UNITED
NATIONS

EP

United Nations
Environment
Programme

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/28/13
11 June 1999

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-eighth Meeting
Montreal, 14-16 July 1999

SHARES OF THE IMPLEMENTING AGENCIES:

This document includes:

(a) Proposed agreement among UNDP, UNIDO, and the World Bank
(b) Impact of bilateral programmes on shares of implementing agencies

Introduction

1. The implementing agencies agreed to propose a new agreement on the agency shares of investment projects for their future business plans beginning with the business plan for the year 2000. This was driven by the following factors:

- The Fund is entering a new phase with the 1999 freeze setting in.
- Most of the large projects have been funded leaving mainly small-medium sized projects.
- The annual allocation of large sums to production phaseout strategies.
- The evolution of new sectors (process agents, methyl bromide investment projects, and sterilants).
- The rise in bilateral activities.

The document addresses this in part A.

2. After having considered the 1999 business plans for bilateral cooperation (UNEP/OzL.pro/ExCom/27/6), the Executive Committee decided at its 27th Meeting to include in the agenda of the next meeting of the Sub-Committee on Monitoring, Evaluation and Finance the subject of bilateral cooperation with regard to its impact on Implementing Agencies' shares (Decision 27/3(d)). The document addresses this in part B.

Part A: Implementing agencies' agreed proposal to the Executive Committee on investment project shares.

3. The current agreement on implementing agency investment project shares was reached by the agencies and noted by the Executive Committee at its 17^{th} Meeting (Decision 17/21). The Committee noted that funding for investment projects (i.e. all projects other than work programme activities) should be allocated as follows: World Bank 45 per cent, UNEP 30 per cent and UNIDO 25 per cent. In 1998, the Executive Committee decided to adjust agency shares based on their performance against their 1997 annual business plans as follows: to reduce the investment project shares of UNDP by 1 per cent, that of the World Bank by 2 per cent and that of UNIDO by 3 per cent. The 7 per cent reduction was allocated to aerosol and halon projects as a special incentive to encourage the submission of such projects during 1999. The reduction in the shares was reflected in the 1999 business plans of the three implementing agencies.

4. Implementing Agencies have not reached an agreement as of the date of the dispatch. Their agreement will be communicated to the meeting of the Monitoring, Evaluation, and Finance Sub-Committee.

Resource allocation for 2000

5. The implementing agencies are requested to submit their draft business plans to the last Executive Committee meeting in the year preceding the year of the plan. For the business plans of the year 2000, the drafts should be submitted to the 29th meeting (November 1999) of the Executive Committee. Since that meeting will be held before the 11th meeting of the Parties at which a decision on the 2000 – 2002 replenishment will be taken, the Executive Committee may wish to consider an indicative figure for resource allocation for the year 2000.

Part B: Impact of bilateral programmes on shares of implementing agencies

6. The Fund Secretariat noted at the last meeting of the Executive Committee in its comments on the 1999 business plans for bilateral cooperation (UNEP/OzL.Pro/ExCom/27/6) that in several cases, bilateral agencies stated that projects were to be implemented by one or more of the four implementing agencies of the Multilateral Fund. About half (US $7 million) of the investment project funds (US $14 million) in the bilateral donors' 1999 business plans were earmarked for activities to be implemented by the implementing agencies. In addition to these funds, the United Kingdom has submitted a US $1 million project in Mexico for World Bank implementation.

7. Whilst UNEP had been implementing non-investment projects for bilateral donors, there appeared to be a trend toward implementing agencies implementing investment projects for bilateral donors based on the information in the bilateral donor's business plans, and in project proposals recently submitted to the Executive Committee, including the 28th Meeting.

8. Resources are allocated to the Implementing Agencies for investment projects based on shares agreed by them. Additional Multilateral Fund resources allocated through bilateral activities would result in a different allocation of investment projects.

9. The following table demonstrates the impact of investment project shares based on planned bilateral/implementing agency investment projects planned for submission in 1999. With bilateral/implementing agency investment projects, the 1999 investment shares for the World Bank, UNDP, and UNIDO will change from 43:29:22 to 41:31:23.

