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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-ninth Meeting  
Montreal, 2-4 April 2003

**FINANCIAL PLANNING FOR THE TRIENNIUM 2003-2005**

## Introduction

1. The Parties, in their Decision XIV/39 taken at their Fourteenth Meeting, decided, *inter alia*:

Paragraph 1: “To adopt a budget for 2003-2005 of US \$573,000,000 with the understanding that US \$76,000,000 of that sum will be provided by funds unallocated during 2000-2002, and that \$23,000,000 of the same sum will be provided from interest accruing to the Fund and other sources during the 2003-2005 triennium. etc.”

Paragraph 2: “To adopt the scale of contributions of the Multilateral Fund based on a replenishment of US \$474,000,000 of US \$158,000,000 for 2003, US \$158,000,000 for 2004 and US \$158,000,000 for 2005 etc.,”

Paragraph 3: “That the Executive Committee should take actions to ensure as far as possible that the whole of the budget for 2003-2005 is committed by the end of 2005, and that Parties not operating under Article 5 should make timely payments in accordance with paragraph 7 of Decision XI/6.”

2. To assist the Executive Committee in addressing these elements of Decision VIII/4, the Secretariat undertook the preparation of this document. The purpose of the document is to provide the Executive Committee with suggested annual budgets and resource availability in the light of:

- Decision XIV/39, paragraphs 1 and 2 of the Fourteenth Meeting of the Parties;
- Decision 38/66, paragraph b whereby the Executive Committee adopted the model three-year phase-out plan and requested UNDP, UNIDO, the World Bank and, as appropriate, bilateral agencies, to use it in the preparation of the annual and/or multi-year business plans of the agencies during the 2003-2005 triennium;
- Commitments and resources available for new activities;
- Decision 38/68 on administrative costs for implementing agencies; and
- Bilateral cooperation.

## Annual budgets

3. The 2003-2005 budget approved by the Parties consists of US \$99 million in the carry over from the 2000-2002 triennium and interest and other sources and US \$474 million in new pledges. The new pledges are assessed at US \$158,000,000 for each year of the triennium.

4. The implementing agencies and the Fund Secretariat held a coordination meeting on 9-10 January 2003 to *inter alia* consider possible resource allocation scenarios in the light of the

3-year phase out plan. The following table presents the ODS phase-out requirements for Article 5 countries to achieve the 2005 and 2007 control measures.

**Table 1**

**ODS TO BE CONSIDERED FOR PHASE-OUT DURING 2003-2005  
(ODP tonnes)**

<b>Phase-out in ODP tonnes (*)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Total</b>
CFC in non-LVC countries	4,371	4,371	3,643	12,385
CFC in LVC countries	1,711	1,140	-	2,851
CFC production sector	2,400	2,400	1,800	6,600
MB	416	416	-	832
CTC	5,785	4,339	2,169	12,293
TCA	87	87	-	173
<b>Grand total (ODP tonnes)</b>	<b>14,770</b>	<b>12,753</b>	<b>7,612</b>	<b>35,135</b>
<b>Per cent of total</b>	<b>42%</b>	<b>36%</b>	<b>22%</b>	<b>100%</b>

(\*) Additional 104,327 ODP tonnes of ODS consumption and 72,710 ODP tonnes of ODS production in either approved or committed projects are to be phased out during the 2003-2005 triennium

5. To accommodate the greater phase-out requirements during the first years of the triennium, it was suggested that the US \$99 million carryover/interest/other sources income would be front loaded for the years 2003 and 2004.

6. Several scenarios were considered for front-loading. The scenario that appeared to most effectively address the expected projects would result in the allocation 2/3 of the US \$99 million to the year 2003 and 1/3 to the year 2004. This would result in the following annual amounts: US \$224 million in 2003, US \$191 million in 2004, and US \$158 million in 2005.

### **Resource availability**

7. The Parties adopted a budget of US \$573 million for 2003-2005, and requested the Executive Committee to commit the whole budget by the end of 2005.

