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Executive Committee of
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Implementation of the Montreal Protocol

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CONSOLIDATED 1999 BUSINESS PLAN OF THE MULTILATERAL FUND

INTRODUCTION

1. This document provides a consolidation by the Secretariat of the business plans submitted by the implementing agencies and bilateral agencies. The submissions from the implementing agencies are the revised versions of the draft business plans which were submitted to the 26th Meeting in November 1998. The consolidation also includes 1999 work plans submitted by: Belgium, Canada, Finland, France, Germany, Japan, New Zealand, and Sweden.
2. The purpose of the document is to provide a macro perspective on the expected resource level, resource allocations, major categories of activities and performance targets and indicators of the Multilateral Fund in 1999.
3. In addition this document also includes the Secretariat's comments on areas where it believes that Executive Committee decisions may be required.

RESOURCE ALLOCATION

4. Table 1 presents the resource allocation as indicated at the 26th Meeting and the amount of resources included in the agencies business plans as submitted to the 27th Meeting.

Table 1
RESOURCE ALLOCATION

BUDGET ITEMS	Allocation (US\$)	Amount in Business Plans (US\$)
INVESTMENT PROJECTS		
Agency shares	88,625,104	87,112,331
Aerosol and halon	7,146,339	7,182,379
SMEs	9,831,739	9,709,156
PROJECT PREPARATION	4,559,060	3,865,250
NON-INVESTMENT		
Institutional strengthening	4,288,448	4,196,895
Other non-investment	4,931,320	4,958,264
METHYL BROMIDE		
Implementing agencies	27,455,600	27,196,398
Project preparation	384,200	683,650
Bilateral	5,000,000	1,560,000
BILATERAL COOPERATION	10,000,000	18,637,436
SUB-TOTAL	162,221,810	165,101,760
UNALLOCATED – Priority for Production	7,178,190	
Production (Contingency)		15,304,348
Other Investment Projects (Contingency)		28,973,396
TOTAL	169,400,000	209,379,504

5. Decision 26/8(b) states that no agency should be allowed to submit projects in excess of its allocation. Overall, the level of funding indicated in the Consolidated Draft Business Plan was maintained by the implementing agencies. In some cases, agencies reduced the amount of funding in certain categories. The primary difference in the allocation since the 26th Meeting is a result of additional project preparation activities in methyl bromide and the level of bilateral cooperation.

Bilateral cooperation

6. Following receipt of the 1999 work plans for bilateral cooperation submitted to the 27th Meeting, it was determined that bilateral cooperation in total is expected to reach over US \$20 million including US \$1.6 million for methyl bromide activities and US \$18.6 million for other bilateral cooperation. Of the US \$18.6 million for other bilateral cooperation, about US \$14 million is expected to be in the form of investment projects. About half of this amount is for a country that is expecting to submit requests for bilateral cooperation for the first time to the Executive Committee.

Unallocated funds, production sector, and contingency tables

7. At the 26th Meeting, the Executive Committee decided that the total amount not allocated should remain unallocated but should be assigned to the production sector as a priority (decision 26/8(a)). The World Bank included in its list of contingency projects, US \$15.3 million (excluding over-programming) for production sector activities.

8. In addition to the \$15.3 million the Bank indicated for the production sector, UNDP, UNIDO and the World Bank included projects totaling US \$29 million in their contingency tables. The contingency table includes projects to replace those that might raise policy issues and additional projects in the event that additional resources become available during 1999.

9. As mentioned in the Consolidated Draft Business Plan, the total amount of resources available for 1999 will be further adjusted after the 27th Meeting when the remaining balance from the 1998 allocation will be known.

Agency shares

10. At its 25th Meeting, the Executive Committee adjusted the shares of the three implementing agencies based on the evaluation of the performance on 1997 business plans as follows: UNDP 29 per cent, UNIDO 22 per cent, and World Bank 43 per cent. The Committee reserved the balance of 6 per cent (US \$5.6 million) of the total agency share allocation (US \$93.8 million) for projects in the aerosol and halon sectors. Implementation of this decision results in the following distribution among the three implementing agencies in 1999 as shown in Table 2.

Table 2

AGENCY SHARES OF INVESTMENT PROJECT ALLOCATION

Agency/Allocation	Share Allocation	Allocation (US \$ million)	Draft 1999 Business Plan Amount (US \$ million)		
			UNDP	UNIDO	Bank
UNDP	24%	27.20	26.45		
UNIDO	22%	20.64		20.64	
World Bank	43%	40.33			39.68
Aerosol and Halon	6%	5.63	2.51	2.64	2.00
Total	100%	93.80	29.68	23.28	42.33

Regional distribution of planned activities in 1999

11. Table 3 provides the regional distribution of 1999 business plan activities¹ in terms of expenditure, ODS approvals, and number of countries covered. The relevant 1998 business plan data is included to provide a relative perspective.

