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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eightieth Meeting  
Montreal, 13-17 November 2017

**CONSOLIDATED BUSINESS PLAN OF THE MULTILATERAL FUND FOR 2018-2020**

**Introduction**

1. The Secretariat and the bilateral and implementing agencies began their collaborative efforts on business planning of the Multilateral Fund for 2018-2020 with the submission of the initial business plan tables on 18 August 2017. The total value of the 2018-2020 business plan tables as submitted is summarized in Table 1.

**Table 1: Total initial business plan values for 2018-2020 (US\$ \$000)**

Item	2018	2019	2020	Total (2018-2020)	Total after 2020
<b>Grand total</b>	<b>285,178</b>	<b>200,898</b>	<b>232,072</b>	<b>718,148</b>	<b>774,082</b>
Indicative budget	169,167	169,167	169,167	507,500	
Difference	116,012	31,732	62,905	210,648	

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),<sup>1</sup> 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 2017 business plans but not submitted to the 80<sup>th</sup> 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 2018-2020 is summarized in Table 2.

<sup>1</sup> Montreal, 5 to 7 September 2017.

**Table 2: Total revised business plan values for 2018-2020 as submitted (US \$000)**

Item	2018	2019	2020	Total (2018-2020)	Total after 2020
<b>Grand total</b>	<b>280,037</b>	<b>217,262</b>	<b>210,389</b>	<b>707,688</b>	<b>810,989</b>
Indicative budget	169,167	169,167	169,167	507,500	
Difference	110,870	48,095	41,222	200,188	

Content

4. This document presents the consolidated business plans of the Multilateral Fund for 2018-2020 and comprises the business plans for 2018-2020 of bilateral agencies,<sup>2</sup> and UNDP<sup>3</sup>, UNEP<sup>4</sup>, UNIDO<sup>5</sup> and the World Bank<sup>6</sup> submitted to the 80<sup>th</sup> meeting.

5. This document consists of the following sections:

- Resource allocation in the business plan for 2018-2020
- Adjustments to the consolidated business plan of the Multilateral Fund for 2018-2020
- Other policy issues
- Recommendations of the Secretariat

**Resource allocation in the business plan for 2018-2020**

6. Table 3 presents, by year, the value of activities included in the business plan for 2018-2020. The values exceed the indicative budget by US \$200.19 million.

**Table 3: Resource allocation in the business plan for 2018-2020 as submitted (US \$000)\***

Item	2018	2019	2020	Total (2018-2020)	Total after 2020
<b>Required for compliance</b>					
Approved HPMPs	147,427	89,298	98,703	335,427	247,212
HCFC production project preparation (PRP) – stage I	0	107	0	107	0
HCFC production – stage I	0	2,000	2,533	4,533	11,065
HCFC production – stage II	54,346	54,346	24,046	132,738	96,184
HPMP stage I	0	693	272	964	700
HPMP stage I – additional funding	485	1,227	0	1,712	0
HPMP PRP – stage II	3,292	1,409	119	4,820	199
HPMP stage II	9,734	27,385	32,834	69,953	83,984
HPMP PRP – stage III	420	326	23	768	0
HPMP stage III	0	0	10,757	10,757	371,645
HPMP verification	589	589	589	1,766	0
HCFC technical assistance	400	0	0	400	0
<b>Required for compliance subtotal</b>	<b>216,692</b>	<b>177,379</b>	<b>169,873</b>	<b>563,944</b>	<b>810,989</b>
<b>HFC activities</b>					
HFC – demonstration	8,685	0	0	8,685	0
HFC – enabling activities	11,682	0	0	11,682	0
HFC – investment	5,232	7,704	2,140	15,076	0
HFC – investment PRP	32	0	0	32	0

<sup>2</sup> UNEP/OzL.Pro/ExCom/80/17.

<sup>3</sup> UNEP/OzL.Pro/ExCom/80/18.

<sup>4</sup> UNEP/OzL.Pro/ExCom/80/19.

