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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirtieth Meeting  
Montreal, 29-31 March 2000

**STRATEGIC PLANNING AND THE DRAFT THREE-YEAR BUSINESS PLAN FOR  
THE MULTILATERAL FUND FOR 2000-2002**

## **I. INTRODUCTION**

### **I.1 Mandate from the Meeting of the Parties and the Executive Committee**

1. The Executive Committee decided, at its Twenty-ninth Meeting in November 1999;

“to authorize the Secretariat of the Multilateral Fund to prepare the draft three-year business plan of the next triennium for consideration by the Executive Committee at its Thirtieth Meeting. This, together with other relevant Secretariat analysis, would be the platform for the discussion on the strategic planning for the Multilateral Fund.” (Decision 29/13)

2. It is relevant to recall the direction the Parties to the Montreal Protocol provided in 1996 to the preparation of the business plan of the triennium 1997–1999, which requested 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 inter-sectoral priorities and strategies contained in the country programmes and should be consistent with agreed commitments under the Montreal Protocol.” (Decision VII/23).

### **I.2 Operational Need for Strategic Planning**

3. The year 2000 is the prime time for undertaking strategic planning of the Multilateral Fund’s activities, because this year marks a turning point in the history of the Multilateral Fund. The grace period granted to Article 5 countries under the Montreal Protocol is over. The result of the implementation of the CFC freeze, the first Montreal Protocol control on the production and consumption of ODS in Article 5 countries, will be available towards the end of the year. This will be the first litmus test of the ability of the Multilateral Fund in assisting the Article 5 countries in complying with the Montreal Protocol requirements.

4. With the end of the grace period Article 5 countries will enter a new period in implementing the Montreal Protocol obligations which are clearly delineated by year and ODS reduction quotas. As a result, there will be an increased pressure on Article 5 countries for international treaty compliance.

5. This sentiment was also reflected in the discussions of the Executive Committee at its Twenty-ninth Meeting where “a number of representatives pointed to the need for the Executive Committee as a whole to hold an in depth and broad ranging discussion on issues which would bear on the ability of Article 5 countries to meet their commitments under the Montreal Protocol. In that connection attention was drawn to the call for a global needs analysis and for a strategic plan for insuring global coverage”. (UNEP/OzL.Pro/ExCom/29/65, para. 33)

6. This document is submitted to enable the Executive Committee to have a discussion on the strategic planning of the Multilateral Fund in the current triennium and beyond. In preparing the document, the Secretariat has attempted to sum up the efforts of the Multilateral Fund and its

institutions in assisting the Article 5 countries during the grace period and proposed a framework for business planning for the current triennium and the rest of the compliance period. The document is not in lieu of the three-year business plan of the Multilateral Fund, which will be prepared based on guidance from the Executive Committee following its discussion on the strategic planning of the Multilateral Fund. The three-year business plan will in reality be for two years only, since the agencies' business plans for the year 2000 have been finalized.

### **I.3 Structure of the Document**

#### Section I

#### **Introduction**

#### Section II

#### **The grace period.**

In this section the paper will undertake a brief review of the operations of the Multilateral Fund in the grace period from 1991-1999. This will include a discussion of the prevailing circumstances, the programme objectives, the strategies and the implementation mechanisms.

The purpose of the review is to reflect on how and why the Fund has operated the way it has in order to benefit its future operations.

#### Section III

#### **The current circumstances and programme objectives of the Multilateral Fund in the compliance period from 2000-2010.**

This section describes the current circumstances and the programme objectives of the Multilateral Fund in the period between 2000—2010.

It also includes an analysis of a “business-as-usual scenario”, that is, the feasibility of employing in the compliance period the same strategies, and implementation mechanisms which were followed in the grace period. The purpose of this section is to set up the framework for the discussion of the strategic planning in the triennium (2000-2002).

#### Section IV

#### **Strategic planning for the triennium (2000-2002).**

This section proposes the strategic planning of the Multilateral Fund operation for the triennium 2000-2002, which includes a description of the programme objectives listed in order of priority, the strategies of achieving those objectives, and the implementation mechanisms to deliver those strategies.