Table 3

REGIONAL DISTRIBUTION OF INVESTMENT RECOVERY/RECYCLING, AND METHYL BROMIDE PROJECTS

Region	Expenditure (US \$)		ODS Approvals (OPD tonnes)		Number of Countries	
	1998	1999	1998	1999	1998	1999
Africa	12,664,000	8,985,000	1,206	596	16	15
Asia and the Pacific	70,800,000	78,024,000	19,725	23,809	14	17
Europe	6,473,000	5,540,000	955	546	6	6
Latin America and the Caribbean	28,368,000	37,238,000	2,441	2,824	19	17
Total	118,306,000	129,787,000	24,327	27,775	55	55

12. The allocation for low volume consuming countries (LVCs) in 1999 is proposed at US \$7.8 million which is 52 per cent of \$15 million annual amount for LVCs forecasted in the Three-Year Business Plan.

Sector Distribution of planned activities in 1999

13. In accordance with the targets set in the Three-Year Business Plan, the 1999 business plan continues funding for phase out activities in all of the ODS consumption sectors. Table 4 provides the distribution of the planned activities by sector.

¹ For investment, methyl bromide, and recovery/recycling activities excluding project preparation, institutional strengthening, and other non-investment activities.

Table 4

SECTOR DISTRIBUTION FOR INVESTMENT, RECOVERY/RECYCLING AND METHYL BROMIDE² PROJECTS

Sector	Allocation (US \$)	Percent of Total Allocation	ODP to be Phased Out (ODP tonnes)	Percentage of Total Phase-Out
Aerosol	5,258,000	4%	1,058	4%
Foam	35,235,000	27%	4,652	17%
Fumigants	23,475,000	18%	558	2%
Halon	2,815,000	2%	6,275	23%
Production	23,270,000	18%	10,970	39%
Refrigeration	28,804,000	22%	2,848	10%
Solvent	10,930,000	8%	1,415	5%
Total	129,787,000	100%	27,775	100%

Methyl bromide

14. The Committee also decided at its 26th Meeting that the methyl bromide allocation in the draft business plan (US \$32.8 million) was adequate. This assumed US \$5 million from bilateral agencies. However, submissions to the 27th Meeting indicate that bilateral agencies have only programmed US \$1.56 million for methyl bromide activities in the 1999 work plans for bilateral cooperation. On the other hand, UNIDO increased its expected level of methyl bromide funding by about US \$1 million; while the World Bank reduced its methyl bromide funding by 1.2 million. UNEP reduced its methyl bromide allocation from US \$1.38 million (US \$1.56 million with agency fees) to US \$670,000 (US \$757,100 with agency fees). However overall the submissions stay within the agreed allocation. The distribution among the agencies is shown in the following Table 5.

Table 5

DISTRIBUTION OF METHYL BROMIDE ALLOCATION

Agency	Allocation (US \$)	Percentage of Total
Bilaterals	1,560,000	5
UNDP	6,576,600	22
UNEP	757,100	3
UNIDO	19,662,000	67
World Bank	884,348	3
Total	29,440,048	100

² Excluding non-investment methyl bromide technical assistance and training activities.

NON-INVESTMENT PROJECTS AND INSTITUTIONAL STRENGTHENING

15. Table 6 presents planned 1999 non-investment and institutional strengthening activities.

Table 6

PLANNED NON-INVESTMENT ACTIVITIES AND INSTITUTIONAL STRENGTHENING IN 1999 IN US\$

Agency	Country Programme Preparation	Institutional Strengthening	Methyl Bromide	Refrigerant Management Plans	Technical Assistance	Training	Total
UNDP	-	893,589	-	-	-	-	893,589
UNEP	113,000	2,283,956	757,100	372,900	3,432,940	723,200	7,683,096
UNIDO	180,800	740,150	45,200	67,800	-	-	1,033,950
World Bank	-	279,483	-	-	67,800	-	347,283
Total	293,800	4,197,178	802,300	440,700	3,500,740	723,200	9,957,918

PROJECTS WITH POLICY ISSUES

16. At its last meeting the Committee decided that it should accelerate the resolution of the relevant guidelines and policy issues that are still pending (decision 26/8(d)). About US \$26 million in projects included in the agencies business plans are classified by the agencies as potentially raising policy issues (compared to US\$27 million in the draft plans). These issues could also have a bearing on anticipated submissions after 1999 for which project preparation will occur during 1999.

