argentina, Brazil, China, Islamic Republic of Iran and Pakistan). The total level of funding for preparation projects amounts to US \$179,800 in 2019 for three countries (the Democratic People's Republic of Korea, Mexico and Pakistan).

Adjustments to the consolidated business plan of the Multilateral Fund for 2019–2021

18. During the IACM, adjustments to the business plans of bilateral and implementing agencies were agreed based on relevant decisions of the Executive Committee. However, in reviewing the revised business plans submitted after the IACM, it was noted that the adjustments listed in Table 5 below were not considered:

⁷ Decision 61/46(c) requires verification reports for a sample of 20 per cent of the LVC countries with approved HPMPs.

Table 5: Further adjustments to the consolidated business plan of the Multilateral Fund for 2019-2021 (US \$000)

Adjustment	2019–2021	After 2021
HPMP values to reflect the actual amounts approved under the agreements, including tranches of HPMPs that are due but not submitted to the 82 nd meeting	3,659	981
HPMP values to reflect the revised agreement submitted to the 82 nd meeting	0	15,008
Additional project outside of stage I of HPMPs with the foam sector based on a maximum cost-effectiveness of US \$7.00/kg ⁸	(14)	0
PRP for stage II of HPMPs pursuant to decision 71/42	(302)	(34)
Stage II of HPMPs in LVC countries to the maximum allowable value to meet 35 or 67.5 per cent reductions of the HCFC baseline based on decision 74/50(c)(xii)	(71)	(150)
Stage II of HPPMP starting in 2019 as per decision 69/28(e)	(16,946)	69,405
Stage III of HPMPs and PRP pursuant to decision 80/34(c)(iii)a.	(8,886)	(226,575)
IS pursuant to decision 74/51(c) or values after 2021 have been removed	3	(677)
Activities related to the Democratic People's Republic of Korea pursuant to decision 80/34(c)(iii)b. (stage I, stage II and PRP, HFC investment PRP and IS)	(193)	(1,751)
HFC investment PRP	(43)	0
Technology demonstration of HFC-23 by-product conversion activities have been removed in line with decision 79/47(g)	(10,180)	0
HFC enabling activities as per decision 79/46(c)	7	0

19. Table 6 presents the results of the proposed adjustments to the consolidated business plan for 2019-2021. The values exceed the indicative budget by US \$33.27 million.

Table 6: Adjusted resource allocation for the business plan for 2019–2021 (US \$000)*

Item	2019	2020	2021	Total (2019–2021)	Total after 2021
Required for compliance					
Approved HPMPs	116,126	122,992	96,008	335,126	187,685
HPMP stage I	0	354	0	354	500
HPMP stage I – additional funding	0	646	0	646	0
HPMP PRP – stage II	1,415	396	131	1,941	34
HPMP stage II	1,761	17,655	5,541	24,957	69,328
HCFC production – stage II	23,496	23,496	23,496	70,488	211,464
HPMP PRP – stage III	0	0	0	0	0
HPMP stage III	0	0	0	0	0
HPMP verification	589	589	589	1,766	
Required for compliance subtotal	143,386	166,127	125,765	435,278	469,012
HFC activities					
HFC – demonstration	0	0	0	0	0
HFC – enabling activities	947	0	0	947	0
HFC – investment	15,512	0	0	15,512	0
HFC – investment PRP	62	0	0	62	0
HFC activities subtotal	16,522	0	0	16,522	0

⁸ As agreed at the IACM.

Item	2019	2020	2021	Total (2019–2021)	Total after 2021
Standard activities					
CAP	11,301	11,640	11,989	34,929	0
Core unit	5,932	5,961	5,991	17,884	0
IS	10,461	10,886	10,546	31,894	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,799	6,954	7,114	20,868	0
Treasurer	500	500	500	1,500	0
Standard activities subtotal	34,993	35,942	36,140	107,075	0
Grand total	194,901	202,069	161,905	558,874	469,012
Indicative budget	174,600	171,000	180,000**	525,600	
Difference	20,301	31,069	(18,095)	33,274	
By agency					
France	79	693	0	772	771
Germany	1,916	1,989	2,855	6,759	5,447
Italy	565	265	0	830	0
Japan	306	90	0	396	0
UNDP	39,149	54,517	30,001	123,667	30,295
UNEP	27,918	28,567	25,123	81,607	16,051
UNIDO	61,115	50,301	45,870	157,286	125,990
World Bank	55,966	57,604	49,854	163,423	290,458
HPMP verification	589	589	589	1,766	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,799	6,954	7,114	20,868	
Treasurer	500	500	500	1,500	

* Including agency support costs where applicable.

** Assumed the same level of the 2018-2020 replenishment of the Multilateral Fund.

Other policy issues

Activities in the 2018 business plan not approved at the 82nd meeting

20. Activities included in the 2018 business plans of bilateral and implementing agencies but not submitted to the 82nd meeting have already been included in the business plan for 2019–2021. Any project submitted to the 82nd meeting but subsequently deferred would be included in the business plan for 2019-2021.

Stage III of HPMPs

21. In line with decision 80/34(c)(iii)a., the Secretariat removed all activities related to stage III of HPMPs including project preparation from the 2019–2021 business plan. However, taking into account that some countries have already been implementing stage II of HPMPs, the Secretariat would like to seek guidance from the Executive Committee on the timing for which activities related to stage III of HPMPs could be included in the future business plan.

Over-budgeting

22. Following adjustments, the values of activities in the business plan exceed the overall indicative budget by US \$33.27 million for the 2019–2021 triennium, assuming an annual budget of US \$180 million

for 2021, i.e., at the same level as the 2018–2020 replenishment. The amounts in excess of the indicative budget per year are: US \$20.30 million in 2019, of which US \$16.52 million is related to HFC activities, and US \$31.07 million in 2020.

23. The business plan value of US \$194.90 million for 2019 includes US \$19,560,120 associated with funding tranches that were not submitted in 2018 and, therefore, are included in 2019.

Further adjustment post the 82nd meeting

24. The 2019–2021 business plan could be further adjusted based on the funding levels of HPMPs that will be approved in principle at the 82nd meeting. The Executive Committee may wish to adjust the 2019–2021 business plan based on the level of funds for the HPMPs approved in principle at the 82nd meeting.

RECOMMENDATION

25. The Executive Committee may wish:

- (a) To note the consolidated business plan of the Multilateral Fund for 2019–2021 contained in document UNEP/OzL.Pro/ExCom/82/25;
- (b) To decide whether:
 - (i) To adjust the business plan as proposed by the Secretariat in document UNEP/OzL.Pro/ExCom/82/25;
 - (ii) To further adjust the business plan as proposed at the 82nd meeting during the discussions and/or during the presentation of the business plans by bilateral and implementing agencies:
 - a. By adding to the 2019 business plan HCFC phase-out management plans (HPMPs) and institutional strengthening activities from the 2018 business plan that had been deferred at the 82nd meeting;
 - b. By taking into account the values approved in principle for new HPMPs at the 82nd meeting;
- (c) To consider when activities related to stage III of HPMPs could be submitted; and
- (d) To endorse the consolidated business plan of the Multilateral Fund for 2019–2021, 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.