**Section V****Financial planning for the triennium 2000-2002.**

This section provides the resource management in the three years. It includes estimates of incomes and expenditures on an annual basis, taking into account such factors as collectible resources, previously entered obligations (China and India production sector phase out agreements), carry-over from the previous triennium, returned funds from cancelled and completed projects, and interest from unspent fund balance. There will also be a discussion of the newly introduced fixed exchange rate mechanism and fixed payment dates, and the implications of such new systems on the financial management of the Fund.

**Section VI****Proposed follow-up**

This section proposes the follow-up actions and a schedule of implementing these actions following the discussion of the Executive Committee at its Thirtieth Meeting

**II THE GRACE PERIOD****II.1 The prevailing circumstances in 1991 when the Multilateral Fund was established**

7. In 1991 when the Multilateral Fund was established, many of the developing countries had not signed the Montreal Protocol. For those Article 5 countries which had signed the Protocol, implementation of the Protocol requirements had not begun, although some had taken measures to phase-out CFC in their aerosol industries to protect their export market. Table 1 provides the number of developing countries parties to the Montreal Protocol in the year 1990.

8. Starting in the late 1980's, developing countries were experiencing significant increases in ODS production and consumption. This was especially noticeable in a number of countries with emerging economies where such economies were recording double-digit annual growth, and the ODS consuming industries which were closely correlated to the economic growth, were in many countries outpacing their national economic growth.

9. The total consumption of CFCs and halons of the developing countries in 1986, the base year of the Montreal Protocol, was recorded by the Ozone Secretariat at 173,624<sup>1</sup> tonnes ODP. If 9% growth rate is applied to the total consumption in 1986 (similar to the growth rate (8-10%) used by the TEAP in preparing the 2000-2002 replenishment study), the unconstrained growth between 1987 to 1997 would have increased the total consumption level of developing countries to 448,023 tonnes ODP in the year 1997. This would not have only impacted negatively on the ozone layer but would have also multiplied the cost of the global phase out.

10. Many of the developing countries did not have the capacity to deal with a new global environmental problem in a coherent and sustainable manner.

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<sup>1</sup> UNEP/OzL.Pro.11/6

## II.2 Programme Objectives of the Multilateral Fund

11. The Multilateral Fund was established in 1991 to assist developing countries to implement the Montreal Protocol requirement. Funding provided by the Fund is to serve as “an incentive for early phase out”. Under the prevailing circumstances as described in the previous paragraphs, the Multilateral Fund set out to achieving the following immediate programme:

- (a) Operate as an international cooperative mechanism to achieve the widest possible participation of developing countries in the Montreal Protocol process.
- (b) Initiate and implement national ODS phase-out programmes to enable Article 5 countries not only to freeze the consumption of ODSs at a lower compliance baseline but also to realize further progress towards implementing the next control measure.

## II.3 Strategies and Implementation Mechanisms

12. Remove obstacles for the participation of developing countries in the Montreal Protocol process by:

- (a) Secure maximum payment of contributions by Parties not operating under Article 5.
- (b) Finance the preparation of country programmes as a process to build national consensus of implementing the Montreal Protocol.
- (c) Fund institutional strengthening projects to establish national ODS phase-out focal points and promote programme ownership.
- (d) Finance information clearing house programme to generate public awareness and support for the Montreal Protocol
- (e) Set up special fund allocations and project eligibility criteria to target LVCs and small-sized enterprises

13. Maximize ODS phase-out to slow down the growth of ODS consumption and production in developing countries and enable early compliance with the Protocol through the following:

- (a) Use the implementing agencies, including bilateral agencies as the main programme driving force to built up and expand the programmes of the Fund
- (b) Prioritize project funding on cost-effectiveness (except for LVC's), with flexibility to programme across sectors and countries to achieve maximum ODP phase -out impact.
- (c) Ban funding for conversion of enterprises which introduced ODS based technologies after July 1995.

- (d) Fund sectoral agreements to phase out production of halons and CFCs.

#### II.4 Achievement of the Programme Objectives

14. Between 1990 to 1994 the Montreal Protocol witnessed a significant increase in the number of developing countries signatories, including all the large ODS producing and consuming countries. The Multilateral Fund played an significant role in that process. Table 1 provides a comparison of the global coverage of the Montreal Protocol in 1991 and 1994.