<sup>5</sup> UNEP/OzL.Pro/ExCom/80/20.

<sup>6</sup> UNEP/OzL.Pro/ExCom/80/21.

Item	2018	2019	2020	Total (2018-2020)	Total after 2020
<b>HFC activities subtotal</b>	<b>25,631</b>	<b>7,704</b>	<b>2,140</b>	<b>35,475</b>	<b>0</b>
<b>Standard activities</b>					
Compliance Assistance Programme (CAP)	10,972	11,301	11,640	33,912	0
Core unit	5,903	5,932	5,961	17,796	0
Institutional strengthening (IS)	13,754	7,728	13,415	34,896	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,586	6,719	6,860	20,164	0
Treasurer	500	500	500	1,500	0
<b>Standard activities subtotal</b>	<b>37,714</b>	<b>32,179</b>	<b>38,376</b>	<b>108,268</b>	<b>0</b>
<b>Grand total</b>	<b>280,037</b>	<b>217,262</b>	<b>210,389</b>	<b>707,688</b>	<b>810,989</b>
Indicative budget**	169,167	169,167	169,167	507,500	
Difference	110,870	48,095	41,222	200,188	

\* Including agency support costs where applicable.

\*\* Assumed the same level of the 2015-2107 replenishment of the Multilateral Fund.

7. Additional information on some of the proposed activities is provided below.

#### Production sector

8. A total of US \$15.7 million (including US \$107,000 for project preparation activities in 2019) is included for stage I of the HPPMP in the Democratic People's Republic of Korea and India. US \$4.6 million is for the period of 2018 to 2020.

9. A total of US \$228.9 million is included for the HPPMP for China. This amount includes US \$132.7 million for the period 2018-2020 for stage II and US \$96.2 million for after 2020. However, the average annual level of funding after stage I of the HPPMP starting in 2017 should be US \$21.87 million assuming the maximum amount of funding (US \$406.56 million including agency support costs) as per decision 69/28(e). Therefore, the proposed level of funding for the period 2018 to 2020 would exceed the average annual amount by more than 100 per cent.

#### HPMP stage I and additional projects

10. There are two countries<sup>7</sup> for which stage I of HPMPs have not yet been approved. The business plan includes US \$1.66 million for activities, of which US \$964,181 is programmed for the period 2018 to 2020.

11. Implementing agencies included additional projects outside stage I of the HPMPs for five countries, namely, Bahrain, Costa Rica, Cuba, Ecuador and Paraguay, amounting to US \$1.71 million for the period of 2018 to 2020. 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.

#### HPMP stage II

12. The total level of funding for stage II of HPMPs for the servicing sector in low-volume-consuming (LVC) countries is US \$24.53 million of which US \$9.35 million is for the period 2018 to 2020 to reach the 67.5 per cent reduction from the baseline consumption of HCFCs in 2025. The value of projects for the

<sup>7</sup> Mauritania and Syrian Arab Republic. However, the HPMP for Mauritania has been submitted to the 80<sup>th</sup> meeting (UNEP/OzL.Pro/ExCom/80/44.)

servicing sector in LVC countries required to reach a 35 per cent reduction is US \$351,054 including US \$128,550 for the period of 2018 to 2020.

13. The total level of funding for stage II of HPMPs in non-LVC countries is US \$129.05 million with an associated phase-out of 1,170.5 ODP tonnes of HCFCs, including US \$60.48 million for the period of 2018 to 2020 with a phase-out of 599.5 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	2018-2020	After 2020	Total	Per cent of total (%)
Foam general	2,000	0	2,000	1.5
Rigid foam	5,681	490	6,172	4.8
Refrigeration air-conditioning	5,054	396	5,449	4.2
Refrigeration air-conditioning and servicing	5,805	645	6,450	5.0
Refrigeration assembly	467	467	934	0.7
Refrigeration commercial	2,427	270	2,696	2.1
Refrigeration manufacturing	5,513	31,678	37,191	28.8
Refrigeration manufacturing and servicing	5,106	4,412	9,518	7.4
Refrigeration servicing	27,006	30,059	57,064	44.2
Solvent	1,418	158	1,576	1.2
<b>Grand total</b>	<b>60,476</b>	<b>68,575</b>	<b>129,051</b>	<b>100.0</b>

#### HCFC technical assistance regional project

14. The business plan includes one HCFC technical assistance regional project amounting to US \$400,000 in 2018 for harmonization of safety and energy labelling standards in South Asia (UNEP business plan for 2018-2020 provides more detail on this activity).

