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

CONSOLIDATED BUSINESS PLAN OF THE MULTILATERAL FUND FOR 2021–2023

Background

1. Due to the extraordinary 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;² 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.

2. With regard to matters related to the replenishment of the Multilateral Fund, during the on-line Thirty-Second Meeting, 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).

3. 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).

¹ Due to coronavirus disease (COVID-19)

² The 42nd 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).

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

Introduction

4. The Secretariat and the bilateral and implementing agencies began their collaborative efforts on business planning of the Multilateral Fund for 2021–2023 on 10 August 2020 when the initial business plan tables were submitted.

5. In the absence of a decision by the Parties to the Montreal Protocol on the level of the replenishment of the Multilateral Fund for the 2021–2023 triennium, and in light of decision XXXII/1, the Secretariat assumed the same level of the replenishment of the 2018–2020 triennium (i.e., US \$540 million) when reviewing the business plans submitted by bilateral and implementing agencies and informed the agencies that their business plans would be adjusted once the Parties agree on the level of the replenishment for the 2021–2023 triennium.

6. Table 1 presents the total value of the 2021–2023 business plan tables as submitted.

Table 1. Total initial business plan values for 2021–2023 (US \$000)

Item	2021	2022	2023	Total (2021–2023)	Total after 2023
Total	144,169	129,420	158,943	432,532	289,268
Indicative budget*	180,000	180,000	180,000	540,000	
Difference	(35,831)	(50,580)	(21,057)	(107,468)	

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

7. The Secretariat reviewed the activities submitted in the initial business plan tables, in particular stages II and III of HCFC phase-out management plans (HPMPs) in the light of stages I and II of HPMPs, remaining funding eligibility and costs, and sent comments to each bilateral and implementing agency on *inter alia*: over-programming, HPMP-related activities, projects in the 2020 business plans but not submitted to the 86th meeting, the production sector, and HFC-related activities.

8. Given the constraints imposed by the COVID-19 pandemic, the Secretariat's comments on the initial submission of the business plans were addressed through bilateral discussions with each agency and numerous exchanges of electronic messages. All issues were satisfactorily addressed.

9. Subsequently, bilateral and implementing agencies revised their business plan tables and resubmitted them with the narrative sections. The total value of the revised business plan for 2021–2023 is summarized in Table 2.

Table 2. Total revised business plan values for 2021–2023 as submitted (US \$000)

Item	2021	2022	2023	Total (2021–2023)	Total after 2023
Total	143,856	134,512	165,107	443,475	271,012
Indicative budget*	180,000	180,000	180,000	540,000	
Difference	(36,144)	(45,488)	(14,893)	(96,525)	

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

Content

10. This document presents the consolidated business plans of the Multilateral Fund for 2021–2023 and comprises the business plans for 2021–2023 of bilateral agencies,³ and UNDP,⁴ UNEP,⁵ UNIDO⁶ and

³ UNEP/OzL.Pro/ExCom/86/26

⁴ UNEP/OzL.Pro/ExCom/86/27

⁵ UNEP/OzL.Pro/ExCom/86/28

⁶ UNEP/OzL.Pro/ExCom/86/29

the World Bank⁷ submitted to the 86th meeting.

11. This document consists of the following sections:

- Resource allocation in the business plan for 2021–2023
- Secretariat’s comments
- Adjustments to the consolidated business plan of the Multilateral Fund for 2021–2023
- Other policy issues
- Recommendation

Resource allocation in the business plan for 2021–2023

12. Table 3 presents, by year, the value of activities included in the business plan for 2021–2023. The values are below the indicative budget by US \$96.53 million (i.e. 17.9 per cent of the indicative budget).

Table 3. Resource allocation in the business plan for 2021–2023 as submitted (US \$000)*

Description	2021	2022	2023	Total (2021–2023)	Total after 2023
HCFC activities					
Approved HPMPs	70,556	25,915	47,590	144,061	81,376
HCFC production project preparation (PRP) – stage I	128	0	0	128	0
HCFC production – stage I	1,070	2,140	2,140	5,350	0
HCFC production – stage II	0	23,232	0	23,232	23,232
HPMP PRP – stage II	112	104	0	216	34
HPMP stage II	15,997	4,052	12,362	32,411	46,604
HPMP PRP – stage III	1,124	709	258	2,091	0
HPMP stage III	3,549	18,336	37,887	59,772	102,145
HPMP verification	589	589	589	1,766	0
HCFC technical assistance	990	0	0	990	0
HCFC activities subtotal	94,115	75,077	100,825	270,017	253,392
HFC activities					
HFC – demonstration	57	0	0	57	0
HFC – enabling activities	268	214	0	482	0
HFC – investment	3,531	0	0	3,531	0
HFC phase-down plan – PRP	7,560	4,094	377	12,031	0
HFC phase-down plans	0	22,918	24,512	47,430	16,467
HFC – technical assistance	0	678	0	678	678
HFC activities subtotal	11,415	27,904	24,889	64,208	17,145
Standard activities					
Institutional strengthening (IS)	14,146	6,825	14,146	35,118	475
Compliance Assistance Programme (CAP)	11,095	11,428	11,771	34,294	0
Core unit	6,003	6,045	6,087	18,135	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,582	6,732	6,888	20,202	0
Treasurer	500	500	500	1,500	0
Standard activities subtotal	38,326	31,531	39,392	109,249	475
Total	143,856	134,512	165,107	443,475	271,012
Indicative budget**	180,000	180,000	180,000	540,000	
Difference	(36,144)	(45,488)	(14,893)	(96,525)	