**Table 1**  
**Number of Developing Country Parties to the Montreal Protocol in 1990 and 1994**

|         | 1990<br>(in ODP tonnes) |                  |                 | 1994<br>(in ODP tonnes) |                  |                 |
|---------|-------------------------|------------------|-----------------|-------------------------|------------------|-----------------|
|         | Number of countries     | ODS consumption* | ODS production* | Number of countries     | ODS consumption* | ODS production* |
| Parties | 21                      | 35,350           | 15,650          | 105                     | 153,260          | 79,380          |

\* As reported in country programmes as approved by the Executive Committee

15. Significant ODS phase-out approvals and implementation were realized during the grace period. Thus, the total cumulative approvals for ODS consumption phase out between 1991-1999 reached 130,786 ODP tonnes and the total actual cumulative phase-out as of the end of 1998 reached 89,716 ODP tonnes. The total approval for production phase-out during the same period amounted to 30,232.6 ODP tonnes. As a result, the Multilateral Fund was instrumental in assisting the majority of Article 5 countries in reducing their ODS consumption growth within the grace period. The official baseline for compliance amounts to 202,004 ODP tonnes for CFC and halons. Additionally, Article 5 countries were able to meet their freeze obligation and some of these countries were able to achieve further reductions towards the second control measure.

16. Recently the Fund Secretariat conducted an analysis on the ability of Article 5 countries in meeting the Protocol freeze obligation and subsequent reduction targets for CFCs, Halons and methyl bromide. The results, together with the source of data and assumptions used, are included in Annex I. The results show that out of 103 countries covered by the analysis, 83 countries and 74 countries will implement the freeze and the 50 percent reduction for CFCs in 2005 respectively; 94 countries and 87 countries will implement the freeze and 50 percent reduction for halons in 2005 respectively; and 86 countries and 85 countries will implement the freeze and 20 percent reduction for methyl bromide in 2005 respectively.

17. Table 2 shows the impact of the operations of the Multilateral Fund in controlling the projected unconstrained consumption growth in developing countries during the grace period. The compliance baseline for Article 5 countries as reported by these countries to the Ozone Secretariat amounts to 202,004 ODP tonnes for CFC and halon consumption. This baseline represents 45 % of the unconstrained consumption of these chemicals in 1997.

**Table 2**  
**Impact of the Multilateral Fund Programme on Controlling ODS consumption Growth in the Article 5 Countries in the Grace Period**

|  |                    |
|--|--------------------|
| Total CFC/halon consumption in Article 5 countries in 1986 recorded by Ozone Secretariat | 173,624 ODP tonnes |
| Average annual growth rate (used by TEAP)  | 9 percent          |
| Projected unconstrained consumption of Article 5 countries in 1997                       | 448,023 ODP tonnes |
| Compliance baseline consumption of CFCs-Halons of Article 5 countries                    | 202,004 ODP tonnes |
| CFC/Halon consumption avoided  | 246,019 ODP tonnes |
| Baseline consumption as percentage of unconstrained consumption in 1997                  | 45 percent         |

### **III THE CURRENT CIRCUMSTANCES AND PROGRAMME OBJECTIVES OF THE MULTILATERAL FUND IN THE COMPLIANCE PERIOD FROM 2000-2010**

#### **III.1 Current Circumstances**

18. The end of the grace period is also the beginning of the compliance period for the Article 5 countries in implementing the obligations of the Montreal Protocol. The defining differences of the new period are the control targets which will start setting in one after the other.

19. In spite of the significant ODS approvals and phase-out achieved by the Multilateral Fund in the grace period, the implementation of national phase-out programmes in Article 5 countries is unevenly distributed. According to the recent analysis done by the Fund Secretariat 21 countries may not be able to implement their CFC freeze obligations in 2000. 29 countries may not be able to achieve the 50 per cent reduction target for CFC's in the year 2005. For the halons 9 countries may not meet their freeze target while 16 of them may not be able to implement the 50 percent reduction in 2005. For methyl bromide, the analysis shows that 17 countries may have difficulty in implementing their freeze and 18 countries may not meet their 20% reduction target in 2005.

