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DRAFT UNIDO 1999 BUSINESS PLAN

1. Draft 1999 UNIDO Business Plan

Executive Summary

The Business Plan for 1999 is based on activities conducted during 1998 and on new activities to be implemented in 1999. It has been prepared based on consultations held with Government officials who, to every extent possible, indicated their priorities for 1999.

We have taken into consideration decisions of the 25th Executive Committee providing for the creation of a funding window for projects in the aerosol and halon sectors and for a special allocation for projects in the SME sector. Finally, due attention was also given to the possibility of additional resources that may be available in 1999, especially from bilateral activities and unspent institutional strengthening.

‘The number of investment projects to be prepared in 1999 in all sectors is 81, out of which 67 will be submitted for consideration by the Executive Committee in 1999 for an estimated budget of US$49,528,000 (including support costs) The latter projects are expected to lead to a total phase-out of 4,212.28 ODP tonnes,

This programme will include 10 projects in the methyl bromide sector, comprising 4 investment projects and 6 demonstration projects; 11 aerosol projects, 13 foam projects, 28 refrigeration projects (including domestic ~ commercial, compressors and recovery and recycling), *5* solvent projects. In addition, 2 refrigerant management plans, 2 institutional strengthening and one country programme will be prepared in 1 999 Taking into account potential additional resources, UNJDO is submitting 4 additional projects (3 foam projects and 1 refrigeration) for a value of 115$ 1,728,900, (including support cost and *15%* overprogramming) and an CDI? phase-out of 220 tonnes In order to eventually replace projects with policy issues, UNIDO is also preparing *5* projects in the refrigeration and solvent sector for a value of 5 *5424,000* (including support cost) and an ODI? phase-out of 371.6 tonnes.

Draft Business Plan Narrative

A. Multilateral Fund Targets

I. Introduction

The primary objective of the Montreal Protocol operations in UNIDO is to assist Article *5* countries in their ODS phase-out programmes, through the implementation of investment projects. UNIDO also provides some technical assistance in terms of Country Programme preparation, support for institutional strengthening, training, etc.

Following Decision 20/12 and conclusion of the Workshop held in Montreal last August, pursuant to Decision *25/8*, Tables 1 and 4 listing investment, recovery and recycling and methyl bromide demonstration project as well as Table 3, listing non-investment project show estimates of disbursements as of 31 December 1998. In line with the request of the MFS, these also show the ODP phase-out estimates as of 31 December 1998 and the planned phase-out for 1999 and the following years Finally, as agreed with the MVS, Tables 1, 3 and 4 include estimates of approvals through the end of the calendar year 1998.

Following Decision 22/18, provision has been made to consider the performance indicators included in UNEP/OzL.Pro/ExCom/22/14.

By end of 1998 it is expected that the portfolio of the Organization will comprise 252 investment and demonstration projects for a value of US$153,944,000 (excluding support cost) of which US$94,326,000 (not including obligations) wil1 have been disbursed These projects are to phase out 21,950.47 ODP tonnes, of which 14, .129.6.5 ODP tonnes will have been phased out.

Reviewing this disbursement figure in light of Decision 2413, ii would correspond to *75%* of the approved fund as of end December 1997, which reads US$126,411,587 (UNLDO Progress and Financial Report 1997, Table *2:* Summary data by project type)

A further sixty-seven projects will be prepared and submitted in 1999 for a value of $49,528,000 (including support costs), phasing out 4,212.28 CDI? tonnes. In addition, thirteen projects are in reserve for a value of $7,153,000 (including support costs) and an ODI? of 591.60 tonnes.

The Organization's strategy in 1999 and future years will be to focus on investment projects on a sectoral basis, particularly in refrigeration and foams, as in the past, but with growing investment project number in the methyl bromide sector. As a result, UNIDO is receiving an increasing number of requests for assistance in this sector. Further, the Organization will address the issue of the SME within the context of the respective Decision by the 25~ Executive Committee as well as the new funding arrangements made for the aerosol and halon sectors.

2. Resource Allocations

		US$*	ODP tonnes
(a)	Consumption sector investment project, comprising (a. 1) Investment projects according to LJNTDO share of 22% (a.2) Aerosol and Halon (a.3) SMEs (Which represents 60.2 % of the total allocation)	21,499,000 2,683,000 3,350,000 27,532,000	3,103.58 468.00 332.70 3,904.28
(b)	Preparation of investment projects ** (Which represents 1.87% of the total allocation)	*856,000*	N.A.
(c)	Non-investment projects (Which represents 1,69% of the total allocation)	775,000	N.A.
(d)	Methyl bromide*** (Which represents 36.13% of the total allocation)	*16,503,000*	308.00
(e)	Production sector investment projects (Which represents 0% of the total allocation)	0	0
	Total = (a) + (b) + (c) + (d) + (e)	*45,666,000*	4,21228

* *Excluding agency support cost*
** *included preparation of RMPs*
including preparation of methyl bromide demonstration projects

It is worth noting that the allocation for low-volume consuming countries will be US$ 5,196,000, (including project preparation and Methyl Bromide Projects) which represents 11,37% of the total allocation.