* Including agency support costs where applicable.

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

⁷ UNEP/OzL.Pro/ExCom/86/30

Secretariat's commentsHCFC production – project preparation and stage I

13. A total of US \$128,400 for project preparation and US \$5.35 million for 2021–2023 is included for stage I of the HCFC production phase-out management plan (HPPMP) for India. A request for a technical audit of the production sector in India has been submitted and will be considered by the Sub-group on the Production Sector in the margins of the 86th meeting.

HCFC production – stage II

14. A total of US \$46.46 million is included for the HPPMP for China, i.e., US \$23.23 million for 2021–2023 and US \$23.23 million for after 2023. These values correspond to the draft Agreement submitted to the 86th meeting.

15. At its 81st meeting, the Executive Committee *inter alia* approved on an exceptional basis, US \$24.29 million (including agency support costs) for the HPPMP for China, and noted that this amount would be deducted from the funding of stage II.⁸

16. The request for funding for stage II of the HPPMP for China has been resubmitted to the 86th meeting in accordance with decision 84/69(b).

Stage II of HPMPs

17. The total level of funding for stage II of HPMPs for low-volume-consuming (LVC) countries is US \$11.05 million, of which US \$6.21 million is for 2021–2023 to meet the 67.5 per cent reduction of the HCFC baseline. In addition, the value of projects for LVC countries to meet 100 per cent reduction is US \$2.93 million, including US \$1.86 million for 2021–2023.

18. The total level of funding for stage II of HPMPs for non-LVC countries is US \$65.04 million with an associated phase-out of 569.9 ODP tonnes of HCFCs, including US \$24.34 million for 2021–2023 with a phase-out of 241.4 ODP tonnes of HCFCs. The funding distribution by sector is provided in Table 4.

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

Sector	2021-2023	After 2023	Total	Per cent of total (%)
Rigid foam	2,536	605	3,141	4.8
Refrigeration air-conditioning	1,739	0	1,739	2.7
Refrigeration assembly	840	0	840	1.3
Refrigeration manufacturing	5,017	25,738	30,755	47.3
Refrigeration servicing	14,208	14,357	28,565	43.9
Total	24,340	40,701	65,041	100.0

Stage III of HPMPs

19. A total of US \$161.92 million is included in the business plan for stage III of HPMPs for 18 countries (Argentina, Armenia, Brazil, Chile, Colombia, India, Indonesia, Islamic Republic of Iran, Jordan, Lebanon, Malaysia, Mexico, Nigeria, Oman, Pakistan, the Philippines, the Republic of Moldova and the Sudan), including US \$59.77 million for 2021–2023. Inclusion of stage III of HPMPs in the business plan is allowed only for those countries with reduction targets below the 2025 compliance targets (decision 84/46(e)).

⁸ Decision 81/71(b) and (c)

HPMP verification

20. The Secretariat has included an amount of US \$588,600 per year for verification reports,⁹ assuming that 18 reports, each at a cost of US \$32,700, will be prepared (US \$1.77 million for 2021–2023).

HCFC technical assistance regional projects

21. The business plan includes two HCFC technical assistance regional projects for “promoting low-global warming potential refrigerants for air-conditioning sectors in high ambient temperature countries (PRAHA-III)”, amounting to US \$990,000 in 2021. No funding window for such technical assistance projects is available. However, based on the discussion at the 84th meeting, several Executive Committee members were interested in the inclusion of these activities in the business plan.¹⁰ The Secretariat would like to seek guidance from the Executive Committee on whether these activities could be reinstated in the 2021–2023 business plan.

HFC-related activities

22. HFC activities include a demonstration project amounting to US \$56,500 in 2021 for one country (Egypt); three investment activities amounting to US \$3.53 million in 2021 for three countries (Egypt, India and the Sudan); enabling activities amounting to US \$481,500 in 2021 and 2022 for three countries (Antigua and Barbuda, the Central African Republic and India); HFC phase-down plan preparation¹¹ for 79 countries amounting to US \$12.03 million in 2021–2023; HFC phase-down management plans for 39 countries amounting to US \$63.90 million (including US \$47.43 million in 2021–2023); and one technical assistance activity amounting to US \$1.36 million (including US \$678,000 for 2021–2023).

