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CONSOLIDATED DRAFT 1999 BUSINESS PLANS OF THE IMPLEMENTING AGENCIES

INTRODUCTION

1. This document provides the Secretariat's analysis and comments as well as a consolidation of the implementing agencies' draft 1999 business plans. The draft business plans are found in documents UNEP/OzL.Pro/ExCom/26/9 through 12.

Resources and Resource Allocation

2. US $169.4 million has been budgeted for commitment in the draft 1999 business plans of the implementing agencies in contrast to the US $146 million allocated for 1999 in the Three-year Business Plan. The US $23.4 million difference results from estimated balances from: the 1997 investment project shares (US $7.8 million); the 1998 methyl bromide share (US $14.3 million), and the 1998 institutional strengthening share (US $1.3 million) after funding all the eligible requests.

3. Resources expected to be available in 1999 were allocated as shown in Table 1. Table 1 indicates that a total of US $7.2 million was unallocated by the implementing agencies due primarily to the expected shortfall in the methyl bromide sector. This amount will be further adjusted after the 27th Meeting when the remaining balance from 1998 allocations will be known.

Table 1
RESOURCE ALLOCATION AND DRAFT 1999 BUSINESS PLANS

ALLOCATION (US$ million)			DRAFT 1999 BUSINESS PLAN AMOUNT US$)				
BUDGET ITEMS	**Allo-cation**	**Sub-Allo-cation**	**UNEP**	**UNDP**	**UNIDO**	**BANK**	**TOTAL**
INVESTMENT PROJECTS	103.8						
Agency shares		*88.2*		27,170,000	21,125,104	40,330,000	88,625,104
Aerosol and halon		*5.6*		2,510,000	2,636,339	2,000,000	7,146,339
SMEs		*10.0*		3,240,000	3,291,739	3,300,000	9,831,739
PROJECT PREPARATION	4.0	*4.0*	440,700	1,819,300	899,480	1,392,160	4,551,640
NON-INVESTMENT	9.3						
Institutional strengthening		*4.3*	2,051,176	1,218,012	740,150	279,110	4,288,448
Other non-investment		*5.0*	4,705,320	-	158,200	67,800	4,931,320
METHYL BROMIDE	42.3						
Implementing agencies		*37.3*	1,559,400	5,400,000	18,462,200	2,034,000	27,455,600
Project preparation		*w/above*		107,350	231,650	45,200	384,200
Bilateral		*5.0*					5,000,000
BILATERAL COOPERATION	10.0	*10.0*					10,000,000
TOTAL	169.4	*169.4*	8,756,596	41,464,662	47,544,863	49,448,270	162,214,391
UNALLOCATED							7,185,609
TOTAL	169.4	*169.4*					169,400,000

Agency shares

4. At its 25th Meeting, the Executive Committee adjusted the shares of the implementing agencies (UNDP 29 per cent, UNIDO 22 per cent, and World Bank 43 per cent) and reserved 6 per cent (US $5.6 million) of the total agency share allocation (US $93.8 million) for projects in the aerosol and halon sectors. As shown in Table 2, the implementing agencies' planned activities correspond to these allocations.

Table 2

AGENCY SHARES OF INVESTMENT PROJECT ALLOCATION

AGENCY/ ALLOCATION	SHARE ALLOCATION	ALLOCATION (US$ MILLION)	DRAFT 1999 BUSINESS PLAN AMOUNT (US$ MILLION)		
			UNDP	UNIDO	Bank
UNDP	24%	27.20	27.17		
UNIDO	21%	20.64		21.13	
World Bank	43%	40.33			40.33
Aerosol and Halon	6%	5.63	2.51	2.64	2.00
Total	100%	93.80	29.68	23.77	42.33

Methyl bromide

5. The Parties have decided that US $60 million should be made available for methyl bromide in the 1997-1999 triennium.

6. The total amount of approvals through 1998 is estimated at US $17.7 million resulting in a balance of US $14.3 million, which is being carried over for allocation in 1999. This makes the total amount available in 1999 for methyl bromide projects US $42.3 million.

7. As shown in Table 1, the implementing agencies have included US $27.5 million for demonstration/investment/technical assistance projects and US $384,200 for project preparation for methyl bromide activities in 1999 totaling about US $27.8 million.

8. US $13.7 million of the US $27.8 million for methyl bromide in the agencies' business plans is intended for tobacco and strawberries/flowers. US $9 million of this amount is for a UNIDO tobacco project in Brazil. UNDP is also including a tobacco project in Brazil for US $400,000 while a demonstration project is currently being implemented in Brazil. The balance of the US $13.7 million includes US $4 million for a tobacco and strawberry project in Argentina. A demonstration project is being implemented in Argentina by UNIDO and another one is being submitted by UNDP to this meeting.

