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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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**CONSOLIDATED DRAFT BUSINESS PLAN OF THE
MULTILATERAL FUND FOR THE YEAR 2001**

INTRODUCTION

1. This document provides the consolidated draft 2001 business plan of the Multilateral Fund, which is based on the draft business plans of the bilateral and implementing agencies found in documents UNEP/OzL.Pro/ExCom/32/12 through 32/16. This document consists of the following parts:

- Part I: Principles and Methodology for the Development of the 2001 Draft Business Plans
- Part II: Resource Allocation
- Part III: Activities included in the Draft 2001 Business Plans
- Part IV: Performance Indicators
- Part V: Comments and Recommendations of the Fund Secretariat

PART I: PRINCIPLES AND METHODOLOGY FOR THE DEVELOPMENT OF THE DRAFT 2001 BUSINESS PLANS

2. The principles used in developing the draft 2001 business plans of the implementing agencies were:

- a. Assistance should be provided first to those countries at risk for achieving compliance with the freeze and 2005 reductions
- b. Assistance should then be provided to those activities intended to maintain and sustain phase out momentum
- c. Projects with longer durations should be submitted early (such as methyl bromide projects) while projects with shorter durations could be submitted later to best assist countries in the 2005 reductions.

3. To accomplish these objectives, the Secretariat and the implementing agencies jointly developed a letter sent to all National Ozone Units requesting verification of the latest consumption data and the activities each country considered necessary to achieve and/or maintain compliance with the freeze and subsequent reductions through the year 2005. 65 Article 5 countries responded to the request.

4. The Secretariat then convened a co-ordination meeting in Montreal from 6-8 September 2000, and updated the analysis of the status of Article 5 countries' compliance with the initial control measures (an update of UNEP/OzL.Pro/ExCom/31/Inf.2). In the light of compliance needs, the agencies and the Secretariat reviewed the responses of the countries and discussed possible activities in countries that did not respond to the business plan letters. Subsequently, the Secretariat prepared detailed comments on the proposals contained in country responses and the initial programmes of the implementing agencies. The implementing agencies then prepared their draft business plans and submitted them on or about the 11 October deadline.

PART II: RESOURCE ALLOCATION

5. The total allocation for the draft 2001 business plans is US \$170.8 million, including US \$3 million for the budget of Secretariat/Executive Committee. The implementing agencies and the Secretariat agreed to the following allocations: US \$147.8 million was allocated for investment projects, US \$20 million for bilateral activities, US \$15.1 million for non-investment projects.

6. Pursuant to Decision 28/23, para. (a), the US \$147.8 million was allocated according to the shares for investment projects (including project preparation, as follows:

| | |
|------------|---------------------|
| UNDP | US \$39.810 million |
| UNIDO | US \$33.175 million |
| World Bank | US \$59.715 million |

7. Resources were allocated as shown in Table 1 and 2 based on a Secretariat/implementing agency co-ordination meeting following the last Executive Committee meeting. The excess amount is the result of over-allocations by all agencies.

Table 1

**RESOURCE ALLOCATION AND DRAFT 2001 BUSINESS PLANS FOR
IMPLEMENTING AGENCIES***

| ALLOCATION (US\$ million) | | RESOURCES REQUIREMENT OF FINAL 2001 BUSINESS PLAN AMOUNT (US\$) | | | | |
|---|------------|--|------------|------------|------------|-------------|
| BUDGET ITEMS | Allocation | UNEP | UNDP | UNIDO | World Bank | TOTAL |
| Investment share | 132.7 | | 39,810,000 | 33,175,000 | 59,715,000 | 132,700,000 |
| <i>Investment projects</i> | | | 38,799,372 | 32,259,043 | 58,292,850 | 129,351,265 |
| <i>Project preparation</i> | | | 1,126,610 | 1,050,900 | 1,418,150 | 3,595,660 |
| Sub-total INV | | | 39,925,982 | 33,309,943 | 59,711,000 | 132,946,925 |
| Non-investment | 15.1 | | | | | |
| <i>Institutional strengthening</i> | | 2,744,205 | 1,707,813 | 220,011 | 606,056 | 5,278,085 |
| <i>Other non-investment</i> | | 10,792,630 | 101,700 | 186,450 | 79,100 | 11,159,880 |
| Sub-total NON-INV | | 13,536,835 | 1,809,513 | 406,461 | 685,156 | 16,437,965 |
| Sub-total INV&NON-INV | 147.8 | 13,536,835 | 41,735,495 | 33,716,404 | 60,396,156 | 149,384,890 |
| Excess | | | | | | (1,584,890) |
| Bilateral Co-operation | 20.0 | | | | | 20,000,000 |
| Secretariat/Executive Committee/M&E function | 3.0 | | | | | 3,000,000 |
| TOTAL BUDGET | 170.8 | | | | | 170,800,000 |