#### HPMP verification

15. The Secretariat has included an amount of US \$588,600 per year for verification reports,<sup>8</sup> assuming that 18 reports, each at a cost of US \$32,700, will be prepared (US \$1.77 million for the period of 2018 to 2020).

#### HFC-related activities

16. One of the pre-requisites for including an HFC activity in a business plan is a letter of intention/endorsement from the government concerned. All countries except Mauritius have met this requirement. Germany has agreed to remove Mauritius from its business plan.

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

18. The total level of funding for HFC enabling activities is US \$11.68 million in 2018 for 80 countries. However, 11 of the 80 countries have submitted enabling activities to the 80<sup>th</sup> meeting (Chile, Colombia, Costa Rica, Jamaica, Liberia, Malaysia, Papua New Guinea, Peru, Seychelles, Trinidad and Tobago and Uruguay). The Secretariat proposes to remove these 11 countries from the business plan.

<sup>8</sup> Decision 61/46(c) requires verification reports for a sample of 20 per cent of the LVC countries with approved HPMPs.

19. The total level of funding for technology demonstration of HFC-23 by-product conversion is US \$8.69 million in 2018 for one country (China).

20. The total level of funding for HFC investment activities amounts to US \$15.11 million (including US \$32,100 for project preparation) in 2018 for ten countries (China, the Dominican Republic, Ecuador, Egypt, Lebanon, Mexico, Morocco, Thailand, Viet Nam and Zimbabwe).

### Adjustments to the consolidated business plan of the Multilateral Fund for 2018-2020

21. 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:

**Table 5: Further adjustments to the consolidated business plan of the Multilateral Fund for 2018-2020 (US \$000)**

Adjustment	2018-2020	After 2020
HPMP values to reflect the actual amounts approved under the agreements, including tranches of HPMPs that are due but not submitted to the 80 <sup>th</sup> meeting	3,832	8,580
New HPMP activities (stages I and II) with submissions to the 80 <sup>th</sup> meeting to match the proposed funding level as originally submitted	-1,504	1,847
Stage I of HPPMP	-4,000	-10,000
Stage II of HPPMP starting in 2017 as per decision 71/23(c)	-67,115	122,559
Project preparation for stage II of HPMPs pursuant to decision 71/42	-1	0
Project preparation for stage III of HPMPs pursuant to decision 71/42	-290	290
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)	-58	-28
Institutional strengthening pursuant to decision 74/51(c)	80	0
Stage II of HPMPs in non-LVC countries with the refrigeration air-conditioning sector based on a maximum cost-effectiveness of US \$8.40/kg <sup>9</sup>	-3,810	-416
Stage III of HPMPs in non-LVC countries with the refrigeration industrial and commercial refrigeration and air-conditioning (ICR) sector based on a maximum cost-effectiveness of US \$8.40/kg <sup>10</sup>	0	-59,700
Stage III of HPMPs in non-LVC countries with the refrigeration servicing sector based on a maximum cost-effectiveness of US \$4.80/kg based on decision 74/50(c)(xiii)	-0.236	-0.031
Stage III of HPMP in non-LVC countries based on completion year of stage II	-10,000	10,000
HFC enabling activities as per decision 79/46(c) or submitted to the 80 <sup>th</sup> meeting	-1,997	0

22. Table 6 presents the results of the proposed adjustments to the consolidated business plan for 2018-2020. The values exceed the indicative budget by US 115.33 million.

<sup>9</sup> As agreed at the IACM.