9. The World Bank is planning three investment projects in methyl bromide in Argentina (fruits); Ecuador (flowers); and Chile (tomato and pepper).

10. A total of US $2.6 million is indicated as either horticultural produce or other soil fumigation without further elaboration to ascertain if the planned activity is within the existing guidelines. Additionally, some of the planned activities are for countries with no reported methyl bromide consumption.

11. Except for the US $40,000 planned by UNIDO, all of the technical assistance is for UNEP which is planning to request about US $1.6 million for methyl bromide activities in 1999 that are similar to the activities it requested in its 1998 business plan. This consists of:

- the Guidebook for Farming Extension workers (US $100,000);
- Manuals for small farmers and for specific crops (strawberries, tobacco, tomatoes, flowers, and nurseries) (US $250,000);
- Case studies of commercial, low impact alternatives (US $40,000); Technical sourcebook of alternatives (US $100,000);
- Compilation of legislation for Article 5 Regulatory Authorities that promote or discourage methyl bromide use (US $50,000);
- Regional Workshops on policy development to phase-out methyl bromide and prevent its introduction for 3 regions (US $330,000);
- Regional workshops on alternatives to disseminate results of demonstration projects for 3 regions (US $450,000);
- the Regional Workshop focusing on Alternatives to a specific crop in Latin America (US $100,000);
- Workshop on Alternatives to Methyl Bromide in Tobacco Cultivation in Venezuela (US$40,000 for UNIDO);
- US $150,000 in 1999 for the implementation of the methyl bromide policy plan in China (UNEP has already received US $150,000 for the development of the policy plan in China);

12. The Committee may wish to provide directions to UNEP and UNIDO as to which projects might need to be excluded from the final 1999 business plan. It is to be recalled that a request for the same activities in UNEP's 1998 work programme was not approved by the Executive Committee. Activities in the 1999 business plans should be considered considering the following:

(a) the Committee stated that need for the manuals and guidebook for farming extension workers should be further examined as well as the need to take into account similar studies carried out by other agencies (decision 24/20);

(b) UNEP has already conducted regional workshops in all three regions;

(c) Both UNIDO and UNEP plan workshops on alternatives in Latin America; and,

(d) the US $150,000 planned to be requested for the implementation of the methyl bromide policy plan is in addition to that already approved, but the Committee stated that the total funding level, inclusive of any bilateral assistance, would not exceed US $150,000 (decision 24/19e).

Distribution of planned activities by country

13. Annex I provide by country the status of projects approved through 1997 and the amount and ODP value of planned projects to be submitted in 1999. A total of fifty-nine countries will receive investment projects in 1999, 36 of which are low-volume-consuming countries (LVCs).

14. The Three-year business Plan provided a special allocation for LVCs of US $15 million. LVCs are expected to receive US $ 10,953,350 in 1999 for investment, recovery and recycling, and methyl bromide demonstration projects.

Meeting the 1999 freeze

15. The implementing agencies noted that project approvals in 1999 might not be completed for two years; therefore, most approvals in 1999 will not impact the freeze except for CFC production closure projects. Completing approved projects as soon as possible should assist countries in meeting their freeze obligations. UNEP noted that it would assist countries meeting their 1999 freeze and subsequent obligations through RMP development, support for national initiatives, assistance in data reporting, and through voluntary industry pledges.

Distribution of planned activities by sector

16. The Three-year Business Plan calls for allocations to all consumption sectors. The agencies' plan activities in all consumption sectors in 1999. The distribution of planned activities by sector is presented in Table 3. The Three-year Business Plan gave priority to the development of projects in the halon sector. Halon production closure accounts for US $12 million of the planned activities in the production sector.

Table 3

PLANNED 1999 APPROVALS (BY SECTOR) FOR INVESTMENT, RECOVERY AND RECYCLING, AND METHYL BROMIDE DEMONSTRATION/INVESTMENT PROJECTS

Sector	Amount (US$)	Per cent of Total
Aerosol	3,758,000	3%
Foam	34,432,000	26%
Halon	3,245,000	2%
Production	23,270,000	18%
Refrigeration	32,024,000	24%
Solvent	10,625,143	8%
Methyl Bromide	23,598,230	18%
Total	130,952,373	100%

Project preparation

17. Implementing agencies have exceeded the allocation for project preparation (excluding methyl bromide) by US $551,640.