* Figures in the table include agency fees, but not over-programming.

8. Decision 26/8(b) requires agencies to stay within their allocations. To determine if agencies have stayed within their allocation, estimated values for all projects should be provided.

9. Concerning investment projects, all agencies except the World Bank exceeded their allocations by about \$250,925 in general due to the project preparation for contingency list projects. However, World Bank may have exceeded its allocation because it has included two projects for which no value was provided. These projects include a CFC production phase out project in Argentina and a Solvent (Process Agent) Programme in China.

10. Concerning non-investment projects, the allocation needed for institutional strengthening is US \$1.4 million less than the allocation for 2000. UNDP, UNIDO and the World Bank have included other non-investment projects valued at about US \$370,000 in 2001 which is about US \$1.1 million less than allocated in 2000. Although the allocation for non-investment is the same as in 2000, there is an additional US \$2.5 million available for UNEP's other non-investment activities, but UNEP increased its budget for such activities from US \$7 million in 2000 to US \$10.8 million in 2001¹. Therefore, the value of activities included in the draft business plan exceeds the non-investment allocation by US \$1.3 million.

11. The resource allocation for bilateral co-operation is US \$20 million. Although Table 2 indicates that US \$6.4 million has been included in the business plans of the three bilateral agencies that submitted plans, the US \$20 million allocation should be maintained. This is because all contributing countries may deduct up to 20 per cent of their total contributions in any given year.

Table 2

RESOURCE ALLOCATION AND DRAFT 2001 BUSINESS PLANS FOR BILATERAL AGENCIES

| ALLOCATION (US\$ million) | | RESOURCES REQUIREMENT OF FINAL 2001 BUSINESS PLAN AMOUNT (US\$) |
|--------------------------------|------------|--|
| BUDGET ITEMS | Allocation | Actual Request |
| Bilateral Co-operation | 20.0 | |
| <i>Investment projects</i> | | 3,892,000 |
| <i>Non-Investment projects</i> | | 2,520,302 |
| Total Bilateral | | 6,412,302 |

PART III: ACTIVITIES INCLUDED IN THE DRAFT 2001 BUSINESS PLAN

12. Part III provides the distribution of the activities included in the draft 2001 business plan by region and country, LVCs, sector, non-investment and investment projects, and institutional strengthening.

¹ These figures do not include the forward commitment after the year 2001 for multi-year projects but include an additional project in Sri Lanka for US \$25,000 and four country programmes at US \$60,000 each.

Distribution of planned activities by region and country

13. The draft 2001 business plans include funding for activities in 102 Article 5 countries. By comparison, the 2000 business plan addressed 87 Article 5 countries. UNEP is expecting that another four countries will ratify the Protocol in 2001 at which time requests for support will be made. A total of 50 countries included in the draft business plans are slated to receive investment, recovery and recycling and/or methyl bromide projects in 2001.

Non-investment projects

14. Most of the Fund's resources for non-investment activities are global or regional in nature such as UNEP's recurring information exchange and networking. Training is directed to 27 countries and four sub-regions. Institutional strengthening projects are ongoing or planned for 118 Article 5 countries. Country programmes have been approved for 120 Article 5 countries with another 6 planned for 2001.

Investment projects

15. A total of 50 countries (as opposed to 39 in the 2000 business plan) will receive investment projects in 2001, 20 (as opposed to 9 in the 2000 business plan) of which are low-volume-consuming countries (LVCs).