Item	Amount (US$)	Share	Identified Bilateral/IA Investment Funds in Business Plans (US$)*	Total Investment Funds with Bilateral Cooperation (US$)	Resulting Investment Shares with Bilateral Cooperation
World Bank	40,330,000	43%	1,064,984	41,394,984	41%
UNDP	27,200,000	29%	4,308,480	31,508,480	31%
UNIDO	20,640,000	22%	2,950,000	23,590,000	23%
Aerosol and Halon	5,630,000	6%		5,630,000	6%
Grand Total	93,800,000	100%	8,323,464	101,058,480	100%

*The amount for the World Bank includes $1,064,984 bilateral activity submitted by the United Kingdom for World Bank implementation.

Agency views

10. Implementing agencies noted that they have developed projects that were subsequently handed over to bilateral agencies. One advantage for a bilateral donor is that the project can be implemented as any other Multilateral Fund project, but the implementing agencies do not have to bid internationally for project purchases. Instead, the agencies may purchase equipment from the bilateral donor's country without competitive bidding within certain limits.

11. Implementing agencies also pointed to the fact that bilateral projects are often unpredictable. Often bilateral donors approach implementing agencies to assist in the submission of a project proposal, but nothing happens for several months. For example, the $4 million project earmarked to UNDP for bilateral activities in 1999 will not be submitted this year. Additionally, bilateral donors may decide not to use the agency designated in the project proposal after the project has been approved by the Executive Committee.

12. Bilateral donors may utilize their 20 per cent share of contribution during the 3-year replenishment period provided that work plans are submitted to the first meeting of the year (Decision 25/13). Business plan performance targets are measured on a yearly basis. However, the unpredictability of bilateral cooperation would make it difficult to forecast in a business plan activities during the year that may not happen.

Discussion

13. If the implementing agency prepares, submits, implements, commissions the project and prepares all of the reports on the project, the only difference between an Agency's project and a bilateral project is that the bilateral donor determines where its contributions are directed, in terms of implementing agencies, beneficiary countries, suppliers, types of technology, etc.

14. Resource allocation for 1997-1999 was based on an overall level of funds available to the Multilateral Fund of US $540 million (including the carryover from the previous replenishment). However, bilateral donors have not been able to fully utilize the allocations provided to them in the business plans of 1997 and 1998. If agency/bilateral investment activities are included in the overall agency shares, the Committee might consider allowing implementing agencies to substitute projects in their contingency lists for agency/bilateral investment activities that have not been approved by the second meeting of the year. This would result in a greater utilization of resources approved for each business plan period.

15. In order to avoid the nullification of any adjustment mandated by the Executive Committee to the shares of the implementing agencies, bilateral allocations for implementing agencies should be incorporated into the overall investment project share allocation to the implementing agency. In this way, the Committee's investment projects shares, as modified by performance adjustments, will be maintained. To operationalize a decision of this nature, bilateral agencies should submit their annual business plans with information concerning the

level of funding for implementing agencies and submit their drafts of their annual business plans to the 3rd Meeting of the year of the business plan for better coordination with the Implementing Agencies business plans which are also submitted as drafts to the 3rd Meeting.

RECOMMENDATION

The Executive Committee may wish to consider:

1. The agreement of implementing agencies on the distribution of their shares in investment projects.

2. An indicative figure of resource allocation to be used by the implementing agencies for the preparation of their draft business plans for the year 2000.

3. If bilateral investment projects intended for implementing agencies should be included in the agency shares

4. If the Committee decides to do so, the following draft decision might be considered

   - Bilateral agencies should indicate in their annual business plans the level of funding for implementing agencies on a project-by-project basis.
   - Bilateral agencies should submit their annual business plans to the 3rd Meeting of the year preceding the year of the business plan. Planned bilateral investment project allocations should be included into the overall investment project share allocation of the implementing agency involved.
   - In the event that the bilateral project or projects are not submitted by the 2nd Meeting of Executive Committee in the year in question, the implementing agency will be free to substitute contingency list projects for submission to the 3rd Meeting of the Committee within its share allocation.