3. Special Initiatives

a) SMEs

Following related Decision adopted at the 25~ session of the Executive Committee, UNIDO will prepare a portfolio of 6 umbrella projects addressing the ODS phase-out in the SME sector. Details in terms of US$, ODP to be phased Out and countries concerned can be obtained from the following table:

SMEs

Country	Value	ODP
Algeria	410,000	77.00
Argentina	500,000	50.00
Brazil	1,000,000	60.00
Indonesia	500,000	70.00
Malaysia	240,000	20.70
Turkey	700,000	55.00
Total	3,350,000	332.70
Agency Support Cost	435,500	
Grand Total	*3,785,500*	

b) Methyl Bromide

Demonstration projects in Cote d'Ivoire, Pakistan and Zambia are expected to be submitted in 1999. Furthermore, one regional demonstration project on alternatives to methyl bromide for the countries El Salvador (broccoli, cucurbits, tobacco), 1-londuras (grain fumigation) and Nicaragua (cucurbits, seedbeds, tobacco) is also planned for the year 1999. In addition, four investment projects expected to result in the phase-out of 308 ODP tonnes in Argentina, Brazil and Morocco arc planned also in the year 1999.

c) Geographical distribution

Again, in 1999, UNIDO will be covering all the regions (Latin America and the Caribbean, Africa, Asia and the Pacific, Arab States, Europe) with substantial increase in Latin America, Arab States, Asia, and Pacific countries. The Organization is planning its activities in thirty-two countries.

B. Ongoing projects

a) Investment projects

Table 1 shows *252* investment and demonstration projects split into six sectors which will have been approved by the Executive Committee for a value of $153,944,000 (excluding support costs) by the end of 1998. A total of US$94,326,000 (not including obligations and support costs) will have been disbursed as of end December 1998. These projects will phase out 21,950.47 ODP tonnes of which 14,129.65 ODP tonnes will have been phased out by the end of 1998.

A further 5,37921 ODP tonnes are expected to be phased out in 1999 with an additional disbursement of US$27,568,000, leaving a balance of 3,504.11 CDI’ tonnes and US$32,050,000 for the following year(s).

Table 4 shows the same projects divided into the four geographic regions as follows:

Africa

The Executive Committee will have approved eighty-three projects for a value of US$39,793,000, of which $30,920,000 will have been spent by end of 1998. A total of 4,062.2 ODP tonnes will be phased out, of which *2,986.05* will have been phased-out as of end December 1998. A further *902.45* ODP tonnes are expected to be phased out in 1999, together with an expected disbursement of $5,069,000, leaving a balance of 173 ODP tonnes in the following years and $3,8040,000.

Asia

A total of 107 projects will have been approved For Asia, amounting to $90,334,000. By the end of December 1998, $52,434,000 will have been disbursed. These projects will phase Out 13,808.08 ODP tonnes, of which 9,010.90 will have been already phased out by end

December 1998 A further *3,755.65* are expected to be phased out. in 1999 with a disbursement of $16,383,000, leaving a balance of 2,015.53 ODP tonnes for the following years and $21,518,000.

Europe

The Executive Committee will have approved nineteen projects for a value of $10,895,000 of which $5,469,000 will have been disbursed by the end of December 1998. The ODP phase out for these projects totals *2,934.50* tonnes, of which 1,588.20 tonnes will have been phased out by the end of 1998. In 1999, 318.3 CDI? tonnes are expected to be phased out with a disbursement of $2,218,000, leaving a balance of 1,028.00 tonnes for the following years and $3,208,000.

Latin America and the Caribbean

Forty-three projects will have been approved by the end of 1998, for a value of $12,915,000, of which *$5,509,000* will have been disbursed. The projects will phase out 1,145.69 tonnes of ODP, of which *544.5* tonnes will have been phased out by end December 1998. In 1999, *402.91* ODP tonnes are expected to be phased out with a disbursement of $3,899,000 leaving a balance of 287.28 CUP tonnes for the following years and $3,513,000.

Issues encountered during implementation of ongoing projects:

During implementation, UNIDO faced the following problems:

(a) taxation: regarding the difficulties with the customs clearances, we experienced problems with one project in Indonesia, the project in the refrigeration sector in Kenya, and we received signals for similar problems for the project in the refrigeration sector in Nigeria.

(b) cost-sharing: we have experienced problems in sectors where budgets have proved no to be sufficient for the full implementation of the projects such as in the aerosol and the solvent sectors Lengthy negotiations were necessary with the counterparts to agree on their contributions such as in Algeria, Brazil, Egypt, India, Iran and Peru.

(c) counterpart cooperation: in a number of cases such as Iran, Mozambique, Pakistan, Romania, and Tanzania the counterpart demonstrated a terribly slow reaction as *far* as their cooperation is concerned.

