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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-third Meeting  
Paris, 9-13 November 2014

**CONSOLIDATED 2015-2017 BUSINESS PLAN OF THE MULTILATERAL FUND**

Introduction

1. Bilateral and implementing agencies provided initial business plan tables by 19 August 2014 to the Secretariat. The Secretariat and the bilateral and implementing agencies began their collaborative efforts on business planning at the Inter-agency coordination meeting held from 2 to 3 September 2014.
2. The Secretariat compiled and analysed the information with respect to previous guidance provided for business planning and relevant Executive Committee decisions. Revised business plan tables and narratives were submitted, as required, on 15 September 2014.

**RESOURCE ALLOCATION IN THE BUSINESS PLAN**

3. Table 1 presents, by year, the value of activities included in the business plan according to categories “required for compliance”, “not required for compliance”, and “standard cost activities”. The values included in the business plan exceed the 2015-2017 indicative budget by US \$281.1 million.

**Table 1: Resource allocation in business plans submitted to the Executive Committee (2015-2017)  
(US \$000s)**

Item	2015	2016	2017	Total (2015-2017)	Total (2018-2020)	Total after 2020
<b>Required for compliance</b>						
Approved multi-year agreements (MYAs)	89,465	44,228	7,000	140,693	69,883	784
HCFC production PRP – stage I	0	268	0	268	0	0
HCFC production – stage I	0	0	0	0	15,772	0
HCFC production PRP – stage II	374			374	0	
HCFC production – stage II		29,306	29,306	58,612	87,917	
HPMP stage I	327	3,612	1,147	5,086	925	30
HPMP stage I – additional funding	0	3,515	0	3,515	0	0

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.

Item	2015	2016	2017	Total (2015-2017)	Total (2018-2020)	Total after 2020
HPMP PRP – stage II	2,007	1,018	638	3,663	4,256	0
HPMP stage II	43,769	167,805	182,742	394,316	512,785	3,879
Methyl bromide (MB) phase-out	268	0	0	268	0	0
HPMP verification	642	540	540	1,722	1,858	
Demonstration PRP – low GWP alternatives	1,112	0	0	1,112	0	0
Demonstration – low GWP alternatives	18,487	4,050	0	22,537	0	0
Technical assistance PRP – district cooling	40	0	0	40	0	0
Technical assistance – district cooling	482	0	0	482	0	0
HCFC – technical assistance for servicing sector	270	270	270	810	0	
<b>Not required for compliance</b>						
MB demonstration	482	0	0	482	0	0
MB demonstration PRP	64	0	0	64	0	0
<b>Standard cost activities</b>						
Compliance Assistance Programme (CAP)	10,699	11,020	11,351	33,070	36,137	
Core unit	5,806	5,847	5,888	17,542	17,912	0
Secretariat, ExCom, and M&E cost minus Canadian counterpart	6,441	6,566	6,696	19,703	20,905	
Treasurer	500	500	500	1,500	1,500	
Institutional strengthening (IS)	8,805	7,293	9,164	25,262	23,469	0
<b>Grand total</b>	<b>190,038</b>	<b>285,839</b>	<b>255,241</b>	<b>731,117</b>	<b>793,319</b>	<b>4,693</b>
Indicative budget*	150,000	150,000	150,000	450,000		
Difference	40,038	135,839	105,241	281,117		

\* Based on the level of previous replenishment.

## Required for compliance

### MYAs

4. Approved MYAs amount to US \$140.69 million including US \$90 million for stage I of HCFC phase-out management plan (HPMP) activities and US \$50.69 million for the HCFC production sector for the period of 2015 to 2017. The value for the activities from 2018 to 2020 amounts to US \$69.88 million and US \$783,974 for after 2020.

### Stage I production sector and project preparation

5. A total of US \$16.04 million (including US \$267,500 for project preparation for the period of 2015 to 2017) is included for stage I of the HCFC production phase-out management plans (HPPMP) in the Democratic People's Republic of Korea and in Mexico.

### Stage II production sector and project preparation

6. US \$29.31 million per year is included in the business plans for 2016 to 2020 for stage II production sector in China. This annual level of funding for stage II plus agency fees would exceed the average annual amount left after stage I is funded (US \$21.87 million) by 34 per cent. The project preparation associated to stage II amounting to US \$373,815 that would be requested in 2015 would be used, *inter alia*, to assess the potential project closure and dismantling and retirement of facilities required under decision 69/28(e).