Investment projects in low-ODS-volume-consuming countries (LVCs)

16. The definition of an LVC consuming country is a country whose consumption is below 360 ODP tonnes excluding methyl bromide. LVCs are expected to receive US \$6,510,020 in 2001 for investment, recovery and recycling, and methyl bromide demonstration projects.

Distribution of planned investment projects by sector

17. The agencies planned to submit projects in most of the consumption sectors during the year 2001. The distribution of planned activities by sector is presented in Table 3.

Table 3

**APPROVALS (BY SECTOR) FOR INVESTMENT, RECOVERY AND RECYCLING,
AND METHYL BROMIDE DEMONSTRATION/INVESTMENT PROJECTS, TO-DATE
AND PLANNED FOR 2001**

| Sector | Funds Approved To-Date | | Funding Planned for Year 2001 | | ODS Phase out To-Date | | ODS Phase out from year 2001 Approvals | |
|------------------|------------------------|------------|-------------------------------|------------|-----------------------|------------|--|------------|
| | Amount (US\$)* | % of Total | Amount (US\$) * | % of Total | Amount (ODP tonnes) | % of Total | Amount (ODP tonnes) | % of Total |
| Aerosol | 25,819,014 | 3% | 976,800 | 1% | 24,595.90 | 19% | 222.00 | 1% |
| Foam | 252,185,579 | 30% | 39,832,739 | 30% | 44,918.70 | 34% | 5,643.73 | 23% |
| Fumigant | 26,816,979 | 3% | 14,520,000 | 11% | 937.40 | 1% | 1,012.60 | 4% |
| Halon | 39,766,634 | 5% | 5,595,240 | 4% | 26,057.80 | 20% | 3,902.00 | 16% |
| Multiple Sectors | 3,819,515 | 0.5% | 0 | 0% | 670.00 | 1% | 0.00 | 0% |
| Others | 5,327,000 | 1% | 2,000,000 | 2% | 440.00 | 0% | 90.00 | 0% |
| Process Agent | 366,000 | 0.04% | 5,220,000 | 4% | 375.00 | 0% | 1,000.00 | 4% |
| Production | 56,107,120 | 7% | 24,000,000 | 18% | 37,045.60 | 28% | 9,171.00 | 38% |
| Refrigeration | 402,059,466 | 47% | 26,703,935 | 20% | 32,024.90 | 24% | 1,973.50 | 8% |
| Solvent | 35,889,994 | 4% | 12,005,000 | 9% | 2,199.00 | 2% | 1,193.00 | 5% |
| Sterilant | 395,095 | 0.05% | 0 | 0% | 20.70 | 0% | 0.00 | 0% |
| Several | 0 | 0.00% | 2,300,000 | 2% | 0.00 | 0% | 0.00 | 0% |
| Total | 848,552,396 | 100% | 133,153,714 | 100% | 132,239.40 | 100% | 24,207.83 | 100% |

* Agency fees are not included.

** Agency fees are not included. Also, the total of US \$133,153,714 includes 15 per cent over-programming (except for China Halon and CFC production projects). The total for investment projects for implementing agencies in Table 1 (US \$132,946,925) excludes the 15 per cent over-programming, but includes agency fees. Both tables include bilateral activities at the level of US \$6,412,302.

18. The draft 2001 business plans continue to reflect the trend of funding away from investment projects in the refrigeration sector. In 1999, the refrigeration sector represented 52 per cent of funding allocation that was reduced to 25 per cent in the 2000 plan. The draft 2001 business plans allocate 20 per cent for refrigeration sector investment projects, still, however, a significant part of Fund activities.

19. The distribution of ODS phase-out also reflects a change in the historic distribution. This is due largely to recent approvals of multi-year production phase-out projects.

20. With the approval of the China and India CFC production phase-out projects, the total amount of production sector funding for 2001 will represent 18 per cent of total funding. The World Bank is the only agency involved thus far in production sector projects.

Aerosol and halon investment projects

21. As in previous years, the shares of aerosol and halon projects are expected to receive the lowest share of Fund resources in 2001. US \$3.7 million of the US \$5.6 million is for the halon sector in for China. The freeze for halon will occur in the year 2002. Most projects take at least two to three years to implement.