20. Except for the large ODS consuming countries and a few of the medium-sized ODS consuming countries, industrial conversion is completed in most of those low-volume-consuming countries (LVC's) that had ODS consuming enterprises and in most of the medium sized ODS consuming countries. Most large- and medium-sized ODS consuming industries have already, or are being, converted to ozone-friendly technologies. What remains in most countries are the small sized industries and the informal sectors, including the refrigeration servicing sector, the latter being the dominant ODS consuming sector in the low-volume-consuming countries.

21. In spite of achievement in policy control over the supply of ODS in more than twenty countries, national regulations and controls of ODS, including the import and export control of ODS and ODS containing equipment have yet to be promulgated and enforced in most of the Article 5 countries. These will have to be implemented in the next few years as a complimentary instrument to the economic incentive provided by the Multilateral Fund to enable Article 5 country governments to achieve their Montreal Protocol targets.

22. Apart from the CFC control target, the controls for halons, methyl bromide, and CTC will also have to be implemented in the next ten years, and therefore be incorporated into the funding programme of the Multilateral Fund.

### **III.2 Programme Objectives of the Multilateral Fund in the Compliance Period**

23. Through the activities to be implemented between 2000 and 2010, the Multilateral Fund will assist each and every Article 5 country to comply with the control schedules of the ODS of the Montreal Protocol.

### **III.3 A Business as Usual Scenario**

24. This section examines the feasibility of a business as usual scenario under which the strategies and implementation mechanisms of the grace period would continue to be employed in the compliance period.

25. Use the implementing agencies as the main programme driving force. This mechanism proved to be very effective in initiating and expanding ODS phase out programmes. As a matter of fact the Fund would not have been able to build up a sizeable and dynamic global phase-out programme within a matter of a few years if not for the in-house programming expertise and capabilities of the implementing agencies and the very dynamic roles of the NOUs in identifying investment projects. With the exception of the halon and CFC production closure agreements with China and India, the programming approach during the grace period did not emphasise the linkage of individual projects and their impact on the ability of the countries concerned for Protocol compliance.

26. Assuming the agency driven programming mechanism should continue in the compliance period, there may not be assurance that the project focus of the implementing agencies will accommodate the needs of each Article 5 country for compliance. In order to be country-specific in the compliance period, it is essential that Article 5 countries should assume full control of their national ODS phase out programme and become the main driving force for business planning of the implementing agencies and the Multilateral Fund, because it is the Article 5 countries' governments who should know the status and needs for compliance and who are after all responsible for complying with the Montreal Protocol requirements.

27. Prioritize project funding on cost-effectiveness with the flexibility to programme across sectors and countries. These implementation mechanisms provided good incentives and enabled the implementing agencies to achieve impressive cost-effectiveness and ODP phase out impact



in the programmes they developed. However, and in spite of the best efforts of the implementing agencies, these implementation mechanisms also resulted in uneven distribution of the ODS approvals/implementation across countries. If the same combination of mechanisms is to be followed in the compliance period, it is highly likely that the current imbalance in terms of country and sector coverage could continue. Although the Fund could continue achieving relatively high ODS phase-out approvals, there would not be a guarantee that each and every Article 5 country would be accorded the same opportunity to implement their Montreal Protocol obligations. Actually, this was already shown in the draft 2000 business plans of the implementing agencies submitted to the Twenty-ninth Meeting of the Executive Committee. The country coverage of proposed investment activities actually decreased from 59 in 1999 business plans to 36 in the draft 2000 business plans and the number of LVCS dropped from 36 to 8. This sounded the alarm and prompted the Executive Committee to have a well-deserved discussion on the strategic planning in the next triennium.

28. In conclusion, it is evident from the above analysis that the strategies and the implementation mechanisms used in the grace period were effective in accomplishing the programme objectives of that period. However, they may not fit in the new prevailing circumstances and achieve the programme objectives of the Fund in the compliance period.

