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Executive Committee of
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THREE-YEAR (1997-1999) BUSINESS PLAN OF THE MULTILATERAL FUND

(Revised)

Introduction

Mandate

1. The 1997-1999 business plan of the Multilateral Fund is based on the amount of replenishment adopted in Decision VIII/4 and on the 1996-1998 rolling business plan, which was submitted by the Executive Committee to the Eighth Meeting of the Parties in accordance with Decision VII/23.

Purpose

2. The purpose of the business plan is to reflect the need to continue with strategic management of the Fund within the broad policy framework provided by the Parties, and the relevant decisions of the Executive Committee. Adoption of a three-year rolling business plan will enable Parties and Implementing Agencies to plan their programmes and activities, and to see where their projects will be accommodated thereby reducing uncertainty.

Structure

3. This business plan consists of the following sections:

- I. A brief review of the performance of the 1996 business plan
- II. Strategic considerations
- III. Financial planning:
 - Preface
 - Allocations among major categories of activities
- IV. Programme targets:
 - ODS phase out accounting for the triennium
 - Targets for ODS approvals and expenditures for the triennium
 - Other targets
- V. Management of the three-year business plan
 - Annual evaluation of the performance of the business plan of the previous year
 - Updating and adjustment of the remaining year(s) of the business plan.

I. A brief review of the implementation of the 1996 budget and ODS approval targets

4. The review of the implementation of the 1996 budget and ODS approval targets is intended to set up a connection between the operations of the Fund in 1996 and that in the current triennium. This is especially relevant considering that some of the unfinished ODS approvals in 1996 will have to be rephased into 1997-1999.

5. Table 1 sums up the implementation of the 1996 budget and ODS approvals as of the Twenty-first meeting of the Executive Committee in February 1997.

6. Overall, the Fund is on target with the implementation of the 1996 budget, especially with regard to the allocation for the investment activities. Of the total budget of US \$97 million for investment projects, commitment reached US \$94.7 million, or 98 per cent. However, the target of 26,498 ODP tonnes set in the 1996 business plan to be phased out against this commitment was not met. Only 11,628 ODP tonnes were approved, or 44 per cent of the plan's target. Among other things, this was due primarily to the two following factors:

- The ODP target for halons which was set at 6,683 tonnes for 1996 was not achieved due to the efforts in the year to refine the guidelines for the halon extinguisher sub-sector.
- The target for production which was set at 3,800 ODP tonnes for 1996 was not achieved due to the longer than expected time needed to complete the guidelines for shutting down ODS producing facilities in the production sector.

7. Both halon and ODS production sectors offer very cost-effective phase-out. The fact that the targets for these two sectors have not been met has adversely affected the cost-effectiveness of the entire programme for 1996.

8. As a result, a large balance of over 10,000 ODP tonnes from the 1996 ODP approval target would be rephased into the current triennium.

9. On the two other major categories of activities; i.e. non-investment and bilaterals, there will be a favourable balance of the budget to be rephased into 1997, especially from the bilaterals.

10. The significant favourable balance of approximately US \$9 million for the non-investment allocation is due to the fact that funding of the 1997 work programmes of the implementing agencies was not charged to the 1996 non-investment allocation as originally planned.

11. The unspent balance of the allocation for bilaterals is expected to be paid up in 1997 for further programming during the year.

TABLE 1
IMPLEMENTATION OF 1996 BUDGET AND ODS APPROVALS
AS OF FEBRUARY 1997*

CATEGORIES	TARGET		COMPLETION		% OF TARGET ACHIEVED		BALANCE	
	Amount budgeted in US\$ (thou.)	ODP approvals (in tonnes)	Amount approved in US\$ (thou.)	ODP tonnes approved	Amount approved	ODP tonnes approved	Amount remaining in US\$ (thou.)	ODP tonnes remaining
Investment	97,000	26,498	94,700	11,628	98%	44%	2,300	14,870
Non-Investment**	20,000	n/a	10,200	n/a	51%	n/a	9,800	n/a
Bilateral	15,000	n/a	3,200	219	21%	n/a	11,800	n/a
TOTAL	132,000	26,498	108,100	11,847	82%	45%	23,900	14,870

* US \$2.1 million and 465 ODP tonnes from the 1996 budget and approval targets were implemented at the Twenty-first meeting of the Executive Committee in February 1997.

