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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

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Montreal, 8-10 May 1996

THREE-YEAR ROLLING BUSINESS PLAN
1997 - 1999

(Draft)

INTRODUCTION

Background and Mandate

1. The outline and framework for a three-year rolling business plan for the Multilateral Fund was submitted by the Executive Committee to the Seventh Meeting of the Parties. In noting the report, the Parties decided, inter alia,:

> "2. To request the Executive Committee to provide to the Parties at their Eighth Meeting a full three-year rolling business plan based on the outline and framework approved by the Parties at their Seventh Meeting;
>
> 3. To note 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. The plan would be based on the level of replenishment decided by the Parties and should be used as a basis for projecting beyond the period of the current replenishment. The plan should be based on, inter alia, the intersectoral priorities and strategies contained in the country programmes and should be consistent with agreed commitments under the Montreal Protocol;"

2. The Fund Secretariat has prepared this document in response to the decision VII/23 as a first draft for discussion by the Executive Committee at its Nineteenth Meeting. In preparing this draft, the Secretariat was mindful of the constraints resulting from the fact that paragraph 3 of decision VII/23 will be responded to by the Technology and Economic Assessment Panel (TEAP) in its report on the replenishment to be submitted to the Eighth Meeting of the Parties.

Period covered

3. This plan covers the operation of the Multilateral Fund for the period from 1 January 1997-31 December 1999.

Purpose

4. The purpose of the business plan is to reflect "the need for strategic management of the Fund within the broad policy framework provided by the Parties. 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" (UNEP/OzL.Pro/ExCom/18/62/Rev.1, para. 2).

Structure

5. The draft document is divided into the following sections:

I Strategic consideration

II Indicative ODS phase-out targets and further indicative ODS programming targets

III Financial consideration

IV Annual programme review and adjustment

Section I: Strategic consideration

6. The Montreal Protocol requires each Party operating under Article 5 to freeze its production and consumption of chlorofluorocarbons by 1 July 1999. Since the three-year plan will cover the period from 1 January 1997 to 31 December 1999, the freeze will have to be implemented by each Article 5 Party within this three-year plan.

7. The current consumption in Article 5 countries is estimated at approximately 210,000 ODP tonnes and is expected to reach about 220,000 tonnes by the end of 1998.

8. The Executive Committee, as at 31 December 1995, has approved funding for the phase-out of more than 55,000 ODP tonnes in Article 5 countries. Additionally, the Executive Committee is expected to approve during 1996 investment projects to phase out an additional 25,000 ODP tonnes.

9. In order for Article 5 countries to implement the freeze by 1 July 1999, approved projects through 1996 should be implemented before 1 July 1999.

10. Thus, the speed with which all the approved projects will be implemented will be a crucial factor in phasing out 80,000 ODP tonnes of Article 5 consumption.

Section II: Indicative ODS phase-out targets and further indicative ODS programming targets

11. Since the concept of a rolling business plan assumes a continuous and a stable business from year to year and a sense of predictability is essential to provide an atmosphere of confidence in the Multilateral Fund, this planning exercise uses the 1996 implementation data of the Multilateral Fund as a basis and assumes that the level and pace of programming is to continue

into the next cycle. The choice of 1996 is not only because it is the most recent year of the Fund operation, but also because it is the current year the concept of a business plan is introduced. The 1996 business plan of the Multilateral Fund builds on the achievements of the Fund in regard to the maturity of the implementing agencies and Article 5 countries in project development.

12. This assumption will cover the financing level and ODS sector breakdown. This data will be adjusted once the results from the replenishment study are available which should have reflected the national priorities identified in the country programmes and the delivering capacities of implementing agencies, both for implementation and for programme development

13. As indicated paragraph 9 above, the implementation of investment projects to facilitate the phase-out of some 80,000 ODP tonnes by mid 1999 will go a long way towards enabling Article 5 Parties to meet their freeze obligation under the Protocol.

14. Current information indicates that an average time of three years is required to implement investment projects, thus, it is likely that most of the projects to be developed and approved during the plan will only complete implementation after 1999, which should impact the first interim reduction in 2004 by Article 5 countries.

15. Thus, the plan should be targeted to balance project development and project implementation in order to enable Article 5 countries to meet their first and second obligations under the Montreal Protocol, i.e., the freeze in 1999 and the first interim reduction in 2004.

16. As requested in the Framework, 'Indicative annual and triennial targets will be established according to the following distribution:

- sector
- agency
- Fund-wide."

17. The targets included in Table 1 are indicative in nature and are based on the data from the 1996 Business Plan.

18. These targets will be adjusted, as stated earlier in the document, once results of the replenishment study are available, which should have reflected the priorities identified in the country programmes.

Table 1

ODS PHASE-OUT TARGETS
(Annual and Triennial)

Sector	1997	1998	1999	TOTALS
	ODP Phase-out Target (in ODP tonnes)	ODP Phase-out Target (in ODP tonnes)	ODP Phase-out Target (in ODP tonnes)	ODP Phase-out Target (in ODP tonnes)
Aerosol	1,640	1,640	1,640	4,920
Foam	4,413	4,413	4,413	13,239
Halon	6,683	6,683	6,683	20,049
Other	120	120	120	360
Production	3,800	3,800	3,800	11,400
Refrigeration	7,951	7,951	7,951	23,853
Several	0	0	0	0
Solvent	989	989	989	2967
Grand Total	25,596	25,596	25,596	76,887

Section III: Financial consideration

19. As provided for in the Framework:

'It is also assumed that the operational policies and guidelines, as developed under the Multilateral Fund, will continue to guide the operations of the Fund in the future. The plans will reflect:

- Investment activities;
- Non-investment activities which will include such activities like clearing-house, country programme preparation and updating, institutional strengthening, and others;
- Administration and other support costs;
- Performance of the implementing agencies."

20. Based on the funding level of US $132 million available for the 1996 Business Plan, the breakdown on an annual basis among the categories of activities is as follows:

Categories of Activities	Funding Level	Percentage of Total (%)
Investment activities	US $97 million	74
Non-investment activities (UNEP's work programme, administration and special categories)	US $20 million	15
Bilateral activities	US $15 million	11
TOTAL	US $132 million	(100)

21. Agency shares in the investment portfolio will follow the agreement reached among the implementing agencies and approved by the Executive Committee. The following table was the result of implementing the decision in 1996.

Agency	Percentage of Total (%)	Level of Funds for Investment Projects in 1996
UNDP	30	US $29 million
UNIDO	25	US $24 million
World Bank	45	US $44 million

22. These figures, which are on an annual basis, will be adjusted on the triennial basis once the replenished figure is available. The current shares of implementing agencies in the investment portfolio will be adjusted on the basis of the performance of the implementing agencies.

Section IV: Annual programme review and adjustment

23. The annual adjustment is intended to keep the Three-Year Business Plan up-to-date to be a continuing effective planning tool, and maintain the flexibility to adapt to changing circumstances. This will be done by preparing, on the basis of the three-year indicative planning, an annual business plan which will firm up the indicative targets in this plan into annual phase out targets.