Stage I of HPMPs and preparation

7. There are six countries<sup>1</sup> for which stage I of HPMPs have not yet been approved. The business plan includes US \$5.09 million for these activities of which US \$954,728 is programmed for the period 2018 to after 2020. All of these countries have stage I of HPMPs included in 2016 except for South Sudan and Syrian Arab Republic which have stage I of HPMPs included in 2015.

8. Additional projects for six countries<sup>2</sup> are included in 2016 for stage I of HPMPs amounting to US \$3.52 million. These requests fall under different decisions of the Executive Committee that allow countries to submit additional projects during the implementation of stage I.

Stage II of HPMP project preparation

9. The total level of funding for project preparation of stage II of HPMPs<sup>3</sup> is US \$3.66 million for the period of 2015-2017 and US \$4.26 million for the period of 2018 to 2020<sup>4</sup>.

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

10. The total level of funding included in the business plan for stage II of HPMPs for the servicing sector in LVC countries is US \$6.02 million of which US \$663,304 is for the period 2015 to 2017. The value of projects for the HCFC servicing sector in LVC countries to reach a 35 per cent reduction is US \$1.69 million (including US \$663,304 for the period of 2015 to 2017).

11. UNIDO provided activities for stage II of HPMPs in LVC countries that already received approved projects to achieve the 35 per cent reduction amounting to US \$4.32 million (no activity for the period of 2015 to 2017). The details on the level of reduction were not provided in UNIDO's business plan for the entries, therefore the Secretariat could not assess the values, accordingly. In addition, UNIDO has indicated that UNEP will be the lead or cooperating agency for most of these activities. However, UNEP did not include these activities in its business plan; adding these activities to UNEP's business plan is addressed under its agenda item. Implementing agencies confirmed that the business plans do not contain activities for any countries to achieve a 100 per cent phase-out with funding beginning prior to 2020; however, several project preparation requests are included for the period 2018 to 2020 to achieve the 2025 control measures.

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 \$904.96 million with an associated phase-out of 8,011 ODP tonnes of HCFCs (including US \$393.65 million for the period of 2015 to 2017 with a phase-out of 3,584 ODP tonnes of HCFCs). The sectors' breakdown is provided in Table 2.

<sup>1</sup> Botswana, Democratic People's Republic of Korea (the), Libya, Mauritania, South Sudan and Syrian Arab Republic. It should be noted, however, that the Democratic People's Republic of Korea submitted its HPMP to the 73<sup>rd</sup> meeting.

<sup>2</sup> Bahrain, Bolivia (Plurinational State of), Costa Rica, Cuba, Mexico and Uruguay.

<sup>3</sup> "Project preparation could be funded for stage II activities and might be included prior to the completion of stage I in business plans for the years 2012-2014" (decision 63/5(f)(i)).

<sup>4</sup> The guidelines for the preparation of stage II of HPMPs were approved at the 71<sup>st</sup> meeting (decision 71/42).

**Table 2: Stage II of HPMPs by sector (US \$000)**

Sector	Total (2015-2017)	Total (2018-2020)	Total after 2020	Total	Per cent of total
Foam general	44,993	50,702	0	95,695	10.6
Extruded polystyrene (XPS) foam	34,790	46,626	50	81,465	9.0
Rigid foam	75,683	77,165	708	153,556	17.0
Fire fighting	70	17		87	0.01
Production of hydrocarbon-based refrigerant	3,012	0		3,012	0.3
HPMP servicing	10,183	11,041	350	21,574	2.4
Refrigeration air-conditioning	79,177	105,657	0	184,834	20.4
Refrigeration assembly	3,546	2,590	0	6,136	0.7
Refrigeration general (including manufacturing, commercial, and industrial)	81,986	120,801	0	202,788	22.4
Refrigeration servicing	44,717	71,239	2,697	118,652	13.1
Solvent	15,496	21,667		37,163	4.1
<b>Grand total</b>	<b>393,652</b>	<b>507,506</b>	<b>3,805</b>	<b>904,963</b>	<b>100.0</b>

13. There are two non-LVC countries that do not have funding in the business plan to address a 35 per cent reduction from the baseline: the Democratic People's Republic of Korea, for which stage I of the HPMP has been submitted to the 73<sup>rd</sup> meeting, and for which there is a stage II of HPMP but it does not have sufficient ODP to achieve the 35 per cent reduction; and Kenya for which the stage I of the HPMP under implementation does not address the full 35 per cent.