<sup>10</sup> Ibid.

**Table 6: Adjusted resource allocation for the business plan for 2018-2020 (US \$000)\***

Item	2018	2019	2020	Total (2018-2020)	Total after 2020
<b>Required for compliance</b>					
Approved HPMPs	148,267	92,850	98,143	339,259	255,792
HCFC production PRP – stage I	0	107	0	107	0
HCFC production – stage I	0	0	533	533	1,065
HCFC production – stage II	21,874	21,874	21,874	65,623	218,743
HPMP stage I	0	693	338	1,031	892
HPMP stage I – additional funding	485	1,227	0	1,712	0
HPMP PRP – stage II	3,291	1,409	119	4,819	199
HPMP stage II	7,621	25,365	31,528	64,514	85,195
HPMP PRP – stage III	130	326	23	478	290
HPMP stage III	0	0	756	756	321,944
HPMP verification	589	589	589	1,766	0
HCFC technical assistance	400	0	0	400	0
<b>Required for compliance subtotal</b>	<b>182,656</b>	<b>144,440</b>	<b>153,902</b>	<b>480,998</b>	<b>884,120</b>
<b>HFC activities</b>					
HFC – demonstration	8,685	0	0	8,685	0
HFC – enabling activities	9,685	0	0	9,685	0
HFC – investment	5,232	7,704	2,140	15,076	0
HFC – investment PRP	32	0	0	32	0
<b>HFC activities subtotal</b>	<b>23,634</b>	<b>7,704</b>	<b>2,140</b>	<b>33,478</b>	<b>0</b>
<b>Standard activities</b>					
CAP	10,972	11,301	11,640	33,912	0
Core unit	5,903	5,932	5,961	17,796	0
IS	13,847	7,281	13,847	34,976	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,586	6,719	6,860	20,164	0
Treasurer	500	500	500	1,500	0
<b>Standard activities subtotal</b>	<b>37,808</b>	<b>31,733</b>	<b>38,808</b>	<b>108,349</b>	<b>0</b>
<b>Grand total</b>	<b>244,098</b>	<b>183,876</b>	<b>194,850</b>	<b>622,825</b>	<b>884,120</b>
Indicative budget**	169,167	169,167	169,167	507,500	
Difference	74,932	14,710	25,683	115,325	
<b>By agency</b>					
France	79		347	426	1,282
Germany	8,204	1,038	3,562	12,804	5,602
Italy	633	265		898	531
Japan	366	120	90	577	
Spain	1,193			1,193	
UNDP	63,426	42,648	50,256	156,330	188,421
UNEP	40,100	22,368	33,910	96,379	22,373
UNIDO	58,776	51,180	52,565	162,521	344,876
World Bank	63,648	58,449	46,171	168,268	321,035
HPMP verification	589	589	589	1,766	
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,586	6,719	6,860	20,164	
Treasurer	500	500	500	1,500	

\* Including agency support costs where applicable.

\*\* Assumed the same level of previous replenishments.

## Other policy issues

### Activities in the 2017 business plan not approved at the 80<sup>th</sup> meeting

23. Activities included in the 2017 business plans of bilateral and implementing agencies but not submitted to the 80<sup>th</sup> meeting have already been included in the business plan for 2018-2020. Any project submitted to the 80<sup>th</sup> meeting but subsequently deferred should also be included in the business plan for 2018-2020 along with the resource allocation provided for them in the 2018-2020 triennium as advised by the bilateral and implementing agencies.

### Over-budgeting

24. Following adjustments, the activities in the business plan exceed the overall indicative budget by US \$115.33 million for the 2018-2020 triennium, assuming an annual budget of US \$169.167 million, i.e., at the same level as the 2015-2017 replenishment. The amounts in excess of the indicative budget per year are: US \$74.93 million in 2018, of which US \$23.63 million is related to HFC activities; US \$14.71 million in 2019, of which US \$7.70 million is related to HFC activities; and US \$25.68 million in 2020, of which US \$2.14 million is related to HFC activities.