Methyl bromide projects

22. The draft 2001 business plans have a total value of US \$14.52 million for 16 projects in methyl bromide sector, including demonstration and investment projects plus US \$1,450,000 in non-investment projects. UNIDO is planning 7 projects representing US \$8.5 million in Croatia, Lebanon, Morocco, Turkey, Tunisia, Uganda and Uruguay; the World Bank is planning three investment projects in Argentina, Chile and Ecuador, representing US\$2.2 million; and UNDP is planning US \$3.9 million for 6 projects in Argentina, Bolivia, Costa Rica, Ghana, Lebanon and Malawi. The total funding for methyl bromide projects in 2001 is about US \$16 million compared to US \$7.8 million in 2000.

23. UNEP included, in its draft 2001 business plan, activities in the methyl bromide sector for workshops, manuals, awareness raising, and enhancing capability projects in 2001.

Project preparation

24. The agencies are indicating that their draft business plans include US 3.4 million to prepare projects that will be delivered in or after the year 2001. (See Table 4). Additionally, US \$197,750 is being requested for preparation of contingency projects.

Table 4**PROJECT PREPARATION**

| Agency | Programme Development (US\$) | Contingency (US\$) | Total (US\$) |
|--------------------|-------------------------------------|---------------------------|---------------------|
| UNDP | 1,013,610 | 113,000 | 1,126,610 |
| UNIDO | 966,150 | 84,750 | 1,050,900 |
| World Bank | 1,418,150 | 0 | 1,418,150 |
| Grand Total | 3,397,910 | 197,750 | 3,595,660 |

Including agency fees.

Contingency

25. Agencies indicated that of the US \$133.15 million excluding agency fees in their business plans for investment projects, projects valued at US \$11.11 million might raise policy issues (8.3 per cent of the total). The following amounts are included in the agencies' contingency tables: UNDP (US \$3.82 million), UNIDO (US \$1.9 million), and the World Bank (US \$5.36 million).

Non-investment projects

26. The resource allocation for non-investment projects includes country programme preparation, technical assistance, methyl bromide (excluding investment and demonstration projects), and training not included in investment projects, in addition to UNEP's clearing-house function, networking, and other activities. A separate resource allocation is provided for institutional strengthening. Table 5 presents the funding level for the four types of non-investment activities.

Table 5

PLANNED NON-INVESTMENT ACTIVITIES IN 2001 (US\$)*

| Agency | Country Programme Preparation | Technical Assistance | Methyl Bromide | Training | Refrigerant Management Plan | TOTAL |
|------------|-------------------------------|----------------------|----------------|-----------|-----------------------------|------------|
| Canada | | | 80,000 | | 823,850 | 823,850 |
| Germany | | | 640,000 | | 480,000 | 1,120,000 |
| UNDP | | 101,700 | | | | 101,700 |
| UNEP | 339,000 | 3,434,070 | 796,650 | 6,155,110 | 67,800 | 10,792,630 |
| UNIDO | | 158,200 | 28,250 | | | 186,450 |
| World Bank | | 79,100 | | | | 79,100 |
| TOTAL | 339,000 | 3,773,070 | 1,544,900 | 6,155,110 | 1,371,650 | 13,103,730 |

* Including agency fees but excluding US \$496,452 that Australia indicated should be used in 2001.

Country programme/RMP preparation

27. UNEP's requests for country programme preparation also include the preparation of RMPs. UNEP included the development of one RMP plan in its draft 2001 business plan for Korea DPR and four country programme/RMPs for countries that are expected to ratify the Montreal Protocol in 2001.

Technical assistance

28. Most (US \$2.7 million) of the technical assistance funding (US \$3.8 million) is for UNEP's recurring information exchange and networking costs. All four agencies are requesting support for technical assistance projects. UNDP (US \$101,000), UNEP (US \$3.434 million), UNIDO (US \$158,200) and the World Bank (US \$79,100).

Training

29. UNEP is the only agency that is including training activities in its business plans as non-investment projects. UNEP is planning to increase its requests for funding for its training activities from US \$1.1 million in 1999 to US \$1.8 million in 2000 to US \$6.155 million in 2001. A large share of training involves training in refrigerant management plans (US \$3,421,000).