Contingency tables

18. Agencies indicated that of the US $105.6 million in their business plans for investment projects, projects valued at US $27.4 million might raise policy issues (26 per cent of the total).

On an agency basis, the values of projects that might raise policy issues are as follows: UNDP (US $7.6 million), UNIDO (US$ 4.6 million), and the World Bank (US $15.2 million).

19. The contingency list of projects provided by the implementing agencies comprises standby projects, should there be additional funding in 1999 and alternative projects for those projects that might raise issues.

Non-investment projects

20. The resource allocation for non-investment projects includes country programme preparation, technical assistance, and training not included in investment projects, in addition to UNEP’s clearing-house function, networking, and other activities. A separate resource allocation is provided for institutional strengthening. Institutional strengthening is expected to account for US $4.3 million in 1999. Table 4 presents the funding level for the three types of non-investment activities.

Table 4

PLANNED NON-INVESTMENT ACTIVITIES IN 1999

Agency	Country Programme Preparation	Technical Assistance	Training	TOTAL
UNDP	0	0	0	0
UNEP	171,760	4,092,860	440,700	4,705,320
UNIDO	90,400	0	0	90,400
World Bank	0	67,800	0	67,800
TOTAL	262,160	4,160,660	440,700	4,863,520

21. UNEP has developed a “Plan for the Acceleration of the Preparation of Country Programmes” and has projects to assist in the reporting of data as required by decision 25/12.

22. Overall, the planned submissions in the agencies’ business plans for non-investment projects are within the allocation. However, new activities are included in business plans for the first time such as halon banking management programmes and the World Bank’s Fire safety workshop on foam producers in China.

Administrative costs

23. The Executive Committee requested the implementing agencies to take into account the suggestions made and the views expressed in the course of the discussion (of the administrative costs of the implementing agencies) when preparing their 1999 business plans, with a view to reaching the goal of reducing agency support costs from their current level of 13 per cent to an average of below 10 per cent so as to make more funds available for other activities (decision 25/54).

24. UNEP states that it will not be possible for it to reduce its administrative costs below the current level. UNDP and the Bank indicated that they could accept a 10 per cent fee on large

projects such as the sector plans in China. UNDP also noted that a reduction of 10 per cent for all projects might result in the elimination of projects below US $100,000 from UNDP's portfolio. The Bank noted that operating costs required verification, which is an administrative cost activity and contingency costs are applied in the same manner as capital costs. UNIDO withheld comments until the study was reviewed by the Organization.

Performance indicators

25. Table 5 presents the agencies' proposed investment project performance indicator targets for 1999. No agency specified all the required performance indicators in its business plan narrative.

26. Agencies set ranges of speeds of delivery (UNDP) or a range of cost-effectiveness and cost of project preparation (World Bank). Performance indicators should be one target, otherwise a comparable assessment for all agencies is not possible.

27. All agencies plan to disburse more funds in 1999 than in 1998. Both UNDP and UNIDO are projecting large increases in disbursement.

28. Both UNDP and the World Bank reduced their ODP phase-out targets from last year, while UNIDO plans to almost double its phase-out in 1999 over 1997 levels.

29. UNDP's overall cost-effectiveness is expected to almost double while the other agencies' targets are comparable to previous years.

30. Per decision 25/5, a paper proposing new performance indicators is being considered at this meeting. Pending the outcome of the Committee's consideration of the paper, the implementing agencies may need to revise their performance indicator targets in their final business plans.

Table 5

PERFORMANCE INDICATORS FOR INVESTMENT PROJECTS *

ITEMS	UNDP	UNIDO	WORLD BANK
Value of Projects Approved (US$)**	N/P	N/P	N/P
ODP From Projects Approved	N/P	N/P	N/P
Funds Disbursed (US$)	$46,070,000	$40,256,000	$45,900,000
ODP Phased out in from Previous Year Approvals (tonnes)	3,000	7,166	16,000
Cost of Project Preparation	2.7%	1.9%	2 to 3 per cent
Cost-effectiveness from Approvals (US$/ODP in kg)	$12.00	$5.49	$3.00 to 4.00
Speed of delivery (first disbursement)	9-18 months	7 months	22 months
Speed of delivery (completion)	22-32 months	28 months	35 months
N/P – Not provided in business plan narratives as requested.			
*- Includes technical assistance projects for recovery and recycling			
**- Minus 15% overprogramming			

31. Table 6 presents the proposed non-investment project performance indicator targets for 1999. As indicated in the table, several agencies did not provide targets in their business plan narratives.