#### **IV STRATEGIC PLANNING FOR THE TRIENNIUM (2000-2002)**

##### **IV.1 Triennium Programme Objectives**

29. The triennium programme objectives are proposed in the context of the compliance period (2000-2010) bearing in mind the current circumstances discussed in the previous section. For the triennium (2000-2002) the Multilateral Fund should, through its activities enable each and every Article 5 country to:

- (a) Implement and maintain the CFC freeze obligation in the year 2000;  
This programme objective is to target those countries which, from needs demonstrated, are experiencing difficulty in implementing and maintaining their freeze obligation. Funding should be provided to each country, with requirement for enacting national policy on the control of ODS.
- (b) Achieve no less than 50 per cent of the CFC reduction target of the year 2005.
- (c) Implement the freeze obligation of halons in the year 2002;
- (d) Implement the freeze obligation of methyl bromide in the year 2002;
- (e) Implement the freeze obligation of TCA in the year 2002;
- (f) Achieve no less than 50% of the CTC reduction target in the year 2005;
- (g) Maintain the momentum in implementing national ODS phase out programmes.

In the spirit of the Multilateral Fund for encouraging early phase out, priority under this programme objective should be given to countries which want to advance the complete phase out date either for on a national, or sector basis.

#### **IV.2 Strategies of Implementation**

30. In order to achieve these programme objectives, the Multilateral Fund should follow an approach, that is country specific and compliance-driven to ensure a sustainable and cost-effective phase out:

#### **IV.3 Implementation Mechanisms**

31. Need identification: In order to be able to meet the specific needs of each country for compliance in the current triennium and beyond, there is an urgent need for each country to articulate that need in accordance with the programme objectives of the Fund referred to above. This should be done by each Article 5 country, with the assistance of the implementing agencies, if needed. A preliminary draft format is proposed and included in Annex II for undertaking this exercise. Once the format is completed by each country, it will become the basic document of reference for planning the business of the Multilateral Fund starting in the year 2001.

32. Prioritize funding across countries according to the order of priority of the programme objectives. Annual business planning by the implementing agencies and the Fund Secretariat will be done according to the order of priority of the programme objectives proposed in paragraph 28 and within the available resources of the Fund.

#### **IV.4 ODS phase-out targets between 2000-2002**

#### **IV.5 Policy development**

#### **IV.6 Monitoring and Evaluation**

33. These three sections will be prepared once the Executive Committee has had its discussion on strategic planning and countries have demonstrated their needs this triennium.

### **V FINANCIAL PLANNING FOR THE TRIENNIUM (2000-2002)**

#### **V.1 Income Estimates**

34. The following is a projection of the income in 2000-2002:

(a) Collectible contributions:

A three percent discount is applied to the annual replenishment level approved by the Meeting of the Parties, to account for the assessed contributions of some of the Countries with Economies in Transition (CEIT).

- (b) Carry-over from the previous triennium.  
According to Decision XI/7, the carry-over from the previous triennium is US \$35.7 million which is equally distributed across the three years, with US \$ 11.9 million in each year.
- (c) Unspent balance from the US \$13 million from the previous triennium: (To be determined during the 30<sup>th</sup> meeting).
- (d) Returned funds from cancelled or completed projects:  
The amount of funds to be returned has to be reviewed and accounted for on an annual basis. As of writing this balance stands at about US \$6 million.
- (e) Interest:  
This refers to the interest earned either from the Fund Balance carried by the implementing agencies or the Fund Balance held by the treasurer. This is reported annually by the treasurer and, based on the record of the previous year, this amount could be estimated at US \$7 million per year. The following Table 3 reproduces these elements:

**Table 3**  
**Income Estimate**  
(in US \$ million)

|  | 2000             | 2001  | 2002  | Total |
|--|------------------|-------|-------|-------|
| Collectibles <sup>1</sup>              | 142.2            | 142.2 | 142.2 | 426.6 |
| Carry over from the previous triennium | 11.9             | 11.9  | 11.9  | 35.7  |
| Balance from US \$13 million           | n/a              | n/a   | n/a   | n/a   |
| Returned funds                         |                  |       |       |       |
| Cancelled projects                     |                  |       |       |       |
| Completed projects with balance        | 6.0              | n/a   | n/a   | n/a   |
| Interest                               | 5.0 <sup>2</sup> | 7     | 7     | 19    |
| Total                                  | 154.1            | 154.1 | 154.1 | 462.3 |

<sup>1</sup> 97 per cent of the annual replenishment level.