Institutional strengthening

30. Implementing agencies are planning to request US \$5.3 million in 2001. This is a reduction of US \$1.4 million from the US \$6.69 million for institutional strengthening in the 2000 plan. (See Table 6).

Table 6**INSTITUTIONAL STRENGTHENING, TO-DATE AND PLANNED FOR 2001***

| Agency | Approved Funds to date (US\$) | Planned for year 2001 (US\$) |
|---------------|--------------------------------------|-------------------------------------|
| France | 38,874 | 0 |
| World Bank | 2,582,275 | 606,056 |
| UNDP | 13,105,577 | 1,707,813 |
| UNEP | 9,168,349 | 2,744,205 |
| UNIDO | 1,860,435 | 220,011 |
| USA | 350,000 | 0 |
| TOTAL | 27,105,510 | 5,278,085 |

* Including Agency fees.

31. Implementing agencies plan on submitting 57 requests for institutional strengthening in 2001. Of this amount, 44 requests are for institutional strengthening renewals. Twelve first time requests for institutional strengthening are expected to be submitted in 2001 for the following countries: Albania, Angola, Djibouti, Micronesia, Haiti, Laos, Liberia, Solomon Islands, Suriname, Tonga, Tuvalu and Vanuatu.

PART IV: PERFORMANCE INDICATORS

32. Table 7 presents the agencies' proposed investment project performance indicator targets for 2001.

Table 7

PERFORMANCE INDICATORS FOR INVESTMENT PROJECTS

| ITEMS | UNDP 2000 | UNDP 2001 | UNIDO 2000 | UNIDO 2001(a) | WORLD BANK 2000 | World Bank 2001 |
|---|---------------------|--------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| Weighted indicators | | | | | | |
| Actual ODS phased out from completed projects (ODP tonnes) | 6,000 | 6,000 | 3,311 | 2,326.5 | 12,585 (b) | 5,510 (c) |
| Disbursement (US\$) | \$45,200,000 (d) | \$39,200,000 | \$30,808,000 | \$28,173,700 | \$72,876,000 (b) | \$54,520,000 (c) |
| PCRs received (%) | 50% | 100% | 100% | 100% | 100% | 100% |
| Countries in business plan (number) | 33 | 39 | 27 | 22 | 14 | 15 |
| Non-weighted indicators | | | | | | |
| Net emissions (reductions) of due to delays (early completion) (ODP tonnes) | Not Provided | 27,612 | 9,147 | 15,391 | 7,800 | (1,600) |
| Value of Projects Approved (US\$) (e) | \$35,169,550 | \$38,796,390 | \$28,856,270 | \$28,547,826 | \$52,874,514 | \$56,870,000 |
| ODP from Projects Approved | 4,566 | 4,430 | 4,442 | 3845.1 | 14,217 | 15,933 |
| Cost of Project Preparation | 3% | 2.7% | 3% | 4.1% | 3.2% | 3.64% |
| Cost-effectiveness from Approvals (US\$/ODP in kg) | \$7.8 | \$8.9 | \$6.14 excl. MBR/\$6.61 incl. MBR | \$7.91 excl. MBR/\$8.54 incl. MBR | \$3.57 | \$3.57 |
| Speed of delivery (first disbursement) | 14 months | 14 months | 8 months | 9 months | 24 months | 25 months |
| Speed of delivery (completion) | 36 months | 36 months | 28 months | 36 months (incl MBR) | 38 months | 38 months |

(a) UNIDO changed its funds disbursed and net emissions targets in a fax of 31 October 2000.

(b) Includes production sector projects.

(c) Excludes production sector projects.

(d) UNDP disbursement is based on US\$ 40 million plus agency fees.

(e) Minus 15% over-programming but including agency fees.

33. The total phase out for 2001 appears to be less than in 2000 because both UNIDO and the World Bank have lower targets than in 2000. This is because the 2000 figure included production phase out with consumption phase out. The Bank has corrected this for 2001, so that its phase-out target is only for consumption.

34. Despite a similar adjustment for disbursement on the part of the Bank, overall, fewer funds are expected to be disbursed than in 2000. The net emission due to delays figure should be considered an index based on progress report data. The Secretariat and the agencies agreed to the targets for 2001.