(b) Non-Investment projects and activities

The Organization is successfully progressing with the Country Programme formulation in Bosnia and Herzegovina and Qatar. In Egypt and in Syria, the activities of the institutional strengthening project are also progressing. The institutional strengthening project in Romania is progressing, but slowly. Also, the implementation of the institutional strengthening project in the Former Yugoslav Republic of Macedonia is progressing according to schedule. The implementation of the institutional strengthening project in the Republic of Yugoslavia is expected to have started before the end of 1998.

Issues encountered during the implementation, of non-investment projects

Bosnia and Herzegovina . due to the special situation in the country, it. was not easy to identify the counterpart authority and the local consultants to start the exercise. A local consultant to speed up the gathering of information. A French consultant firm has been hired to complete the Country Programme by end November this year.

2. Programme expansion

a) Project preparation

Table 2 indicates that sixty-seven projects in six sectors having a value of $43,830,000 will be submitted in 1999. In addition, thirteen projects are kept in reserve for a value of $6,330,000 arid an ODP of 591.6 tonnes. The projects to be submitted in 1999 will phase out 4,212.2 tonnes of ODP.

Table *5* provides a breakdown by region and by country of project preparation activities.

Africa

In Africa, fourteen projects in eight countries with a value of *$5,255,000* will be submitted in1999. The projects to be submitted in 1999 will phase out 42098 tonnes of ODI? $200,000 will be requested for the development of new activities. Two projects are kept in reserve for a value of $600,000 and an ODP of 77.00 tonnes.

Asia

In Asia 26 projects in II countries with a value of $14,567,000 will be submitted ml 999 with 1,899.3 ODP tonnes. Six projects are kept in reserve for a value of $4,000,000 and CDP of *251.6.* $216,000 will be requested in 1999 for the development of new activities.

Europe

In Europe, six projects in *five* countries with a value of $1,970,000 will be submitted in 1999, while five projects in two countries will be kept in reserve. The projects to be submitted in 1999 will phase out 260 tonnes of CDI? and the five in reserve will phase out *265* tonnes for a value of $1,730,000. In 1999 $45,000 will be requested for the development of new activities.

Latin America and the Caribbean

In Latin America and the Caribbean, twenty-one projects in eight countries will be submitted in 1999 for a value of $ 22,038,000 and an ODP phase-out of 1,632 tonnes. $435,000 will be requested in 1999 for the development of new activities.

From the estimated surplus from previous approvals (US$ 245,000) and additional requests, ($896,000), eighty-one investment projects will be generated out of which sixty-seven will be submitted in 1999 in all sectors while still focusing on refrigeration and foam with expansion in methyl bromide. The sixty-seven projects have a value of some $49,528,000 (including support costs) and will phase out *4,2]* 2.80 tonnes of ODP. Another thirteen projects will be prepared in 1999 as contingency for a value of $7,153,000 (including support cost) and an ODP of 591.60 tonnes.

Out of the sixty-seven projects, UNIDO is expecting to submit 10 projects (6 demonstration and 4 investments) providing alternatives to the use of methyl bromide in 1999 for a value of

$18,417,000 (including support costs) to phase out 308 ODP tonnes.

C. Performance Indicators

1. Investment projects

Performance indicator	Business Plan 1998	Expected achievements - Draft 1999 Business Plan	Remarks
Actual ODP phased out from completed projects	**6,844.80 ODP tonnes**	**7,166.20 ODP tonnes**	
Speed of ODP phase out (expressed in number of months)	**21 months**	**28 months**	
Disbursement (expressed in US$ million)	$38.032	$40256	
Speed of first disbursement (expressed in number of months)	NiL	7 months	
Cost of project preparation (expressed as a ratio)	003	474,443 (estimated disb. in 98 divided by 24190,160 = 0019	
Cost-effectiveness of project submissions	**21729,121 =569 :3.515.900**	**21.~O2.654 = 5.49** **2.955,450**	
ODP emissions as a result of implementation delays			
Distribution of projects among countries	36	37	
Cumulative ODP phased-out	13,453.35	*14,129.65*	
Speed of delivery for project completion reports (per cent)	100%	100%	
Savings from financially completed projects	US$3.1 million	US$ 3.3 million	

2. Non-investment projects

Performance indicator	Business Plan 1998	Expected achievement- Draft 1999 Business Plan	Remarks
Number of non-investment projects completed	4	**12**	
Speed of project completion (expressed in number of months)	10 to 12 months	10 months	
Disbursement	1,640	*5532,920*	CP of Saudi Arabia, Inst. Strextgth Proj eels for Bosnia. Qatar and Saudi Arabia and RMP for ExCom did not approve Algeria and Nigeria.
Speed of first disbursement	NA.	7 months	

D. Policy issues

The Executive Committee has requested the MES to prepare a study on the level of Agency support Cost and UNIDO has provided all data required by the consultancy company estimated to conduct the task. Only after finalization of the study, and recommendations of the consulting firm, as well as guidance from the Executive Committee will UNIDO be able to comment on this issue.

It is worth to note that UNIDO will be submitting, for the first time, a project in retrofitting refrigeration systems in Cuba on a loan basis, following a recommendation from the Executive Committee urging agencies to submit projects using the loan concept. However, the practical issues are still under discussion.