17. About US\$12.7 million of this amount is related to the policy issue of the CFC production sector. The Executive Committee's sub-group on the production sector continues to address this issue and consideration of project proposals for China and India is anticipated.

18. About \$5 million of this amount is related to solvent sector strategy in China. Another US \$1.7 million for India is also listed as a policy issue that is associated with the issue of the funding of projects concerning process agents. A paper on this subject is on the agenda of the 27th Meeting in response to Decision X / 14 of the 10th Meeting of the Parties which requested the Executive Committee, as a matter of priority, to strive to develop funding guidelines and to begin to consider initial project proposals for process agents during 1999.

19. A US \$2 million project in the commercial end user refrigeration sector (chillers sector) in Cuba may raise policy issues. A paper concerning the circumstances for the consideration of ODS phase out in the commercial refrigeration end-user sector is before the Committee for its consideration at the 27th meeting.

20. The other projects listed as having policy issues include a US \$2 million recycling project in Mexico, projects where the enterprises may have begun production after the July 1995 cut-off date (2 projects in Nepal and one in Colombia), and a project in Moldova where the enterprise may not be financially viable. The issues regarding these projects require further research of the implementing agencies instead of policy actions by the Committee.

UNEP policy issues

21. UNEP is seeking guidance on how to proceed with the approved project "Inventory and assessment of environmentally sound and economically viable technologies and know-how conducive to phase out ODS". It also suggests that the Committee consider a revised template and/or guidelines for institutional strengthening projects, additional resource allocation for non-investment projects in future years, and the need for resources for RMP preparation and implementation beyond that included in the business plan. UNEP has not received sufficient feedback on completed recovery and recycling projects and is seeking Executive Committee assistance to obtain this information from implementing agencies and bilateral donors.

PERFORMANCE INDICATORS

22. The Executive Committee approved new performance indicators at its 26th Meeting for the evaluation of the implementing agencies' business plans. This section highlights key indicators for investment projects (phase-out and disbursement) and then summarizes other performance indicators provided by the implementing agencies.

Planned phase out and disbursement from previous approvals

23. Planned phase out from previous approvals up until the end of 1998 is summed up in Table 7 which includes a target for phase out derived by the Secretariat in accordance with Decision 26/8 and the proposed phase out targets of the implementing agencies.

Table 7

PLANNED PHASE OUT IN ODP TONNES

Agency	Target estimated by Secretariat	Proposed Target by Agencies	Difference
UNDP	11,876	3,800	8,076
UNIDO	5,883	5,875	8
World Bank	15,542	17,174	-1,632
Total	33,301	26,849	6,452

24. In the case of UNDP a significant difference exists between the two targets. Explanations are provided by UNDP in the Secretariat's comments on UNDP's business plan.

However, in view of the margin of difference, the Committee may request additional justification from UNDP.

25. Planned disbursement from previous approvals through 1998 is summed up in Table 8. It is recalled that for the 1998 business plan the Executive Committee set a disbursement target for each implementing agency of 70 per cent of projects approved through the end of 1997.

Table 8

DISBURSEMENT FROM PREVIOUS APPROVALS FOR INVESTMENT PROJECTS

Agency	1999 Disbursement Target in millions (US \$)	Percentage Disbursement of Approvals through 1998
UNDP	36.2	63.8
UNIDO	27.6	74.6
World Bank	52.3	69.1
Total	116.1	68.8

Summary of other performance indicators

26. In accordance with decisions 26/4 and 26/5, two sets of indicators are requested to be included in the business plans, non-weighted and weighted indicators. The submitted indicators are summed up in the Table 9 (indicators for investment activities) and Table 10 (indicators for non-investment activities).

Investment project performance indicators

27. A comparison of all of the implementing agencies' performance indicators may not be valid due to their different portfolios and methods of implementation. However, it is evident that agencies are placing varying degrees of importance on completing project completion reports. For example, UNDP is forecasting the submission of 50 per cent of completion reports due in 1999 and UNIDO and the World Bank are planning to submit, 80 per cent and 77 per cent, respectively.

28. The cost of project preparation depends largely on the size of projects under preparation. UNIDO's cost of project preparation is generally accomplished on an enterprise by enterprise basis. UNDP and the World Bank generally request project preparation on a country basis. However, there has been a change in the agencies' targets since the draft business plans: from 2 to 3 to 4 per cent for the World Bank and from 2.7 to 3.5 per cent for UNDP.