<sup>2</sup> about US \$2 million was reprogrammed during 1999.

## V.2 The Fixed Exchange Rate System and the Implications on the Income Estimate

### Fixed Exchange Rate System

35. The fixed exchange rate system which was decided upon at the Eleventh Meeting of the Parties XI/6 will be introduced in this triennium. Under this new regime countries which make their contributions in their national currencies will pay their contribution to the Fund using the average United Nations exchange rate for the six months preceding the replenishment period. Any variance between the defined exchange rate and the actual exchange rate at the time the contribution is made is to be managed by the Multilateral Fund. Depending on the gain or loss of the Fund as a result of the fluctuations of the exchange rate, the actual receipt of the

contributions paid each year could be higher, in the case of the exchange rate gain, or lower, in the case of exchange rate loss, than the annual replenishment level decided by the Eleventh Meeting of the Parties. This could potentially affect the total resource level of the Fund one way or the other.

36. While this cannot be predicted before the contribution is made, it is proposed that for the purpose of business planning the annual replenishment level should be used for planning the business of the Multilateral Fund and any adjustment, long or short, should be rolled over into the annual business planning of the following year. Specifically, this means that at the end of a calendar year, if the receipt of contributions paid in the year is higher than the annual replenishment level due to exchange rate gains, this surplus should be added to the resource pool of the following year. And if the receipt of the contributions paid in the year is lower than the annual replenishment level due to exchange rate loss, there will be a deficit and as a result, some of the programmes/projects from the business plan of the year will not be able to be funded in the year of plan. They should be treated as previous commitments and funded on priority basis in the business plan of the following year.

#### Cash flow projection and management

37. The payment of contributions determines the cash flow of the Multilateral Fund and the cash position of the Fund prior to each meeting of the Executive Committee determines the level of commitment the Executive Committee can enter into because the Terms of Reference of the Fund provides that “ No commitments shall be made in advance of the receipt of contributions.”

38. The record of payment of annual contributions of the Fund, especially that for the past three years indicates that no more than 60 % of the contributions is received from the year it is due and the balance is made up of the arrears from the previous year. If this pattern is applied to the annual collectible contributions of the triennium, the cash flow from the total collectibles could be projected as indicated in Table 4. It is clear that if the current pattern continues, a considerable amount of the collectible funds of this triennium (\$61.6 million) will not be available until the year 2003.

**Table 4**  
(In US \$ million)

|                             | 2000 | 2001  | 2002  | 2003 | Total |
|-----------------------------|------|-------|-------|------|-------|
| Receipts from current year  | 92.5 | 92.5  | 92.5  | 0    |       |
| Receipts from previous year | 0    | 61.6  | 61.6  | 61.6 |       |
| Total                       | 92.5 | 154.1 | 154.1 | 61.6 | 462.3 |

#### Fixed payment dates and cash flow management

39. Decision XI/6 of the Eleventh Meeting of the Parties on the fixed exchange rate also included two fixed dates for contribution payment which are 1 June and 1 November of each year and the related paragraphs of the Decision reads “ That, in order to ensure the efficient and effective operation of the Multilateral Fund, Parties should strive to pay their contributions as early in the calendar year as possible and no later than 1 June of each year. Parties unable to

make their contributions by 1 June should notify the treasurer as to when during the calendar or fiscal year their payment will be made, but contributing Parties should strive to pay their contributions no later than 1 November of that year.”

40. Implementation of the Decision should increase the predictability of the inflow of the contributions and therefore improve the cash flow situation. However this has to be observed as the year passes.

41. In the meantime it is proposed to continue with the cleared-for-approval procedure which the Executive Committee has been using in situations when the cash position is not enough to approve all the eligible projects. This procedure enables the Executive Committee to clear projects technically for funding and have them funded when contributions are paid up. The time lag in between is usually no more than a few months.

42. This procedure will allow the Executive Committee to commit up to the annual budget level and thereby reduce to the extent possible the likelihood of funds carried over into the following triennium.

### **V.3 Expenditures**

43. Unlike the previous triennium, the Multilateral Fund is not entering this triennium with a clean slate but has to meet some of the commitments already entered into in the previous triennium, as indicated in Table 5. This includes the production sector agreements with China and India.