#### MB

14. The business plan includes US \$267,500 for a MB technical assistance project in one country (Egypt) in 2015. The project is intended to address high-moisture content dates for which the Methyl Bromide Technical Options Committee (MBTOC) has indicated that alternatives are now available.

#### HPMP verification

15. In addition to the submission by one agency for 2015, the Secretariat has included an amount of US \$540,000 per year for verification reports<sup>5</sup> assuming that 18 reports, each at a cost of US \$30,000, will be prepared per year once all eligible countries have approved stage I of HPMPs. US \$1.72 million is included in the plan for the period of 2015 to 2017 and an additional US \$1.86 million is included for the period of 2018 to 2020 (including verification report funding for Germany that is subsequently removed).

#### Demonstration project for low global-warming-potential (GWP) alternatives and technical assistance for feasibility studies in district cooling<sup>6</sup>

16. A total of US \$23.65 million is included for demonstration project for low GWP alternatives in 2015 and 2016 (including US \$1.11 million for project preparation in 2015). A total of US \$521,800 is included for technical assistance projects for feasibility studies in district cooling in 2015 (including US \$40,000 for preparation projects). Implementing agencies did not provide ODP value for several of these activities (Table 3).

<sup>5</sup> Decision 61/46(c) requires verification reports for a sample of 20 per cent of the LVC countries with approved HPMPs.

<sup>6</sup> Pursuant to decision 72/40(b).

**Table 3: Demonstration projects for low GWP alternatives and technical assistance for feasibility studies in district cooling (\$000)**

Country	Agency	HCFC Status	Sector and subsector	Value in 2015		ODP 2015	Value in 2016	ODP 2016
				PRP	DEM			
<b>Demonstration projects for low GWP alternatives</b>								
China	Germany	Non-LVC	RAC	60	0	0.0	1,000	0.0
China	UNDP	Non-LVC	Demonstrating low GWP alternatives to HCFCs in commercial refrigeration in cold chain applications	75	1,200	0.0		
China	UNIDO	Non-LVC	CO <sub>2</sub> technology for domestic heat pumps*	32	1,605	8.3		
China	UNIDO	Non-LVC	CO <sub>2</sub> compressor for domestic heat pumps*	32	2,675	0.0		
China	UNIDO	Non-LVC	Transition to low-GWP alternatives in transport refrigeration*	54	856	0.0		
China	UNIDO	Non-LVC	Leak reduction in large refrigeration equipment at 3 different sites and different applications*	54	482	2.8		
Colombia	UNDP	Non-LVC	Demonstrating low GWP alternatives to HCFCs through co-blowing with HFO and water in foam sector by addressing the needs of SMEs	25	500	0.0		
Costa Rica	UNDP	LVC	Demonstrating low GWP alternatives to HCFCs through NH <sub>3</sub> in chillers for construction	25	500	0.0		
Egypt	UNDP	Non-LVC	Demonstrating low GWP alternatives to HCFCs by finding cost-effective solutions for small-scale enterprises in pour-in-place applications in the foam sector	25	500	0.0		
Global	Japan	Global	SEV		195	0.0		
Global (3 countries)	UNIDO	Global	Demonstrate needs for REF assembly/installation*	86	1,605	0.0		
India	UNDP	Non-LVC	Demonstrating low GWP alternatives to HCFCs through adoption of HC-based refrigerant to replace HCFC-22 in manufacturing water coolers	25	500	0.0		
Kyrgyzstan	UNDP	LVC	Demonstrating low GWP alternatives to HCFCs through CO <sub>2</sub> demo in cold storages in agricultural sector/ supermarket chain	25	500	0.0		
Malaysia	UNDP	Non-LVC	Demonstrating low GWP alternatives to HCFCs through adoption of R-32 based commercial air-conditioning including service and maintenance practices of flammable refrigerants	25	500	0.0		
Saudi Arabia	UNIDO	Non-LVC	New technologies (e.g. HFOs) in refrigeration*	32	1,926	10.0		
South Africa	UNIDO	Non-LVC	Joint POPs/MP projects for system houses*	32	535	0.0		
Thailand	IBRD	Non-LVC	Rigid PU foam		1,046			
Trinidad and Tobago	UNDP	Non-LVC	Demonstrating low GWP alternatives to HCFCs through local production and supply of refrigerant-grade hydrocarbon	25	500	0.0		
Turkey	UNIDO	Non-LVC	HFOs as foaming agents in the rigid PU foam applications*	32	463	5.5		