35. Cost of project preparation appears to be increasing in the case of UNIDO and the World Bank and decreasing in the case of UNDP. UNIDO is setting speed of delivery targets that assume slower project implementation than its targets in 2000.

36. Table 8 presents the proposed non-investment project performance indicator targets for 2001.

Table 8

NON-INVESTMENT PERFORMANCE INDICATORS

| ITEMS | UNDP 2000 | UNDP 2001 | UNEP 2000 | UNEP 2001 | UNIDO 2000 | UNIDO 2001 | WORLD BANK 2000 | WORLD BANK 2001 |
|--|--------------------|--------------|--------------|--------------|--------------------------|-------------------|-----------------------|-----------------------|
| Weighted indicators | | | | | | | | |
| Number of Projects to be Approved | 8 | 10 | 60% of total | 60% of total | 3 | 3 | 4 | 9 |
| Funds Disbursed (US\$(a)) | \$2,033,013 (b) | \$2,055,992 | 73% | 73% | 1,228,000 | 1,036,000 | 1,911,000 | 2,300,000 |
| Speed of delivery (1st disbursement) | 12 months | 12 months | 6 months | 6 months | 6 months | 8 months | 19 months | 19 months |
| Speed of delivery (completion) | 36 months | 36 months | 17 months | 17 months | 18 months | 24 months | 33 months | 24 months |
| | | | | | | | | |
| Non-weighted indicators | | | | | | | | |
| Policies in countries resulting from non-investment activities (countries) | 5 | 5 | 10 | 10 | 2 | 1 | 4 | 2 |
| Reduction in ODS consumption from non-investment projects (ODP tonnes) | 30 | 30 | 40 | 40 | One country to phase out | From R&R projects | 20 from R&R projects | 4 from R&R projects |
| N/P – Not provided in business plan narratives as requested. | | | | | | | | |

(a) Includes agency fees.

(b) UNDP disbursement is based on \$1,799,127 plus agency fees.

37. As in the case of investment projects, UNIDO is targeting a slower rate of implementation than in 2000.

38. The non-weighted performance indicators should be considered in the context of each agency's non-investment portfolios. The performance indicator, "Appropriate and timely policies initiated by countries as a result of networking, training, information exchange, country programme development and/or institutional strengthening" includes networking and information exchange which is funded exclusively for UNEP. Moreover, UNEP is implementing 70 institutional strengthening projects; UNDP, 22; UNIDO, 7; and the World Bank, 6. UNEP is currently implementing 59 training projects; UNDP, 0; UNIDO, 1; and the World Bank, 1. UNEP is preparing 13 country programmes.

39. The reduction in ODS from non-investment projects can be determined from information in the agencies' progress reports. Progress reports contain information about planned completion dates and the level of phase out from mostly investment projects, but in some cases, also for non-investment projects. The phase out from non-investment projects is generally included for recovery and recycling projects and for some emission reductions projects. In 2001, the implementing agencies' progress reports indicate that UNDP should phase out 10 tonnes; UNEP, 0 tonnes; UNIDO, 161.8 tonnes; and the World Bank, 291 tonnes.

PART V: COMMENTS AND RECOMMENDATIONS OF THE FUND SECRETARIAT

COMMENTS

40. The implementing agencies have addressed most of the needs identified on the basis of the latest consumption data and letters from Article 5 countries. The draft business plans addressed the three objectives of (1) providing assistance to countries that may have compliance difficulties by addressing most of these countries, (2) maintaining momentum and accelerating phase out as evidenced by the range of countries addressed and the inclusion of terminal phase out projects, and (3) by providing projects with longer durations now so that they can assist in meeting the 2005 reduction as evidenced by the increase in the number and value of methyl bromide projects.

41. Article 5 countries have been involved in the process more than in previous years since each country was asked about its compliance needs. A country-driven approach has been initiated and could be continued throughout the compliance period.

RECOMMENDATIONS

The Monitoring, Evaluation and Finance Sub-Committee may wish to consider recommending to the Executive Committee to consider:

1. Noting the Consolidated Draft Business Plan of the Multilateral Fund for the year 2001 and
2. Endorsing the principles and methodology used in the development of the draft business plans in the light of its discussions on strategic planning.
