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Executive Committee of
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DETAILED 1996 BUSINESS PLAN OF THE MULTILATERAL FUND

SECTION III

A DETAILED PLAN INCLUDING PROJECTED CASH FLOW FOR 1996

Introduction

1. This section addresses the request to prepare a detailed plan including project cash flow for 1996.

2. The plan establishes goals and targets for the Executive Committee and the implementing agencies including the amount of ozone depleting substances (ODS) to be phased out as a result of approvals in 1996, the level of funds for Executive Committee approvals and programme expansion, rates of implementation in terms of disbursements against approvals for the implementing agencies, levels of allocation for non-investment activities, cost-effectiveness goals, and performance indicators to measure the progress of the implementing agencies in achieving project implementation. The plan was based on input from the implementing agencies and a review of that input by the Executive Committee.

ODS Phase Out Target

3. Current ODS consumption in Article 5 countries is estimated at approximately 210,000 ODP tonnes. On a regional basis, the two largest ODS consuming regions, Asia and the Pacific and Latin America and the Caribbean represent over 90 per cent of the ODS consumption in all Article 5 countries.

4. It is expected that the Multilateral Fund will approve investment projects in 1996 that will phase out over 25,000 ozone depleting potential (ODP) tonnes when implemented. This will bring the total to over 80,000 ODP tonnes as a result of Executive Committee approvals through 1996. Out of this amount, 7,500 ODP tonnes will have been phased out by the end of 1995 and an additional 19,000 ODP tonnes are expected to be phased out by the end of 1996.

5. Table 1 presents the estimated current ODS consumption, the ODS represented by approvals through 1996, and the ODS phased out to-date as a result of projects from the Multilateral Fund.

Table 1

REGIONAL DISTRIBUTION OF ODS PHASE-OUT

Amount of ODS Phase Out	Africa	Asia and Pacific	Europe	Latin Amer/ Caribbean	Total
Estimated Consumption	10,000	140,000	10,000	50,000	210,000
From Approved Projects through 1995	5,225	45,575	2,170	2,196	55,166
From Projects Expected to be Approved in 1996	1,373	19,414	2,170	2,196	25,153
From Approved and Expected Approved Projects through 1996	6,597	64,990	3,638	8,301	83,526
Expected by the End of 1995 for Projects Not Yet Closed[1]	573	2,629	950	865	5,017
Expected in 1996	2,403	14,893	474	1,276	19,045
Expected by the End of 1996	2,976	17,522	1,424	2,141	24,062

Projected Cash Flow for 1996

6. To enable the development of a detailed plan to accomplish these ODS phase-out targets and other programmatic and administrative functions, a projection of cash flow for 1996 was necessary. The projection was based on the level of pledged contributions for the current triennium budget and a review of the receipt of contributions since the inception of the Fund and it was assumed that the current pattern of contribution payment would continue.

7. As part of the triennium budget for the period of 1994 through 1996 approved by the Parties in November 1993, the 1996 level of pledges is set at US $148.6 million.[2]

8. In any given year, the Multilateral Fund receives a combination of payments against the current year pledge and arrears. Typically, this combination represents over 80 per cent of the pledge for that year. For 1996, it was estimated that US $132 million or 89 per cent of the 1996 pledge of US $148.6 million would be available for programming purposes.

9. It has been observed that payment of contributions of a given year is sometimes spread over a period of three years, the current year and the following two years. Consequently, part of the collectible contributions of this triennium (1994 through 1996) will be collected in 1997 and 1998.

[1] These figures do not include 2,500 ODP tonnes from projects which have been phased out and financial disbursement is complete.

[2] The original figure of US $151.66 million, as approved by the Fifth Meeting of the Parties, was revised downwards as a result of the reclassification of some Parties as Article 5 countries.

10. Of the US $132 million available for 1996, it is expected that US $97 million would be available for investment projects, US $15 million for bilateral co-operation, and US $20 million would be allocated for work programme and other non-investment activities, administration, and special initiatives (which could include additional investment projects). [Table 2 provides the resource allocations for 1996.]