Country	Agency	HCFC Status	Sector and subsector	Value in 2015		ODP 2015	Value in 2016	ODP 2016
				PRP	DEM			
Uruguay	UNDP	Non-LVC	Demonstrating low GWP alternatives to HCFCs through NH3 and HFO in commercial refrigeration	25	500	0.0		
Region: AFR (4 countries)	UNIDO	LVC	Demonstration project on the adoption of the best strategy to ensure market availability of high quality refrigerants, including the introduction and update of safety standards on refrigerants*	86	685	0.0		
Region: ASP	Germany		RAC/Serviceing	50	0	0.0	650	0.0
Region: LAC (5 countries)	UNIDO	LVC	Demonstration project on HPMP stage II servicing sector activities with focus on service for systems using and being designed for flammable refrigerants*	64	631	0.0		
Region: Global	Germany		RAC/Serviceing	40	0	0.0	600	0.0
Region: SEAP	Germany		RAC	60	0	0.0	1,800	0.0
Region: West Asia	UNEP		The project based on decision 72/40	17	102			
Region: West Asia (2 countries) with UNEP	UNIDO	Non-LVC	Strategy for the servicing sector: enforcement of ODS legislation and handling of end-of-life equipment*	54	321	0.0		
Regional (2 countries)	UNIDO	N/A	Impact of refrigerant containment and leakage prevention on reduction of virgin HCFC refrigerants in A-5 Countries*	54	161	0.0		
<i>Sub-total for demonstration projects for low GWP alternatives</i>				<i>1,112</i>	<i>18,487</i>	<i>26.5</i>	<i>4,050</i>	<i>0.0</i>
<b>Technical assistance projects for feasibility studies in district cooling</b>				<b>PRP</b>	<b>TAS</b>		<b>TAS</b>	
Dominican Republic (the)	UNDP	Non-LVC	District cooling feasibility study	20	100	0.0		
Egypt	UNDP	Non-LVC	District cooling feasibility study	20	100	0.0		
Qatar	UNEP	Non-LVC	Feasibility study on district cooling		34			
Qatar	UNIDO	Non-LVC	Feasibility study on district cooling	31**	107	0.0		
Region: West Asia	UNEP		Feasibility study on using non-conventional technologies in district cooling systems in the Middle East Region		34			
Region: West Asia	UNIDO	N/A	Feasibility study on using non-conventional technologies in district cooling systems in the Middle East Region (3 West Asian countries)	31**	107	0.0		
<i>Sub-total for technical assistance projects for feasibility studies in district cooling</i>				<i>102</i>	<i>482</i>	<i>0.0</i>	<i>0</i>	<i>0.0</i>
<b>Grand total for projects pursuant to decision 72/40(b)</b>				<b>1,214</b>	<b>18,968</b>	<b>26.5</b>	<b>4,050</b>	<b>0.0</b>

\*Working title in UNIDO's business plan.

\*\*Not included in the analysis.

### HCFC technical assistance for the servicing sector

17. The business plan includes US \$810,000 for an HCFC technical assistance project in the refrigeration servicing sector for supporting the establishment and operation of sound certification schemes for refrigeration air-conditioning technicians in the West Asia region for the period of 2015 to 2017 (including US \$270,000 for 2015).

**Not required for compliance**MB demonstration

18. The business plan includes US \$545,700 (including US \$64,200 for project preparation) in 2015 for a demonstration project on avoiding unintended transfer of MB from non-controlled to controlled uses to ensure compliance in the global region that is not required for compliance.

**Standard cost activities**

19. 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.

20. For IS activities, US \$48.73 million has been included in the business plan of which US \$25.26 million is for the period of 2015 to 2017<sup>7</sup>, and US \$23.47 million for the period of 2018 to 2020.