23. The demonstration project for conversion of one production line of a compressor manufacturing company (ZMC) (from HFC-134a to HC-600a) in Egypt is for the non-investment components of the project including policy preparation and market readiness assessment and therefore not eligible under decision 78/3(g).

24. Regarding enabling activities, all three countries submitted the required letter from their Government indicating their intent to make best efforts to ratify the Kigali Amendment as early as possible, in line with decision 79/46(d)(i).

25. The HFC investment projects in Egypt and the Sudan were included in the business plan pursuant to decision 78/3(g). The project preparation for the Sudan has been submitted to the 86th meeting. The HFC investment project in India is not for the manufacturing sector and therefore, not eligible pursuant to decision 78/3(g).

26. Thirty-seven of the 79 countries included in the business plan for HFC-related preparation activities, have not ratified the Kigali Amendment. Of these, three countries have not submitted the required letter from their Government indicating their intent to make best efforts to ratify the Kigali Amendment and have been removed from the business plan.

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

¹⁰ Paragraph 212 of UNEP/OzL.Pro/ExCom/84/75.

¹¹ Funding for the preparation of national implementation plans to meet initial reduction obligations for the phase-down of HFCs could be provided, at the earliest, five years prior to those obligations, after a country had ratified the Kigali Amendment and on the basis of guidelines to be approved in the future (decision 79/46(b)(iii)). In addition, decision 84/46(f) allowed the inclusion of HFC phase-down preparation activities in the business plan for countries that had not ratified the Kigali Amendment but had submitted a letter indicating their Government’s intent to make best efforts to ratify it.

27. Regarding HFC phase-down management plans, decision 84/46(g) allowed inclusion of such plans in the business plan only for countries that had ratified the Kigali Amendment. Of the 39 countries, 15 countries have not ratified the Kigali Amendment and have been removed from the business plan.

28. The HFC technical assistance global project for “Twinning of Ozone Officers and National Energy Policymakers to support Kigali Amendment Objectives” is not eligible for funding.

Adjustments to the consolidated business plan of the Multilateral Fund for 2021–2023

29. The adjustments to the consolidated business plan for 2021–2023 were based on relevant decisions of the Executive Committee. Further adjustments may be required pending a decision by the Parties on the level of the replenishment of the Multilateral Fund for the 2021–2023 triennium.¹²

30. However, in reviewing the revised business plans for 2021–2023, 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 2021-2023 (US \$000)

Adjustment	2021–2023	After 2023
HPMP values to reflect the actual amounts approved under the Agreements	(494)	(220)
Stage II of HPMPs in LVC countries to the maximum allowable value to meet the 100 per cent reduction in the HCFC baseline based on decision 74/50(c)(xii)	(60)	(13)
PRP for stage III of HPMPs pursuant to decision 71/42 or 84/46(e)	(292)	0
Stage III of HPMPs in non-LVC countries with the refrigeration servicing sector based on a maximum cost-effectiveness of US \$4.80/kg	(84)	(103)
Stage III of HPMPs in non-LVC countries with the refrigeration manufacturing sector based on a maximum cost-effectiveness of US \$8.40/kg ¹³	(236)	(575)
HCFC technical assistance	(990)	0
HFC demonstration	(57)	0
HFC investment projects pursuant to decision 78/3(g)	(1,070)	0
PRP for HFC phase-down pursuant to decision 56/16(c) or 84/46(f) or submitted to the 86 th meeting	(2,310)	0
HFC phase-down management plans pursuant to decision 84/46(g)	(21,895)	(6,620)
HFC technical assistance	(678)	(678)
IS pursuant to decision 74/51(c) or values after 2021 have been removed	1,068	(475)
IS project for the Democratic People’s Republic of Korea pursuant to decision 80/34(c)(iii)b.	(333)	0
Core unit to reflect 0.7 percent increase over the 2020 funding level	(277)	0

31. Table 6 presents the results of the proposed adjustments to the consolidated business plan for 2021-2023. The values are below the indicative budget by US \$124.23 million (i.e. 23 per cent of the indicative budget).

¹² In the absence of a decision by the Parties on the level of the replenishment of the Multilateral Fund for the 2021-2023 triennium, and in light of decision XXXII/1, the indicative budget for resource allocation of the business plan for 2021–2023 was assumed at the same level of the replenishment of the 2018–2020 triennium. This issue is discussed in UNEP/OzL.Pro/ExCom/86/25.