### Assumptions

8. The full budget for the 2003-2005 triennium would be available for programming during the triennium based on the following assumptions:

- (a) Funds approved in principle for ongoing multi-year agreements and due for payment during the triennium will be disbursed during the triennium.
- (b) The 34 Parties that have paid pledged contributions in the past will continue to do so and pay the US \$76 million in carryover from the previous triennium,
- (c) The remaining 8 Parties, belonging to Countries in Economies in Transition

(CEIT) that have never paid their pledged contributions before would pay their assessed contributions for 2003-2005 amounting to US\$ 7.6 million.

- (d) Parties will pay their contributions in the year that they are due per para. 7 of Decision XI/6 and continue to improve on the 85 per cent payment rate cited in the report on the fixed exchange rate mechanism (UNEP/OzL.Pro.14/8, paragraph 17), noting that a rate of 85 per cent payment would result in a cash flow deficit of US \$24 million each year of the triennium.
- (e) There are no losses to Fund resources due to the implementation of the fixed exchange rate mechanism or the encashment of promissory notes.

### Commitments and resources available for new activities during 2003-2005

9. 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 triennia. Those commitments *inter alia* consist of funding for multi-year agreements, and other funding for standard activities such as institutional strengthening, budget of the Fund Secretariat and Executive Committee meeting costs, UNEP's Compliance Assistance Programme (CAP), the core unit costs for UNDP, UNIDO, and the World Bank. The largest committed amount is for funding the implementation of the ongoing multi-year agreements, which amounts to US \$255 million. Funding for other standard activities during the triennium totals US \$70 million. This leaves a total amount of programmable resources for new activities during the triennium of about US \$248 million, as shown in Table 2.

**Table 2**

#### COMMITMENTS AND RESOURCES AVAILABLE FOR NEW ACTIVITIES (US \$)

Description	2003	2004	2005	Total (2003-2005)
<b>INCOME</b>	224,000,000	191,000,000	158,000,000	573,000,000
<b>PRIOR COMMITMENTS</b>				
Annual Tranches of Approved Multi-year agreements	104,437,358	88,916,532	61,834,082	255,187,973
<b>Other funding commitments</b>				
Institutional strengthening	9,432,159	6,078,973	9,432,159	24,943,290
Secretariat/Executive Committee costs	3,754,067	3,904,230	4,060,399	11,718,696
UNEP CAP	6,297,356	6,549,250	6,811,220	19,657,826
Agencies core unit (UNDP, UNIDO, and the World Bank)	4,500,000	4,500,000	4,500,000	13,500,000
Total (other commitments)	23,983,582	21,032,453	24,803,778	69,819,812
<b>Total Commitments</b>	128,420,940	109,948,984	86,637,860	325,007,785
<b>PROGRAMMABLE RESOURCES</b> (Income minus Prior Commitments)	95,579,060	81,051,016	71,362,140	247,992,216

10. Programmable resources amounting to US \$248 million would need to be available to phase-out the 35,135 ODP tonnes indicated in Table 1. Any shortfall arising from non-payment or delayed payment of pledged contributions would have an impact on the amount of resources available for new activities during the 2003-2005 triennium.

### **Bilateral cooperation**

11. Up to 20 per cent of a Party's contributions to the Multilateral Fund may be in the form of bilateral cooperation activities. Decision 25/13 allows flexibility in the year for which bilateral projects would be credited during the triennium provided that bilateral agencies submit work plans for consideration during discussion of the business plans at the Committee's first meeting of the year.

12. In previous business plans, the Executive Committee has usually allocated up to US \$20 million for bilateral cooperation. The maximum amount approved however did not exceed US \$14 million, representing about 9 per cent of all pledges for the concerned year as indicated in Table 3. In the previous triennium (2000-2002), bilateral contributions averaged US \$7.5 million per year.