**Adjustments based on existing Executive Committee decisions**

21. In line with relevant decisions by the Executive Committee, the Secretariat proposed the consolidated business plan of the Multilateral Fund with the following modifications:

- (a) To reduce MYA values to reflect the records of the Secretariat by US \$53.31 million for the period 2015 to 2020 and after 2020, including an increase of US \$135,945 for the period of 2015 to 2017;
- (b) To adjust the level of funding for stage II of HPPMPs with a cost-effectiveness value that exceeds the average cost-effectiveness of stage I of HPPMPs of US \$12.76/kg ODP and to remove values in 2016 according to decision 71/23(c), resulting in the reduction of US \$72.22 million for the period of 2015 to 2020 (including US \$40.04 million for the period of 2015 to 2017);
- (c) To reduce the funding levels provided for stage I of HPMP activities by US \$326,838 for the period 2015 to 2017 and no adjustment after 2017 since these projects were included in the 2014 business plan;
- (d) To remove the funding levels provided for additional stage I of HPMP activities in Costa Rica and Mexico amounting to US \$1.85 million for the period of 2015 to 2017 since these projects were included in the 2014 business plan;
- (e) To reduce by US \$162,446 the funding levels provided for additional stage I of HPMP activities for the refrigeration manufacturing sector to the cost-effectiveness suggested for business planning of US \$9.00/kg, for the period of 2015 to 2017, and no adjustment after 2017;
- (f) To reduce the level of funding for project preparation for stage II of HPMPs pursuant to decision 71/42 for the period 2015 to 2020 by US \$2 million (including US \$1.19 million for the period of 2015 to 2017);

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<sup>7</sup> In line with decision 63/5(b), current levels of funding for IS for business planning purposes are maintained up to 2020 in the absence of a decision on funding levels.

- (g) To limit the funding levels to the maximum allowable provided for stage II of HPMPs for LVC countries<sup>8</sup> to achieve the 35 per cent reduction that would result in a reduction of the total level of funding by US \$271,469 for the period of 2015 to after 2020 (including US \$99,794 for the period of 2015 to 2017);
- (h) To adjust values for projects for stage II of HPMPs for non-LVC countries with a cost-effectiveness that exceeds the relevant cost-effectiveness thresholds by:
  - (i) Reducing values for the foam sector projects by US \$226,010 for the period of 2015 to after 2020 (including US \$104,879 for the period of 2015 to 2017) based on a maximum cost-effectiveness of US \$6.92/kg<sup>9</sup>;
  - (ii) Reducing values based on a cost-effectiveness of US \$4.50/kg as follows: US \$1.42 million for the period of 2015 to 2020 (including US \$756,608 for the period of 2015 to 2017) for the refrigeration assembly sector; US \$10.27 million for the period of 2015 to after 2020 (including US \$3.12 million for the period of 2015 to 2017) for the refrigeration servicing sector; and US \$692 for the period of 2015 to 2020 (including US \$555 for the period of 2015 to 2017) for the solvent sector;
  - (iii) Reducing the amount for stage II of HPMPs for the projects in the refrigeration manufacturing sector by US \$249,505 for the period of 2015 to 2017 (no adjustment after 2017) based on a maximum cost-effectiveness for business planning of US \$9.00/kg;
- (i) To reduce the funding for HPMP verification reports by US \$339,800 for the period of 2015 to 2020 since these projects were submitted to the 73<sup>rd</sup> meeting or were not included in decision 70/15 or 72/22;
- (j) To remove demonstration projects (including project preparation) on low GWP alternatives amounting to US \$23.65 million for the period of 2015-2017 with no adjustment after 2017;
- (k) To remove the MB demonstration project (including project preparation) amounting to US \$545,700 for the period of 2015-2017 with no adjustment after 2017; and
- (l) Although funding levels for IS and the timing of the submission of those requests are known, implementing agencies have included values for IS in their business plans that vary from those allowed under the current funding structure by US \$3.46 million for the period of 2015 to 2020 (including US \$2.64 million for the period of 2015 to 2017). The adjustments would modify the business plans according to when IS renewals are due based on the latest approvals of the IS requests and the current funding structure.

22. Table 4 presents the results of the Secretariat's proposed adjustments based on existing Executive Committee decisions to the consolidated 2015-2017 business plan, including totals by agency.

<sup>8</sup> According to decision 60/44(f)(xii).