¹³ As agreed at the Inter-agency coordination meeting.

Table 6. Adjusted resource allocation for the business plan for 2021–2023 (US \$000)*

Description	2021	2022	2023	Total (2021–2023)	Total after 2023
HCFC activities					
Approved HPMPs	70,476	25,977	47,114	143,567	81,156
HCFC production PRP – stage I	128	0	0	128	0
HCFC production – stage I	1,070	2,140	2,140	5,350	0
HCFC production – stage II	0	23,232	0	23,232	23,232
HPMP PRP – stage II	112	104	0	216	34
HPMP stage II	15,990	4,044	12,317	32,351	46,591
HPMP PRP – stage III	1,057	709	33	1,799	0
HPMP stage III	3,549	18,044	37,859	59,451	101,467
HPMP verification	589	589	589	1,766	0
HCFC technical assistance	0	0	0	0	0
HCFC activities subtotal	92,970	74,840	100,051	267,861	252,480
HFC activities					
HFC – demonstration	0	0	0	0	0
HFC – enabling activities	268	214	0	482	0
HFC – investment	2,461	0	0	2,461	0
HFC phase-down plan – PRP	6,204	3,405	112	9,721	0
HFC phase-down plan	0	22,918	2,617	25,535	9,847
HFC – technical assistance	0	0	0	0	0
HFC activities subtotal	8,933	26,537	2,729	38,198	9,847
Standard activities					
IS	14,514	6,825	14,514	35,854	0
CAP	11,095	11,428	11,771	34,294	0
Core unit	5,911	5,953	5,994	17,858	0
Secretariat, Executive Committee, and Monitoring and Evaluation costs minus Canadian counterpart	6,582	6,732	6,888	20,202	0
Treasurer	500	500	500	1,500	0
Standard activities subtotal	38,602	31,438	39,667	109,708	0
Total	140,505	132,815	142,446	415,767	262,327
Indicative budget**	180,000	180,000	180,000	540,000	
Difference	(39,495)	(47,185)	(37,554)	(124,233)	

* Including agency support costs where applicable.

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

Other policy issues

Activities submitted to the 86th meeting

32. HPMPs and HFC phase-down plan/investment project preparation submitted to the 86th meeting but subsequently deferred would be included in the business plan for 2021–2023.

Budgeting

33. Following adjustments, the values of activities in the business plan are below the overall indicative budget by US \$124.23 million for the 2021–2023 triennium, assuming a budget of US \$540 million, i.e., at the same level as the 2018–2020 replenishment. Moreover, the adjusted business plan value of US \$140.51 million for 2021 is below the annual budget of US \$180 million (assuming the same level of the 2018–2020 replenishment).

Further adjustment after the 86th meeting

34. The Executive Committee may wish to further adjust the 2021-2023 business plan in line with the decision that would be taken by the Parties to the Montreal Protocol on the level of replenishment of the Multilateral Fund for the 2021–2023 triennium.

Policy issues in agency business plans

35. UNDP raised the following policy issues: funding the market transformation by using the incremental operating cost in a more flexible and inclusive manner; challenges of LVC countries in terms of the demonstration of alternative technologies and ability to scale up with limited funding available; treating activities in the assembly sub-sector differently from other activities in the servicing sector; cost-effectiveness based on CO₂-equivalent; and coordination and synergy with the broader climate actions on the national and international levels.

36. UNEP seeks guidance from the Executive Committee about the eligibility and guidelines for the preparation of HFC phase-down national implementation plans.

37. The policy issues raised by the implementing agencies are covered in the individual agencies' business plans.

RECOMMENDATION

38. The Executive Committee may wish:

- (a) To note the consolidated business plan of the Multilateral Fund for 2021–2023 contained in document UNEP/OzL.Pro/ExCom/86/25;
- (b) To decide whether:
 - (i) To adjust the business plan as proposed by the Secretariat in document UNEP/OzL.Pro/ExCom/86/25;
 - (ii) To further adjust the business plan:
 - a. By adding to the 2021 business plan HCFC phase-out management plans (HPMPs) and HFC phase-down plan/investment project preparation that had been deferred at the 86th meeting;
 - b. By taking into account the level of replenishment of the Multilateral Fund for the 2021–2023 triennium that would be adopted by the Parties to the Montreal Protocol;
- (c) To consider whether to reinstate the HCFC technical assistance regional project for “promoting low-global warming potential refrigerants for air-conditioning sectors in high ambient temperature countries (PRAHA III)”; and
- (d) To endorse the consolidated business plan of the Multilateral Fund for 2021–2023, as adjusted by the Secretariat [and the Executive Committee] taking into consideration relevant decisions taken at the 86th meeting, while noting that endorsement did not denote approval of the projects identified therein or their funding or tonnage levels.