** Includes implementing agencies' work programmes, UNEP core programme, country programme formulation, institutional strengthening and administration.

II. Strategic considerations

12. In decision VII/23, the Parties noted at their Seventh Meeting that the “three-year rolling business plan must reflect the purpose of the Multilateral Fund, which is to enable Parties operating under Paragraph 1 of Article 5 to meet their Protocol obligations”.

13. Under the provisions of the Montreal Protocol, each Party operating under Article 5 is obligated to freeze its production and consumption of chlorofluorocarbons by 1 July 1999. Since there is a considerable time lag between project approval and project completion, strategically the Multilateral Fund will try to achieve as far as possible in 1997 and 1998 the maximum approvals so that these approvals will be implemented and have an impact on the freeze obligations of Article 5 countries.

14. Since the obligation for Article 5 countries is both on production and on consumption of chlorofluorocarbons, the Multilateral Fund will take on board in the triennium projects in the production sector to assist CFC producing Article 5 countries to meet their obligations in the production sector.

15. The Multilateral Fund will continue funding projects in Article 5 countries which have met their 1999 freeze obligations for the consumption of CFCs. This will enable these countries to maintain the phase out momentum which has been built up with the Fund's assistance. In this regard, the Executive Committee will continue implementing its decision taken at its Sixteenth Meeting to set aside a specific level of funding for low-volume-ODS-consuming countries. The Fund will also continue to address the needs of small and medium-sized enterprises in their efforts for phase out.

16. Due to their high ozone-depleting potential and the subsequent impact on the ozone layer, the Executive Committee will give priority funding for the preparation of projects in the very cost-effective halon sector in 1997 and 1998, although the freeze on halons is not obligatory for Article 5 countries until the year 2002.

17. At the end of 1996, the Executive Committee has approved funding for the phase out of more than 75,921 ODP tonnes in Article 5 countries and, in the same period, total actual phase out is around 20,487 ODP tonnes. As only real phase out impacts on the freeze obligations of the Article 5 countries and the protection of the ozone layer, the Executive Committee will intensify its supervision and monitoring of the implementation of the approved portfolio of investment projects.

18. In the plan period, the Executive Committee will adhere to the existing operational policy framework which has been established. As part of that framework, the Fund will continue supporting institutional strengthening in Article 5 countries to facilitate the implementation of approved country programmes in accordance with decision 19/29 taken by the Executive Committee. The Fund will also continue supporting the clearinghouse function of the Multilateral Fund currently being implemented by UNEP.

III. Financial planning

Resource availability for 1997-1999

19. This section sets up the resource availability level within the triennium and the allocations among major categories of activities supported by the Multilateral Fund. The basis for this planning is the replenishment level as contained in decision VIII/9, the Executive Committee decision 21/4, and the programming need of the Fund operation. Table 2 presents the resource availability of the Fund in the triennium.

TABLE 2
RESOURCE AVAILABILITY FOR 1997-1999
(in US \$ millions)

	1997	1998	1999	Total
Carry-over from previous year:	74	0	0	74
Collectibles*	146	146	146	438
Uncollectibles**	9	9	9	27
Total	220	146	146	512

* Estimated at 94 per cent of the annual pledging level of US \$155.3 million.