<sup>9</sup> According to decision 60/44(f).



**Table 4: Adjusted resource allocation in business plans submitted to the Executive Committee based on existing Executive Committee decisions (US \$000s)**

Item	2015	2016	2017	Total (2015-2017)	Total (2018-2020)	Total after 2020
<b>Required for compliance</b>						
Approved MYAs	87,074	46,512	7,243	140,829	15,924	1,292
HCFC production PRP – stage I	0	268	0	268	0	0
HCFC production – stage I	0	0	0	0	15,772	0
HCFC production PRP – stage II	374			374	0	
HCFC production – stage II		0	18,576	18,576	55,729	
HPMP stage I	0	3,612	1,147	4,759	925	30
HPMP stage I – additional funding	0	1,503	0	1,503	0	0
HPMP PRP – stage II	1,076	806	586	2,469	3,450	0
HPMP stage II	40,022	167,984	181,978	389,983	504,821	3,735
MB phase-out	268	0	0	268	0	0
HPMP verification	540	540	540	1,620	1,620	0
Demonstration PRP – low GWP alternatives	0	0	0	0	0	0
Demonstration – low GWP alternatives	0	0	0	0	0	0
Technical assistance PRP - district cooling	40	0	0	40	0	0
Technical assistance – district cooling	482	0	0	482	0	0
HCFC – technical assistance	270	270	270	810	0	
<b>Not required for compliance</b>						
MB demonstration	0	0	0	0	0	0
MB demonstration PRP	0	0	0	0	0	0
<b>Standard cost activities</b>						
CAP	10,699	11,020	11,351	33,070	36,137	
Core unit	5,806	5,847	5,888	17,542	17,912	0
Secretariat, ExCom, and M&E cost minus Canadian counterpart	6,441	6,566	6,696	19,703	20,905	
Treasurer	500	500	500	1,500	1,500	
IS	6,527	6,550	9,549	22,626	22,648	0
<b>Grand total</b>	<b>160,119</b>	<b>251,978</b>	<b>244,324</b>	<b>656,420</b>	<b>697,341</b>	<b>5,057</b>
Window for demonstration projects per decision 72/40(b)	10,000			10,000		
Indicative budget*	150,000	150,000	150,000	450,000		
Difference	20,119	101,978	94,324	216,420		
<b>By agency (excluding window per decision 72/40(b))</b>						
France	676	198	180	1,054	4	
Germany	2,994	2,738	3,030	8,762	5,579	547
World Bank	46,434	63,744	62,656	172,834	156,818	
Italy	667	73		740	68	
Japan	90	0	2,314	2,405	0	0
Poland	270	270	270	810	0	
UNDP	45,975	62,533	65,096	173,604	186,552	401
UNEP	18,167	28,403	25,213	71,783	70,083	3,219
UNIDO	37,364	86,413	77,829	201,606	254,213	891
HPMP verification	540	540	540	1,620	1,620	
Secretariat, ExCom, and M&E cost minus Canadian counterpart	6,441	6,566	6,696	19,703	20,905	
Treasurer	500	500	500	1,500	1,500	

\*Based on the level of the previous triennium.

## **OTHER POLICY ISSUES**

### **Requests for activities not required for compliance**

23. The MB demonstration project and associated project preparation are not required for compliance. The issue is addressed in the context of UNIDO's business plan (UNEP/OzL.Pro/ExCom/73/22) as it is the only agency with such projects.

### **Over-budgeting and options for further adjusting the budget**

24. The activities in the 2015-2017 business plans exceed the overall indicative budget by US \$281.1 million as shown in Table 1 and by US \$216.42 million after adjustments based on Executive Committee decisions are made as shown in Table 4. Additional adjustments are applied to only new HCFC activities to further adjust the business plans. Moreover, the over-budgeting is not distributed equally among the three years of the triennium but instead the activities exceed the indicative budget by US \$20.11 million in 2015, by US \$101.98 million in 2016, and by US \$94.32 million in 2017 after adjustments. Furthermore, the over-budgeting could increase by US \$25.34 million (including support costs) in 2015 since the HPPMP agreement for China allows the submission of a tranche the last meeting prior to the year of the tranche in the agreement and the 2015 tranche was not submitted in 2014.