Table 6

NON-INVESTMENT PERFORMANCE INDICATORS

ITEMS	UNDP	UNEP	UNIDO	WORLD BANK
Number of Projects to be Approved	N/P	N/P	12	5
Funds Disbursed (US$)	$3,071,000	N/P	$532,920	$2,400,000
Speed of delivery (first disbursement)	N/P	6 months	7 months	17 months
Speed of delivery (completion)	N/P	N/P	10 months	32 months
N/P – Not provided in business plan narratives as requested.				

RECOMMENDATIONS

1. The Fund Secretariat requests that the Monitoring, Evaluation, and Finance Sub-Committee make appropriate recommendations to the Executive Committee concerning:

a. reducing the methyl bromide allocation to US $29 million for 1999 and reallocating the balance to other activities in 1999;
b. requiring that no agency be allowed to submit projects in excess of its allocation;
c. determining if the methyl bromide sector is ready for large scale investment projects in tobacco in Brazil (US $9 million) and tobacco/strawberries in Argentina (US $4 million);
d. determining if business plans should provide more information on crop uses or if the practice of reserving a country for an agency should be preferred when the agency does not know the specific crop use at the time of the development of business plans;
e. reviewing the proposed methyl bromide technical assistance projects to determine if they should remain in the final business plans;
f. determining if the sector allocation is sufficient or if more funds should be allocated for the production, halon, and aerosol sectors;
g. determining if the level of projects with policy issues in the agencies' business plans (26 per cent of the total) should be reduced to a lower percentage (for example, 10 per cent) to avoid issues during project review in 1999;
h. reviewing the need for new technical assistance in regard to planned halon banking management plans (HBMPs) given the decision of the Executive Committee on halon banking (Decision 18/22), and the World Bank's Fire safety workshop on foam producers in China;
i. determining if the performance indicators are sufficient or if the Committee should establish different targets;
j. requiring that all agencies set one target for each and every performance indicator in their business plans, that these targets are consistent with the information in the business plan tables, and ranges are not considered targets;
k. considering the agencies' comments on administrative costs in the context of the Committee's discussion of this separate agenda item;

l. considering the issues raised by the implementing agencies including UNDP's plea for paperwork reduction and the required speed of submitting project completion reports; ongoing taxation, cost-sharing, and counterpart contribution difficulties for UNIDO; and the need for additional funds for UNEP; and,

m. determining where to allocate the shortfall of about US $7.2 million and whether other resource allocations should be adjusted based on the above.

ANNEX I

COUNTRY SUMMARIES

Country	Status of Projects as at 31 December 1997				Business Plan Request			
	Approved to Date (US$)	Percent of Approved Funds Disbursed	ODP to be Phased out	Percent Phased Out	Amount to be Requested (US$)	CFC	Non-CFC	Total ODP
Algeria	10,226,338	86%	1,219	6%	890,000	115	-	115
Argentina	36,727,969	43%	2,693	44%	6,850,000	246	78	324
Bahamas	151,000	32%	13	100%				-
Bahrain	242,000	33%	20	100%	100,000	10	-	10
Bangladesh	672,920	15%	159	22%				-
Barbados	165,170	100%	14	0%				-
Benin	114,000	20%	13	0%				-
Bolivia	616,000	21%	46	100%	900,000	15	-	15
Botswana	146,300	0%	-	n/a				-
Brazil	33,843,926	38%	4,532	54%	16,414,000	620	180	800
Burkina Faso	96,000	90%	15	0%				-
Cameroon	4,465,520	76%	427	0%	250,000	30	-	30
Chad		n/a		n/a	100,000	10	-	10
Central African Republic	128,441	36%	6	100%				-
Chile	1,765,050	74%	227	9%	900,000	-	-	-
China	214,050,106	49%	80,896	20%	50,955,000	8,502	7,560	16,062
Colombia	9,036,330	69%	862	35%	2,965,000	260	-	260
Congo (Braz)	201,200	33%	19	100%	200,000	-	20	20
Congo (Kinshasa)	75,000	0%	10	100%	200,000	21	-	21
Costa Rica	1,459,780	34%	74	62%	400,000	-	-	-
Côte D'ivoire	250,319	64%	140	0%	300,000	-	-	-
Croatia	488,759	37%	36	0%	150,000	20	-	20
Cuba	289,000	70%	52	6%	2,000,000	60	-	60
Dominican Republic	1,138,209	12%	92	100%	400,000	40	-	40
DPR Korea	1,325,788	41%	392	34%				-
Ecuador	2,021,086	67%	603	43%	1,150,000	120	-	120
Egypt	29,652,898	83%	3,153	22%	895,143	-	46	46
El Salvador	956,229	10%	88	100%				-
Gabon	150,000	0%	15	100%				-
Gambia	131,500	60%	19	59%				-
Georgia	107,000	32%	4	100%				-
Ghana	673,000	67%	366	0%				-
Guatemala	1,387,000	60%	81	33%				-
Guinea	80,780	87%	13	0%				-
Guyana	461,000	2%	7	0%				-