25. The business plan value of US \$74.93 million for 2018 (44 per cent above the overall budget), include US \$24,377,533 associated with funding tranches that were not submitted in 2017 and, therefore, had been included in 2018.

26. The 2018-2020 business plan could be further adjusted based on the funding levels of HPMPs that will be approved in principle at the 80<sup>th</sup> meeting. The Executive Committee may wish to adjust the 2018-2020 business plan based on the level of funds for the HPMPs approved in principle at the 80<sup>th</sup> meeting.

### Capacity of the Multilateral Fund to address HFC-phase-down

27. The HFC phase-down and implementation of the Kigali Amendment are expected to expand the scope and complexity of work under the Multilateral Fund, including of its Executive Committee, the implementing agencies, Secretariat and Treasurer. Bilateral and implementing agencies have already witnessed an increase in volume of work related to preparation of project proposals and enabling activities to respond to challenges related to the HFC phase-down. Implementing agencies have highlighted in their submissions on core unit costs<sup>11</sup> the impact of additional work related to the HFC phase-down.<sup>12</sup> Similarly, the Secretariat has devoted time and resources to reviewing those proposals and preparing associated policy documents, and the Treasurer developed agreements related the additional voluntary contributions to the Fund and a mechanism to account for the associated funds.

28. It is unclear whether the existing capacities at the implementing agencies, Secretariat and Treasurer could be restructured to accommodate the new workload associated with the HFC phase-down and, if not, when changes might be appropriate, and the range of options for such changes. In order to better plan, the Executive Committee may wish to request the Secretariat to prepare a document on the implications of the Kigali Amendment for the phase-down of HFCs on the Multilateral Fund institutions. The document could address whether there is a need for changes in the Multilateral Fund to accommodate the increasing workload for the HFC phase-down, noting that HCFC phase-out activities would continue, and that there might be a need for different and complementary expertise as well as engagement with stakeholders whose

<sup>11</sup> UNEP/OzL.Pro/ExCom/80/29.

<sup>12</sup> Bilateral and implementing agencies submitted to the 80th meeting requests for funding HFC enabling activities in 59 Article 5 countries, 17 requests for funding for preparation of HFC investment projects in 11 countries, and HFC phase-out investment projects in four countries, at a total cost of US \$33.51 million. The 2018-2020 triennium includes US \$34.48 million for HFC-related activities (as shown in Table 6 above).

work on climate change and energy efficiency which is relevant to the Kigali Amendment, and suggest a range of options for the Committee's consideration.

## RECOMMENDATION

29. The Executive Committee may wish:

- (a) To note the consolidated business plan of the Multilateral Fund for 2018-2020 contained in document UNEP/OzL.Pro/ExCom/80/16;
  - (b) To decide whether:
    - (i) To adjust the business plan as proposed by the Secretariat in document UNEP/OzL.Pro/ExCom/80/16;
    - (ii) To further adjust the business plan as proposed during the discussion by the Executive Committee and/or the presentation of the business plans by bilateral and implementing agencies by:
      - a. Adding to the 2018 business plan those HCFC phase-out management plans (HPMPs), institutional strengthening activities from the 2017 business plan that were deferred at the 80<sup>th</sup> meeting;
      - b. Taking into account the values approved in principle for new HPMPs at the 80<sup>th</sup> meeting;
      - c. Prorating new HCFC and HFC activities so that the total budget for the 2018-2020 business plan reflected the decision of the Twenty-ninth Meeting of the Parties on the level of replenishment of the Multilateral Fund for the 2018-2020 triennium;
  - (c) To request bilateral and implementing agencies to include stage II of HPMP activities not included in the business plans for Mauritania and Syrian Arab Republic;
  - (d) To endorse the consolidated business plan of the Multilateral Fund for 2018-2020, 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; and
  - (e) To consider requesting the Secretariat to prepare a document on the implications of the Kigali Amendment for the phase-down of HFCs on the Multilateral Fund institutions.
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