Table 2

RESOURCE ALLOCATION FOR 1996

Activities	**Allocation Categories**	**Amount (US million dollars)**	
Investment Projects			97.0
	Low Consuming Countries	6.5	
	Recycling/Halon Banking	3.3	
	MACs and Compressors	7.6	
	Other Investment Projects	79.6	
Bilateral Co-operation			15.0
Other Activities			20.0
	Work Programmes	8.6	
	Discretionary Fund	9.4	
	Administration (Fund Secretariat and Executive Committee	2.0	
TOTAL			132.0

11. The special allocation for low consuming countries is in addition to any funds received as a result of approval of projects from low-ODS-consuming countries that qualified under the cost-effectiveness thresholds established at the Sixteenth Meeting of the Executive Committee.

12. The terms of reference for the Executive Committee allow the Committee to allocate Multilateral Fund resources among the implementing agencies (UNEP/OzL.Pro.4/15 Annex X para. 10(b)). At its Seventeenth Meeting, the Executive Committee determined that funds for investment projects should be allocated among the three implementing agencies engaged in investment project implementation. Table 3 presents the percentage allocations and levels available for funding in 1996 for investment projects.

Table 3

ALLOCATIONS FOR INVESTMENT PROJECTS IN 1996, BY AGENCY

Agency	**Per Cent 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
TOTAL	100	US $97 million

Investment Projects

13. Although US $97 million is estimated to be available for funding of investment projects in 1996, the implementing agencies have been requested to submit proposals totaling 135 per cent of available resources. Implementing agencies indicated that they expect to submit over US $120 million in investment project proposals in 1996. Table 4 presents the distribution of funding and ODS phase out for project approvals expected in 1996.

Table 4

EXPECTED PERCENTAGE DISTRIBUTION OF INVESTMENT PROJECT APPROVALS AND RESULTING PHASE-OUT, BY SECTOR

Sector	**Funds (per cent)**	**ODP (per cent)**
Aerosol	4	6
Foam	21	17
Halon	6	26
Other	0	0
Production	2	15
Refrigeration	59	31
Several	0	0
Solvent	8	4
TOTAL	100	100

14. A total of about US $4.4 million is expected to be available for project preparation in 1996. This level of project preparation is expected to produce 345 project proposals in 1996 with an additional 25 project proposals carried over until 1997. Table 5 present project preparation and the number of projects it will generate from funds allocated for project preparation in 1996.

Table 5

PROJECT PREPARATION IN 1996, BY SECTOR

Sector	Surplus from Approved Project Preparation (US $)	Additional Requests for 1996 (US $)	1996 projects (number)	1997 projects (number)
Aerosol	63,000	70,000	27	5
Foam	338,900	343,000	107	8

Halon	69,000	22,000	24	0
Other	0	0	1	0
Production	0	0	3	0
Refrigeration	307,000	484,000	144	5
Several	0	200,000	1	2
Solvent	34,000	200,000	38	5
World Bank	1,270,000	985,000		
Sub-Total	2,081,900	2,304,000	345	25
TOTAL	4,385,900			

15. The regional distribution of project preparation funds is roughly proportionate to the level of ODS consumption with the exception of low-consuming regions where project preparation is higher than their proportionate level of global ODS consumption. Project preparation by region is as follows:

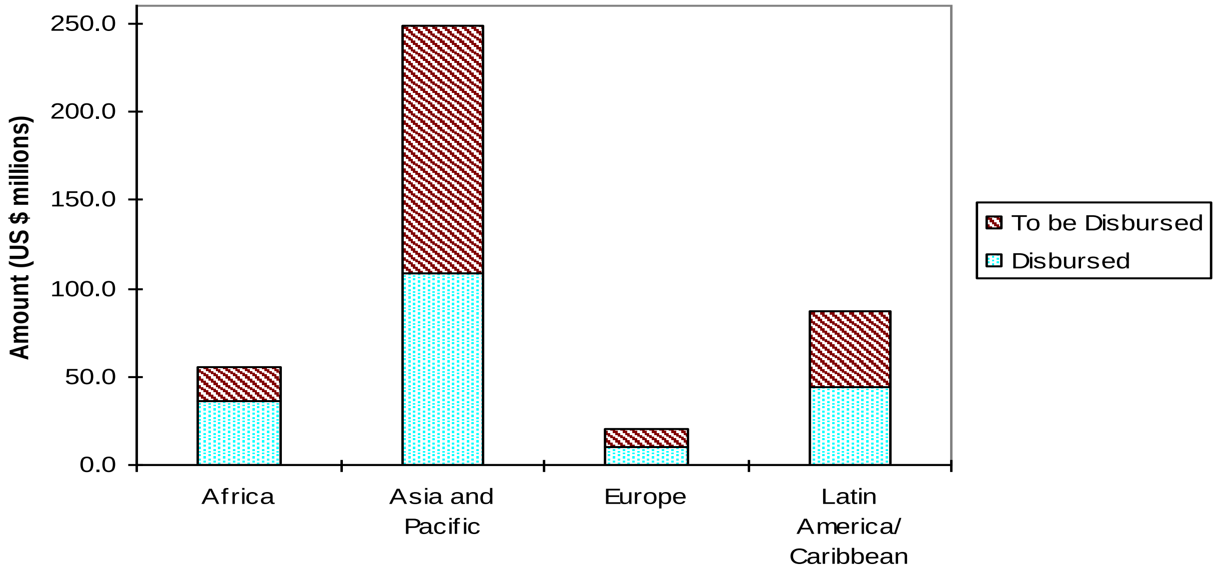
REGION	PROJECT PREPARATION (in per cent of total)	ODS CONSUMPTION (in per cent of total)
Africa	13.1	4.75
Asia and the Pacific	52.4	66.7
Europe	9.1	4.75
Latin America and the Caribbean	25.4	23.8
TOTAL	100.0	100.0