** Estimated at approximately 6 per cent of the annual pledging level of US \$155.3 million.

Allocations among major categories of activities

20. Based on the annual expenditure levels established in Table 2, the budget allocation among the major categories of activities are presented in the following Table 3:

TABLE 3**ALLOCATION AMONG MAJOR CATEGORIES OF ACTIVITIES**

Categories of Activities	1997		1998		1999		TOTAL	
	US \$ (mil.)	%	US \$ (mil.)	%	US \$ (mil.)	%	US \$ (mil.)	%
Investment	183	83	111	76	112	77	406	79
Non-investment*	16	7	13	9	13	9	42	8
Methyl Bromide**	3	1	4	3	3	2	10	2
Bilateral Activities	15	7	15	10	15	10	45	9
Secretariat*** Monitoring and Evaluation	3	1	3	2	3	2	9	2
TOTAL	220	99	146	100	146	100	512	100

* Includes agency work programmes, UNEP's core programme, country programme formulation, institutional strengthening, and training.

** This allocation is subject to the decision taken by the 9th Meeting of the Parties on Methyl Bromide.

*** Includes support for Article 5 country members of the Executive Committee to participate in its meetings.

IV. Programme targetsODS phase out accounting for the triennium

21. The following Table 4 intends to facilitate supervision and monitoring of the ODS phase-out to be achieved by the Multilateral Fund in the years 1997-1999. Separate accounts for production and consumption are shown for both halons and CFCs. The figures are planning figures which will be revised at the end of each year in the triennium by the actual implementation numbers.

TABLE 4

ODS PHASE OUT ACCOUNTING (ODP tonnes)

A. Consumption (Halons + CFCs)

Year	1997		1998		1999		Total		App./Impl. Ratio	
ODS Approvals	Halons	CFCs	Halons	CFCs	Halons	CFCs	Halons	CFCs	Halons	CFCs
Opening balance	1,138	59,092	4,138	55,440	3,455	52,063				
+										
New approvals	6,000	24,127	6,000	10,417	6,000	10,337	18,000	44,881		
-									113%	81%
Phase-out	3,000	27,779	6,683	13,794	6,285	14,143	15,968	55,716		
=										
Ending balance	4,138	55,440	3,455	52,063	3,170	48,257				

B. Production (Halons + CFCs)

Year	1997		1998		1999		Total		App./Impl. Ratio	
ODS Approvals	Halons	CFCs	Halons	CFCs	Halons	CFCs	Halons	CFCs	Halons	CFCs
Opening balance	0	0	3,000	0	3,000	10,000				
+										
New approvals	6,000	0	6,000	13,500	6,000	8,500	18,000	22,500		
-									120%	180%
Phase-out	3,000	0	6,000	3,500	6,000	8,500	15,000	12,500		
=										
Ending balance	3,000	0	3,000	10,000	3,000	10,000				

22. The ODS annual approvals and actual phase-out in Table 4A and 4B are vertically linked up and, by linking them up further with the opening balance of ODS approvals of the current year (also the ending balance of the previous year), it is possible to review at a glance the performance of the Fund in ODS phase-out in a given year. The ending balance gives a snapshot picture of the amount of ODS approved, but not implemented, at a certain point in time.

23. More significantly is the average approval/implementation ratio expressed in percentage in the table, which indicates, on the average, the relationship between the number of ODP tonnes approved for each ODP tonne actually phased out. This ratio could be a good indicator to monitor the speed of implementation of ODS phase-out as against ODS approvals. In Table 4A, for instance, the ratio for CFCs between approvals to actual phase-out is 61 per cent which shows that actual implementation will outpace approvals in this triennium. This is important because it will enable the Fund to implement the backlog of projects approved over the previous two triennia, in addition to implementing the approvals realized in this triennium. This is indicated by the decrease in the ending balance in 1999 (48,257 ODP tonnes) at the end of the current triennium from the opening balance in 1997 (59,092 ODP tonnes) in the beginning of the triennium.

Targets for ODS approvals and expenditures for the triennium

24. Table 5 provides the targets for ODS approvals and expenditures to be achieved by the Multilateral Fund during the three years, as estimated by the implementing agencies. Consistent with the resource availability during the triennium as depicted in Table 2, the targets for ODS approvals and expenditures are set up at a funding level of US \$512 million. As this is a planning exercise and strategic in nature, the targets are provided in broad categories including CFC consumption, production, halons, methyl bromide and low-volume-consuming countries (LVCs). The LVCs are listed separately as a category in order to be accorded special attention. These macro targets will be broken down further into targets of sectors/sub-sectors in annual business planning.