25. During the Inter-agency coordination meeting, six options were discussed to further adjust the business plan of the Fund:

- (a) Business plans as submitted (option 1);
- (b) Modifications by the Secretariat based on previous decisions of the Executive Committee (option 2);
- (c) Pro-rating option 2 new activities to the indicative budget (option 3);
- (d) Adjusting tonnage for non-LVC countries to achieve a maximum of a 35 per cent reduction based on stage I commitments (Replenishment Task Force (RTF) report case 1) based on option 2 and maximum cost-effectiveness values for business planning (option 4);
- (e) Adjusting tonnage for non-LVC countries to achieve a maximum of a 35 per cent reduction based on remaining funding eligibility (RTF report case 2) based on option 2 and maximum cost-effectiveness values (option 5); and
- (f) Adjusting option 2 for non-LVC countries using cost-effectiveness values achieved in stage I of HPMPs up to the following levels: PU foam at US \$6.20/metric kg, XPS foam at US \$4.40/metric kg and refrigeration at US \$8.5/metric kg (option 6).

26. The Secretariat adjusted the business plan for each of the six above-mentioned options as shown in Table 5, one of which the Executive Committee may wish to apply in endorsing the business plan.

**Table 5: Options to standardize submissions for the 2015-2017 business plans (US \$000)**

Required by model	BP as submitted (option 1)	BP as modified by the Secretariat (option 2)	Option 2 BP pro-rated to \$450 million (option 3)	Option 2 BP with maximum 35% reduction based on commitment (option 4)	Option 2 BP with maximum 35% reduction based on funding eligibility (option 5)	Option 2 BP with C.E. achieved in stage I of HPMPs (option 6)
<b>Approved MYAs and standard activities</b>						
Approved MYAs	140,693	140,829	140,829	140,829	140,829	140,829
CAP	33,070	33,070	33,070	33,070	33,070	33,070
Core Unit	17,542	17,542	17,542	17,542	17,542	17,542
IS	25,262	22,626	22,626	22,626	22,626	22,626
Secretariat, ExCom, M&E, and Treasurer Cost - Canadian counterpart	21,203	21,203	21,203	21,203	21,203	21,203
<b>Sub-total for approved MYAs and standard activities</b>	<b>237,770</b>	<b>235,269</b>	<b>235,269</b>	<b>235,269</b>	<b>235,269</b>	<b>235,269</b>
<b>New activities</b>						
HCFC production PRP – stage I*	268	268	268	268	268	268
HCFC production PRP – stage II*	374	374	374	374	374	374
HCFC production – stage II	58,612	18,576	8,904	23,219	19,845	18,576
HPMP stage I	5,086	4,759	2,281	6,692	6,692	4,759
HPMP stage I – additional funding	3,515	1,503	720	370	345	1,471
HPMP PRP – stage II*	3,663	2,469	2,469	2,469	2,469	2,469
HPMP stage II	394,316	389,983	186,918	394,896	250,939	377,228
HCFC - technical assistance for servicing sector	810	810	388	810	810	810
HPMP verification*	1,722	1,620	1,620	1,620	1,620	1,620
MB phase-out*	268	268	268	268	268	268
MB demonstration*	482	0	0	0	0	0
MB demonstration PRP*	64	0	0	0	0	0
<b>Subtotal for new activities</b>	<b>469,177</b>	<b>420,630</b>	<b>204,209</b>	<b>430,985</b>	<b>283,630</b>	<b>407,842</b>
<b>Activities per decision 72/40(b) and (c)</b>						
Demonstration – low GWP alternatives	22,537	10,000	10,000	10,000	10,000	10,000
Demonstration PRP – low GWP alternatives	1,112	**	**	**	**	
Technical assistance PRP – district cooling	40	40	40	40	40	40
Technical assistance – district cooling	482	482	482	482	482	482
<b>Sub-total for activities per decision 72/40(b) and (c)</b>	<b>24,170</b>	<b>10,522</b>	<b>10,522</b>	<b>10,522</b>	<b>10,522</b>	<b>10,522</b>
<b>Grand total</b>	<b>731,117</b>	<b>666,420</b>	<b>450,000</b>	<b>676,776</b>	<b>529,421</b>	<b>653,632</b>

\* New activities not subject to adjustment since they are either subject to guidelines for project preparation, decisions on verification reports, or not required for compliance.