Rates of Disbursement

16. Through 1995, the implementing agencies are projected to complete projects that will result in the final phase-out of approximately 7,500 ODP tonnes of the 58,000 ODP tonnes approved for phase-out. It is expected that by the end of 1996, over 50 per cent of the funds approved will have been disbursed. On a regional basis, implementation in Africa is expected to reach 66 per cent of approvals, while implementation in the largest ODS consuming regions, is expected to be at rates of 44 and 50 per cent for Asia and the Pacific Region and the Latin America and Caribbean Region, respectively. Disbursement for Europe is expected to be 50 per cent of the funds approved. Figure 1 presents the rate of approvals and disbursements by region.

Figure 1

EXPECTED DISBURSEMENTS FOR INVESTMENT PROJECTS THROUGH 1996



Non-Investment Projects

17. Non-Investment projects include country programme preparation, demonstration projects, institutional strengthening, and technical assistance and training not included in investment projects. A total of over US $25 million is expected to have been approved through 1996 for non-investment projects. The rate of implementation of these projects is relatively high compared to investment projects due in large part to their short time frame for implementation. Overall, non-investment projects have a 70 per cent rate of implementation. Institutional strengthening is normally approved for a three-year period, but it is implemented annually. For this reason, the rate of implementation is related to its relatively long time frame for implementation vis-à-vis other non-investment projects.

Performance Indicators

18. The guidelines for business plans require implementing agencies to develop performance indicators to enable an assessment of the agencies' performance against 1996 business plan projections. Those indicators can be grouped into the following categories: speed of delivery of funding, project implementation, ODS phase-out, cost of delivery of project proposals, and cost-effectiveness.

19. The speed of delivery from the time of approval to the first disbursement ranged from six to nine months. The speed of delivery from the time of approval to the final disbursement was up to 27 months but varied according to the type of conversion.

20. The cost of delivery is specified in the guidelines as the agencies' administrative costs as a percentage of project approval amounts and project preparation costs as a percentage of project approval amounts. Administrative costs are set at 13 per cent of the cost of project approvals.

21. Performance indicators also include the amount and speed of ODS phase-out. The implementing agencies plan to phase-out in 1996 from 28 per cent to 53 per cent of the ODS represented by approved projects through the end of 1996. Although the final disbursement is expected to take up to 27 months from the time of approval, the actual phase-out is expected to occur before the final disbursement. Implementing agencies indicated that projects should complete the ODS phase-out within up to 25 months of Executive Committee approval depending on the type of investment project.

22. The cost-effectiveness of projects is calculated as the amount of the grant divided by the amount of ODS in ODP equivalents and it is expressed in US dollars per kilogram ODP. The agencies provided estimates of the projected cost effectiveness of their projects as follows:

Agency	**Cost-Effectiveness**
UNDP	US $7.0/Kg.
UNIDO	US $13.11/Kg.
World Bank	US $3.5-4.5/Kg.

23. It should be noted that these figures are influenced strongly by the sectoral break down of the agencies' activities (some sectors are inherently much more cost-effective than others) and by the size of projects undertaken by the agency (large projects can be more cost-effective).