Country	Status of Projects as at 31 December 1997				Business Plan Request			
	Approved to Date (US$)	Percent of Approved Funds Disbursed	ODP to be Phased out	Percent Phased Out	Amount to be Requested (US$)	CFC	Non-CFC	Total ODP
Honduras		n/a		n/a	150,000	20	-	20
India	43,604,169	46%	8,607	57%	6,870,000	600	424	1,024
Indonesia	27,065,574	49%	5,034	37%	3,100,000	280	-	280
Iran	21,320,013	76%	3,243	21%	4,750,000	495	-	495
Jamaica	768,465	73%	98	83%				-
Jordan	7,318,300	70%	1,075	39%	1,150,000	105	-	105
Kenya	1,147,903	59%	205	0%				-
Lebanon	2,468,921	47%	473	0%	200,000	25	-	25
Lesotho	56,095	34%	3	100%				-
Macedonia	1,886,085	95%	452	0%	250,000	30	-	30
Malawi	506,320	20%	7	100%	400,000	-	-	-
Malaysia	26,008,690	77%	4,365	12%	1,590,000	108	12	120
Mali		n/a		n/a	100,000	11	-	11
Mauritius	649,208	76%	38	0%				-
Mexico	24,757,274	59%	2,802	32%	3,920,000	942	40	982
Moldova	620,000	3%	29	100%	300,000	16	-	16
Mongolia	75,000	0%	10	100%	100,000	11	-	11
Morocco	3,337,622	32%	580	72%	2,580,000	50	50	100
Mozambique	697,324	30%	47	13%	300,000	-	-	-
Nepal		n/a		n/a	200,000	18	-	18
Nicaragua	185,224	0%	19	100%				-
Niger	150,000	0%	15	100%	100,000	11	-	11
Nigeria	7,107,758	44%	841	72%	1,000,000	105	-	105
Pakistan	10,645,251	15%	988	44%	2,370,230	175	-	175
Panama	666,761	55%	85	48%	300,000	20	-	20
Papua Ng		n/a		n/a	100,000	10	-	10
Paraguay	406,000	32%	56	100%	100,000	10	-	10
Peru	3,772,999	68%	249	28%	500,000	10	-	10
Philippines	18,592,500	83%	1,671	27%	250,000	30	-	30
Regional (El Salvador, Honduras & Nicaragua)		n/a		n/a	300,000	-	-	-
Romania	3,369,100	73%	1,059	0%				-
Senegal	136,250	97%	36	0%				-
Sri Lanka	1,465,306	50%	71	65%	400,000	-	10	10
Sudan	669,840	81%	305	0%	440,000	100	-	100
Syria	11,043,529	77%	1,682	14%	2,294,000	208	-	208
Tanzania	1,671,507	37%	230	16%				-
Thailand	32,156,238	60%	3,291	32%	2,180,000	175	720	895
Trinidad And Tobago	256,000	26%	28	100%				-
Tunisia	5,574,777	54%	932	20%	500,000	60	-	60
Turkey	18,476,295	58%	3,174	41%	3,540,000	275	50	325

Country	Status of Projects as at 31 December 1997				Business Plan Request			
	Approved to Date (US$)	Percent of Approved Funds Disbursed	ODP to be Phased out	Percent Phased Out	Amount to be Requested (US$)	CFC	Non-CFC	Total ODP
Uganda	56,000	100%	4	100%				-
Uruguay	2,611,347	68%	170	15%	-	-	-	-
Venezuela	14,309,866	81%	1,032	27%	2,304,000	144	-	144
Viet Nam	1,880,356	56%	300	23%	425,000	89	-	89
Yugoslavia	1,900,000	0%	480	100%	870,000	155	-	155
Zambia	506,320	20%	7	100%	600,000	-	-	-
Zimbabwe	1,661,042	41%	85	28%	400,000	-	-	-
Grand Total	654,852,848	56%	140,183	26%	130,952,373	14,356	9,190	23,546