44. Another feature which would be introduced into the financial planning would be allocation funds according to programme objectives of the Multilateral Fund in the triennium. This would be in line with the change of focus of the Fund activities which will emphasize compliance. The needs identification exercise which is being proposed in the document will hopefully give some indication as to how this allocation should be done on a three-year basis. However the more precise allocation to the various programme objectives would be done at the annual business planning.

**Table 5**  
**Expenditure Estimate**  
(In US \$million)

|   | 2000  | 2001   | 2002   | Total  |
|---|-------|--------|--------|--------|
| <b>Income*</b>  | 154.1 | 154.1  | 154.1  | 462.3  |
| <b>Expenditures</b>   |       |        |        |        |
| Prior commitments:  |       |        |        |        |
| China (CFCs & Halons productions)   | 18.02 | 18.24  | 20.66  | 56.92  |
| India (CFC production)  | 11.88 | 11.88  | 6.48   | 30.24  |
| Secretariat and Executive Committee costs (including Evaluation)  | 3.4   | 3.4    | 3.4    | 10.2   |
| Programmable resources (Income minus prior commitments minus Secretariat and Executive Committee costs) | 120.8 | 120.58 | 123.56 | 364.94 |

\* From the *Income Estimate*, Table 3.

## VI PROPOSED FOLLOW-UP

45. In view of the advanced stage of the business planning for the year 2000, it is not anticipated that the changes proposed in this document could be implemented this year even if they are accepted by the Executive Committee. A reasonable time frame of introducing the changes would be the year 2001, however, the transition and preparations for the changes will have to be completed and implemented this year. Therefore the following schedule is proposed:

- (a) Complete the need identification by each Article 5 country using the format included in Annex II. This should be done by the National Ozone Unit and assisted by the implementing agencies. The time frame for completing this exercise is between the first and the second meeting of the Executive Committee of this year. This can be implemented in conjunction with the preparation of the final report on sector consumption data, requested under Decision 28/25.

It is proposed that the implementing agencies responsible should consolidate the work from those countries for which they are implementing the institutional strengthening projects and sort out the needs of countries according to the programme objectives proposed in paragraph 28. This consolidation should then be further consolidated by the Fund Secretariat both for finalizing the 3-year business plan and for review by the Executive Committee at its 31st meeting.

- (b) The Secretariat should revise and finalize the three-year business plan based on:
- Country need identified through the above exercise.
  - Comments and recommendations emanating from the discussions of the Executive Committee at its Thirtieth Meeting on strategic planning.
  - Time frame for completion in the second meeting of the year.

## ANNEX I

### **Fund Secretariat's analysis on countries' ability to meeting the freeze and subsequent reductions**

#### **Source of data**

- (1) Report of the Ozone Secretariat on information provided by the Parties in accordance with Articles 7 and 9 of the Montreal Protocol (UNEP/OZL.PRO.11/6) as at October 5, 1999.
- (2) Progress Reports submitted to the 28<sup>th</sup> Meeting.
- (3) Inventory of Approved Projects through the 29<sup>th</sup> Meeting.
- (4) Draft 2000 Business Plans of the implementing agencies.

#### **Assumptions**

##### **Meeting the freeze obligation (applicable to CFCs, halons, and methyl bromide)**

Countries whose latest consumption minus the level of expected phase out from 1999 through 2002 is lower than its compliance baseline are assumed to be able to implement the freeze. On the other hand, countries whose latest consumption minus the level of expected phase out from 1999 through 2002 exceeds their compliance baseline are assumed to having difficulty in meeting the freeze. The same method is used for halons and methyl bromide, being cognate of the fact that the freeze date is January 1, 2000 for both chemicals.

##### **Meeting the further reduction targets (applicable to CFCs, halons, and methyl bromide)**

Countries whose latest consumption minus the level of expected phase out from 1999 through 2004 and minus the phase out in the agencies' 2000 business plan that is lower than 50 per cent of their compliance baselines are assumed to be able to meet the 50 per cent reduction. On the other hand, countries whose latest consumption minus the level of expected phase out from 1999 through 2004 and minus the phase out in the agencies' 2000 business plan that exceeds 50 per cent of their compliance baseline are assumed to be having difficulty in meeting the 50 per cent reduction.