Table 9
INVESTMENT PROJECT PERFORMANCE INDICATORS

ITEMS	UNDP	UNIDO	World Bank
Weighted indicators			
ODP phased out in from previous approvals (ODP tonnes)	3,800	5,875	17,174
Funds disbursed (US\$)*	\$36,160,000	\$27,612,000	\$52,276,000
Satisfactory project completion reports received (percentage)	50%	80%	77%
Distribution of projects among countries in business plans (number)	37	30	12
Non-weighted indicators			
Value of projects to be approved (US\$)*	\$37,459,500	\$21,112,867**	\$51,980,000
ODP from projects to be approved (ODP tonnes)	2,979	3,445**	20,200
Cost of project preparation (per cent of submission)	3.5%	2%	4.0%
Cost-effectiveness from projects to be approved (US\$/ODP in kg)	\$12.60	\$6.12	\$2.4
Speed of delivery until first disbursement (months from approval)	12 months	7 months	22 months
Speed of delivery until project completion (months from approval)	30 months	N/p	35 months
Net emission/reduction of ODP resulting from implementation delays/early completion	5,896 ODP tonnes***	5,761 ODP tonnes	5,550 ODP tonnes
N/p – Not provided.			
*Includes agency support costs of 13 per cent but excludes 15 per cent over-programming			
** Excluding methyl bromide and aerosol projects.			
***Not included in business plan but provided subsequently to the Secretariat by fax.			

Non-investment project performance indicators

29. The non-investment project performance indicators of the implementing agencies may also be difficult to compare due largely to the size of each agency's programme. UNEP has the largest non-investment project portfolio of all of the implementing agencies.

30. UNEP targeted a percentage amount for project completion and disbursement. The guidelines adopted at the 26th Meeting require amounts, not percentages. Most of the implementing agencies' work programme activities are approved at the same meeting when business plans are approved, except for UNEP which is allowed to submit its work programme to the meeting prior to the final approval of business plans. However, since most work programme activities are completed within a year of approval, if an agency does not receive approval for a work programme activity at the same meeting as the performance indicator targets are approved, it may be difficult for that agency to achieve its target. This is why UNEP has provided percentage targets instead of amounts.

31. The Executive Committee approved two non-weighted performance indicators at its 26th Meeting:

- Appropriate and timely policies initiated by countries as a result of networking, training, information exchange, country programme development and/or institutional strengthening (number of countries)
- Reduction in ODS consumption over and above that effected by investment projects (ODP tonnes)

32. Implementing agencies were asked to make an effort to determine targets for these indicators. Most agencies attempted to provide a target. In most cases, it does not appear that the targets are relevant to the indicators.

Table 10

**INDICATORS FOR NON-INVESTMENT ACTIVITIES NON-INVESTMENT
PERFORMANCE INDICATORS**

ITEMS	UNDP	UNEP	UNIDO	World Bank
Weighted Indicators				
Number of Projects to be Completed	10	60% of approvals	3	6
Funds Disbursed (US\$)	\$2,260,000	60% of approvals	\$990,000	\$2,600,000
Speed of delivery until first disbursement (months from approval)	9 months	6 months	5 months	17 months
Speed of delivery until project completion (months from approval)	27 months	17 months	10 months	32 months
Non-weighted indicators				
Appropriate and timely policies initiated by countries as a result of networking, training, information exchange, country programme development and/or institutional strengthening (number of countries)	N/p	3 countries	Advanced preparation of a national plan on MBr alternatives; in one country package of measures supporting ODS phase-out, bans, and sanctions; in one country a working group on standards for phase-out programmes	Specific policies identified for 4 countries
Reduction in ODS consumption over and above that effected by investment projects (ODP tonnes)	N/p	3 tonnes	Completion of sector phase-out for domestic refrigeration and solvent sector in an unspecified country and meeting the freeze in 4 countries	20 from recovery and recycling projects
N/a – Not applicable in previous years.				
N/p – Not provided.				
* Includes agency support costs but excludes 15 per cent over-programming.				

RECOMMENDATIONS

After concluding its discussions on the areas where outstanding issues still remain, the Executive Committee may wish to consider to:

1. take note of the Consolidated Business Plan,

2. endorse the proposed sector allocations as targets for the Multilateral Fund in 1999,
3. endorse the proposed regional distribution allocations as targets for the Multilateral Fund in 1999,
4. consider the planned ODS phase out and disbursement targets in the light of the discussion on each agency's business plan and endorse targets for the Multilateral Fund in 1999 based on the decisions for each agency,
5. consider the planned project completion report targets in the light of the discussion on each agency's business plan and endorse targets for the Multilateral Fund in 1999 based on the decision for each agency.