**Table 3**

#### **APPROVED BILATERAL COOPERATION AS A PERCENTAGE OF PLEDGED CONTRIBUTIONS**

<b>Year</b>	<b>Pledged Contributions (US\$)</b>	<b>Funds Approved for Bilateral Cooperation (US\$)</b>	<b>Per Cent of Funds Approved against Pledged Contributions</b>
1992	72,797,293	2,883,669	4.0
1993	108,923,724	1,445,586	1.3
1994	142,630,330	3,205,458	2.2
1995	142,404,091	4,698,849	3.3
1996	147,905,193	3,528,283	2.4
1997	157,144,159	4,241,259	2.7
1998	157,545,040	4,575,352	2.9
1999	157,897,921	13,924,486	8.8
2000	146,666,667	5,364,009	3.7
2001	146,666,667	8,404,173	5.7
2002	146,666,667	8,846,207	6.0
<b>Total</b>	<b>1,527,247,752</b>	<b>61,117,331</b>	<b>4.0</b>
<b>Average</b>	<b>138,840,705</b>	<b>5,556,121</b>	<b>4.0</b>
<b>2000-2002 Average</b>	<b>146,666,667</b>	<b>7,538,130</b>	<b>5.1</b>

13. Due to previous commitments, the Executive Committee has resources amounting to US \$248 million for new activities during the 2003-2005 triennium as indicated in paragraph 9 above.

14. For each Party that has always paid its contribution to the Multilateral Fund, the Secretariat used the US \$248 million as the basis for calculating the 20 per cent equivalent of bilateral contribution. The results are provided in Table 4.

**Table 4**

**BILATERAL CONTRIBUTIONS ADJUSTED FOR PREVIOUS COMMITMENTS**

<b>Country</b>	<b>20% of Uncommitted Pledged Contribution in 2003 (in US\$)</b>
Australia	329,705
Austria	191,792
Belarus	3,820
Belgium	228,783
Bulgaria	2,614
Canada	518,481
Czech Republic	34,579
Denmark	151,785
Estonia	2,010
Finland	105,747
France	1,309,972
Germany	1,979,232
Greece	109,164
Hungary	24,326
Iceland	6,634
Ireland	59,709
Israel	84,034
Italy	1,026,105
Japan	3,637,333
Latvia	2,010
Liechtenstein	1,206
Lithuania	3,418
Luxembourg	16,083
Monaco	804
Netherlands	352,020
New Zealand	48,853
Norway	131,078
Poland	64,132
Portugal	93,684
Slovak Republic	8,645
Slovenia	16,284

<b>Country</b>	<b>20% of Uncommitted Pledged Contribution in 2003 (in US\$)</b>
Spain	510,439
Sweden	208,076
Switzerland	256,124
United Kingdom	1,121,599
United States Of America	3,637,333
<b>TOTAL</b>	<b>16,277,611</b>

## **RECOMMENDATIONS**

The Monitoring, Evaluation and Finance Sub-Committee may wish to recommend to the Executive Committee to:

1. Note the Report on financial planning for the triennium 2003-2005 as contained in UNEP/OzL.Pro/ExCom/39/7.
2. Adopt a resource allocation of US \$224 million in 2003, US \$191 million in 2004, and US \$158 million in 2005.
3. Urge Countries with Economies in Transition that have not paid previously to pay their contributions to the Multilateral Fund for the Implementation of the Montreal Protocol for the 2003-2005 triennium for the full implementation of the 3-year phase-out plan to enable the compliance of Article 5 countries with the control measures of the Montreal Protocol commencing in 2005 and 2007 and avoid shortfalls arising from non-payment or delayed payment of pledged contributions during the compliance period of Article 5 countries.
4. Urge contributing Parties to make timely payments for the year 2003 by June 2003 in accordance with paragraph 7 of Decision XI/6 of the Fourteenth Meeting of the Parties and to enable the timely implementation of the 3-year phase-out plan.
5. Agree that the US \$248 million in resources available for new commitments should be allocated according to the compliance needs of Article 5 countries.
6. Agree that for the purpose of bilateral contributions during the triennium, the contributing Parties concerned should apply 20 per cent to the US \$248 million that would be available for new commitment; not the US \$474 million which includes US \$325 million in already committed resources.

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