The same method is applied to halons and methyl bromide, being cognate of the fact that the 50% reduction date for halons is January 1, 2005 and the reduction target for methyl bromide is 20 % instead of 50 % by January 1, 2005.

## **Results**

### **CFC**

Number of countries which may not meet the CFC freeze = 20

Number of countries which may meet the CFC freeze = 83

Number of countries which may not meet the 50% reduction target = 29

Number of countries which may meet the 50% reduction target = 74

Number of countries with no data reported = 12

### **Halons**

Number of countries which may not meet the halon freeze = 9

Number of countries which may meet the halon freeze = 94

Number of countries which may not meet the 50% reduction target = 16

Number of countries which may meet the 50% reduction target = 87

Number of countries with no data reported = 12

### **Methyl Bromide**

Number of countries which may not meet the methyl bromide freeze = 17

Number of countries which may meet the methyl bromide freeze = 86

Number of countries which may not meet the 20% reduction target = 18

Number of countries which may meet the 20% reduction target = 85

Number of countries with no data reported = 12



**ANNEX II**

**A Draft Format for Need Identification for the Compliance Period**

1. ODS

Baseline/Latest consumption (if applicable) \_\_\_\_\_

Next reduction target\* \_\_\_\_\_

Impact of approved projects on Baseline \_\_\_\_\_

Impact of the approved projects on next reduction target. \_\_\_\_\_

Balance to be implemented from baseline \_\_\_\_\_

Balance to be implement for next target. \_\_\_\_\_

2. Sector distribution of baseline.

| ODS               | CFCs |         |         |                      |                      | Halon<br>1211 &<br>1301 | TCA | CTC | Methyl<br>bromide | Total |
|-------------------|------|---------|---------|----------------------|----------------------|-------------------------|-----|-----|-------------------|-------|
|                   | Foam | Aerosol | Solvent | Refrigeration<br>(M) | Refrigeration<br>(S) |                         |     |     |                   |       |
| CFCs<br>1995-97   |      |         |         |                      |                      |                         |     |     |                   |       |
| Halons<br>1995-97 |      |         |         |                      |                      |                         |     |     |                   |       |
| MeBr<br>1995-98   |      |         |         |                      |                      |                         |     |     |                   |       |
| TCA<br>1998-00    |      |         |         |                      |                      |                         |     |     |                   |       |
| CTC<br>1998-00    |      |         |         |                      |                      |                         |     |     |                   |       |

3. Strategy:

Phase out date targeted: \_\_\_\_\_

Priority sector(s): \_\_\_\_\_

\* Refers to the next reduction target stipulated in the Montreal Protocol for that ODS. For example, CFCs upcoming target in the year 2000 is a 50 per cent reduction by the year 2005.

**Action Plan:**

Industry Conversion

Provide the relevant information about industries which either have received funding from the Multilateral Fund but have not completed conversion or have not been funded.

| Name of enterprise | Sector | ODS consumption | Funded, not implemented | Not Funded | Date of Completion | Date of funding request planned |
|--------------------|--------|-----------------|-------------------------|------------|--------------------|---------------------------------|
|                    |        |                 |                         |            |                    |                                 |

Refrigerant Management Plan: (RMP)

| Status                      |  | Date of completion targeted | Import/Export Control on ODS and ODS Containing Equipment | Date of completion targeted |
|-----------------------------|--|-----------------------------|---|-----------------------------|
| <b>Under implementation</b> |  |                             |   |                             |
| <b>Under preparation</b>    |  |                             |   |                             |
| <b>To be prepared</b>       |  |                             |   |                             |

Monitoring of Implementation

**Agency involved:** National Ozone Unit \_\_\_\_\_  
 Ministry of Environment \_\_\_\_\_  
 Customs \_\_\_\_\_  
 Law enforcement \_\_\_\_\_

**Means of monitoring:** Surveys \_\_\_\_\_  
 Inspections \_\_\_\_\_  
 Border control \_\_\_\_\_  
 Others \_\_\_\_\_

**Number of staff involved:** \_\_\_\_\_

4. Date of the update: \_\_\_\_\_, done by \_\_\_\_\_ (signature)