25. The targets for the current year 1997 will be firmed up once the Executive Committee approves the 1997 business plans of the implementing agencies, and those targets for 1998 and 1999 are indicative and will be adjusted according to the implementation of the 1997 business plan and other circumstances.

26. In developing these targets, the following was taken into consideration:

- The Multilateral Fund, in 1997 and the first half of 1998, will give priority to approving projects with the highest ODP value and short implementation duration for countries which have yet to meet their freeze obligations. This will allow these projects to be implemented before 1 July 1999 in order to curtail the ODS consumption growth in these countries.

- The Fund will continue to provide funding for all ODS consumption sectors to enable all Article 5 countries to maintain the momentum of phase-out according to the strategies in their country programmes.
- Halon will continue to receive high priority due to its high ODP value and cost-effectiveness. This will include consideration of the first sectoral phase out programme from an Article 5 country in the halon sector.
- The Fund will continue the practice of setting up a special allocation for low-volume-consuming countries.
- Funding of closure projects in the production sector will most probably be considered during this triennium. Considering that the guidelines for shutting down ODS production facilities will be ready in the first half of 1997, and project formulation will be underway in the same year, allocations for the production sector will be made in 1998 and 1999.

Other targets

27. The Multilateral Fund will continue to approve requests for preparation of the country programmes for all the remaining eligible Article 5 countries.

TABLE 5
ODS APPROVALS AND EXPENDITURES*
1997 - 1999

SECTOR	1997				1998				1999				TOTAL			
	ODS		Expenditures		ODS		Expenditures		ODS		Expenditures		ODS		Expenditures	
	Tonnes	%	US \$ mil.	%	Tonnes	%	US \$ mil.	%	Tonnes	%	US \$ mil.	%	Tonnes	%	US \$ mil.	%
Consumption	23,338	77	163.6	88	9,377	34	74.52	65	8,967	51	78.02	68	41,682	55	316.14	76
Production (Halons + CFCs)	0	0	0	0	13,500	47	12.64	11	3,500	20	9.14	8	17,000	23	21.78	5
Halons (cons.)	6,000	20	11.0	6	4,000	14	9.54	8	4,000	23	9.54	8	14,000	19	30.08	7
Methyl Bromide	0	0	3.0	2	50	1	4.0	3	50	1	3.0	3	100	0	10.0	2
LVCs	789	3	8.2	4	980	4	15.3	13	900	5	15.3	13	2,669	3	38.8	10
TOTAL	30,127	100	185.8	100	27,907	100	116.0	100	17,417	100	115.0	100	75,451	100	416.8	100

* Based on the resource availability shown in Table 2, and the allocation among major categories of activities in the triennium as shown in Table 3.

V. Management of the three-year business plan

28. Management of the three-year business plan is the responsibility of the Executive Committee. This will be done through the following two tools:

Annual evaluation of the performance of the business plan of the previous year

An evaluation of the annual business plan will be undertaken by the Secretariat and the implementing agencies at the completion of its implementation. Performance of the Fund as a whole and that of the implementing agencies will be assessed against the targets set in the business plan and the common indicators which have been developed and adopted system-wide (these indicators have been submitted for adoption at the Twenty-second meeting of the Executive Committee). Outcomes of such evaluations will be reflected in the preparation of the agencies' business plans of the following year, with corresponding adjustments of the three-year business plan for the balance of the triennium.

Updating and adjustment of the remaining year(s) of the business plan

Since the figures in the plan could be considered as firm figures for the current year (pending consideration of the 1997 business plans by the Executive Committee) and indicative for the next two years (1998 and 1999), the figures for the last two years will be firmed up by the annual business plan for 1998 and 1999 and adjusted according to the circumstances prevailing at that time.