\*\* Project preparation funding is included in the US \$10 million for demonstration activities for low GWP alternatives.

### **Policy issues in agency business plans**

27. UNDP, UNIDO and the World Bank raised, respectively, several policy issues including the need to complete stage II guidelines, the addition of pilot demonstration projects on alternatives to MB in quarantine and pre-shipment (QPS) to evaluate the technical and economic feasibility of existing alternatives in different regions and countries, production swing plants, the time lag between funding and when ODS is phased out, challenges of stage II for enterprises with low levels of HCFC consumption, and the level of eligible consumption for stage II of HPMPs for determining business planning funding levels. The Secretariat's comments on the issues raised in the implementing agencies' business plans are covered in the individual business plans.

### **Possible overlaps**

28. The Secretariat has identified possible overlaps in implementing agencies' business plans for the following countries: Colombia and India (Germany and UNEP, respectively) in the refrigeration servicing sector; and Turkey and Venezuela (Plurinational State of) (Italy/UNIDO and UNEP, respectively) in the refrigeration servicing sector. The Executive Committee may wish to request the respective implementing agencies during the 74<sup>th</sup> meeting to report on the resolution of these overlaps.

### **Activities in the 2014 business plan not approved or submitted to the 73<sup>rd</sup> meeting**

29. Activities approved in the 2014 business plan that were not submitted to the 73<sup>rd</sup> meeting should be transferred to the 2015 business plan along with the resource allocation provided for them in the 2012-2014 triennium as advised by the implementing agencies and indicated in the document on Status of implementation of the 2014-2106 business plan and cash flow analysis (UNEP/OzL.Pro/ExCom/73/5).

### **The 2015-2017 replenishment of the Multilateral Fund, the 2015-2017 business plan, and financial planning**

30. With two meetings per year, business plans are considered in the year preceding the plan. A financial planning document will be submitted to the 74<sup>th</sup> meeting, addressing the decision adopted by the Parties to the Montreal Protocol at their Twenty-Sixth Meeting on the replenishment of the Multilateral Fund for the 2015-2017 triennium. Revised business plans are not anticipated for the 74<sup>th</sup> meeting. Any financial adjustments could be addressed in the financial planning document.

## **RECOMMENDATIONS**

31. The Executive Committee may wish:

(a) To note:

- (i) The consolidated 2015-2017 business plan of the Multilateral Fund contained in document UNEP/OzL.Pro/ExCom/73/18;
- (ii) That any financial adjustments resulting from the replenishment of the Multilateral Fund for the 2015-2017 triennium would be addressed in the financial planning document to be submitted to the 74<sup>th</sup> meeting;

(b) To decide whether:

- (i) To adjust the business plan as proposed by the Secretariat;

- (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:
  - a. Adding those multi-year agreement and institutional strengthening activities from the 2014 business plans that were not submitted or not approved at the 73<sup>rd</sup> meeting to the 2015 business plans as indicated in the relevant recommendation in document UNEP/OzL.Pro/ExCom/73/5 on agenda item 5(b) on 2014-2016 business plans and cash flow availability;
  - b. Adding those demonstration projects for low global-warming-potential (GWP) alternatives and technical assistance for feasibility studies in district cooling indicated in Table 3 of document UNEP/OzL.Pro/ExCom/73/18 with the understanding that the maximum levels of funding of decision 72/40(b) and (c) would be applied to submissions to the 74<sup>th</sup> meeting but to remove those activities:
    - i. To be submitted in 2016;
    - ii. For which no country was indicated;
    - iii. For which no ODP value was provided; and/or
    - iv. For which no business plan letter endorsement was provided;
  - c. Applying option [1-6] as contained in Table 5 of document UNEP/OzL.Pro/ExCom/73/18;
- (c) To request bilateral and implementing agencies to include stage II of HCFC phase-out management plan (HPMP) activities not included in the business plans for Kenya;
- (d) To request the concerned bilateral and implementing agencies during the 74<sup>th</sup> meeting to report on the resolution of overlaps identified in paragraph 28 of document UNEP/OzL.Pro/ExCom/73/18; and
- (e) To endorse the consolidated 2015-2017 business plan of the Multilateral Fund, as adjusted by the Secretariat [and the Executive Committee], while noting that endorsement denotes neither approval of the projects identified therein nor their funding or tonnage levels.

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