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CONSOLIDATED 1998 BUSINESS PLANS OF THE IMPLEMENTING AGENCIES

1. This document consolidates the information included in the implementing agencies' 1998 business plans. The individual agencies' business plans are presented in documents: UNEP/OzL.Pro/ExCom/24/7-10.

2. The document reviews the compiled data from the agencies in the light of inter alia the Three-Year Business Plan of the Multilateral Fund per decision 22/11 and the Executive Committee's decisions on the draft 1998 business plans as contained in decisions 23/39-44 (except co-financing which is addressed elsewhere).

RESOURCES AVAILABLE IN 1997

3. Table 1 presents the allocation determined on the basis of the Executive Committee's guidance and the level of funding per these allocation categories. Resource allocations for project preparation and institutional strengthening are provided separately.

4. Table 1 indicates that the revised business plans exceed their allocation by US $6.4 million due mainly to methyl bromide allocations.

TABLE 1

RESOURCE ALLOCATION

Resource Allocation Activity Category[1]	1998 Allocation (US $ million)	Level of Funding in Agency Business Plans (US $ million)
Investment projects	99	101.0
Project preparation[2]	4	3.6
Institutional strengthening	6	5.2
Other non-investment	5	4.8
Methyl Bromide[3]	29	34.8
SUBTOTAL	143	149.4
Bilateral cooperation[4]	10	10.0
TOTAL	153	159.4

Meeting the 1999 CFC consumption freeze and allocation for LVCs

5. Implementing agencies were requested by the Executive Committee to be more specific on how projects would assist countries to meet the freeze (decision 23/39). Agencies provided some more detail in varying degrees in their narratives, distinguished the phase-out from their planned activities in 1998 by CFC and non-CFC, indicated in various degrees their activities in low volume

[1] Costs for Secretariat activities in 1998 are not included in the summary, but are accounted for separately.
[2] Excluding methyl bromide activities.
[3] All costs associated with methyl bromide activities, including bilateral cooperation (at a planned level of US $5 million), project preparation, other non-investment activities, demonstration projects and investment projects, will be held against the total methyl bromide allocation of US $29 million for 1998.
[4] Excluding methyl bromide activities.

consuming countries (LVCs), and noted activities in countries that had not received previous support from the Multilateral Fund. LVCs and countries that have not received support from the Fund may have difficulty in meeting their freeze obligations. The Committee gave a priority to projects with the highest ODP value and short implementation duration for countries that had not met their freeze obligations. No agency addressed projects with the highest ODP value except the World Bank which stated that the preparation of a CFC production closure project in China should assist China in meeting its freeze obligations.

6. UNDP and the World Bank addressed projects with short implementation durations. UNDP stated that projects approved through the Twenty-fourth Meeting (and some at the Twenty-fifth Meeting) should assist countries in meeting the freeze. The Bank stated that as funding for projects in its 1998 business plan will not be received until July or the end of the year, only the production sector project may assist in meeting the freeze. UNIDO stated that the completion of approved projects should assist countries in meeting the freeze. UNEP did not address project duration but stated that it will assist countries in meeting the freeze through RMP development, policy development, voluntary agreements with industry and ODS monitoring and licensing.

Low volume consuming countries

7. Decision 22/11 (a(iv)) states that the Fund would continue the practice of setting up a special allocation for LVCs and the implementing agencies should be encouraged to target funds to assist those countries. In addition to global activities which may benefit LVCs, the business plans indicate a total of US $16.1 million in activities in 72 LVCs which exceeds the US $15 million allocated for LVCs. Of this amount, US $4.6 million in project preparation and investment projects are planned to be submitted in 1998 which are expected to result in the phase-out of 736 ODP tonnes of CFCs in 16 countries. US $2.8 million is provided for non-investment activities in LVCs including US $991,000 for refrigerant management plans.

Countries that have not received support from the Fund

8. Six countries that have not previously received funding from the Multilateral Fund are earmarked for funding in the agencies business plans: Belize, Congo (Kinshasa), Laos (has not ratified the Protocol), Moldova, Saudi Arabia, and Surinam. Twelve countries will receive investment or demonstration project funding for the first time in 1998 including: Bolivia, Bosnia & Herzegovina, Botswana, Congo (DR), Gabon, Honduras, Moldova, Mongolia, Nicaragua, Niger, Yugoslavia, and Zambia. All are currently classified as LVCs except Bosnia & Herzegovina and Yugoslavia. All of the projects for these countries will result in the phase-out or reduction of CFCs except for Botswana and Zambia where only methyl bromide projects are planned.

INVESTMENT PROJECTS

9. Decision 17/21 took note of the proposal of the agencies to share the allocation for investment projects according to a percentage per agency. Those shares were applied to the

allocation for investment projects in the amounts noted in Table 2. All agencies have included investment projects in their business plans whose values approaches their respective allocations.

TABLE 2

AGENCY INVESTMENT PROJECT SHARES

Agency	Percentage Shares	Allocated Shares for 1998 Investment Projects (US $ millions)	Level of Funding in 1998 Business Plans (US $ millions)
UNDP	30	29.7	30.245
UNIDO	25	24.8	25.185
World Bank	45	44.5	45.594
TOTAL	100	99.0	101.024

Priorities and proposed sectoral funding and phase-out

10. In addition to assisting countries in meeting their freeze obligations and funding for LVCs, decision 22/11 gave priority to continued funding for all ODS consumption sectors to maintain the phase-out momentum, required allocations for the funding of projects in the production sector in 1998 and 1999 and gave a high priority to the halon sector. It also endorsed the indicative targets for ODS phase-out from approvals and expenditures included in the Three-year Business Plan.

11. Table 3 indicates that the business plans include funding in all sectors. As in past business plans, funding in the refrigeration and foam sectors represent the largest planned expenditures on a sectoral basis, together representing 70 per cent of total funding for investment projects. Each of the remaining sectors except production represent 2 to 4 per cent of the investment project allocation.

TABLE 3

PLANNED FUNDING AND PHASE-OUT IN BUSINESS PLANS BY SECTOR

Sector	Level of Funding in Business Plans (US $ thousands)	Percent of Total Funds	ODP Phase-out from Planned 1998 Approvals
Aerosol	1,992	2%	533
Foam	32,192	32%	4,837
Halon	2,660	3%	7,010
Production	18,700	19%	10,370
Refrigeration	38,295	38%	3,695
Several*	3,700	4%	240
Solvent	3,485	3%	734
Grand Total**	101,024	100%	27,419

* The entire amount is for Phase III of Chile's auction programme.

** Excluding methyl bromide.

CFC Consumption Sector

12. The expected phase-out from projects to be approved for the consumption sector in 1998 amounts to 9,887 tonnes CFC which exceeds the target in the Three-year Business Plan by 510 CFC tonnes.

Production Sector

13. The agencies have included project preparation and investment projects for the production sector. Table 3 indicates that US $18.7 million in production sector projects are planned for 1998 including halon and CFC production projects. The World Bank plans on submitting a CFC production sector project in China near the end of the year that is valued at US $8 million that is expected to phase-out 4,000 tonnes of CFCs. It is expected to be the first tranche of a sectoral phase-out programme. UNIDO is requesting US $50,000 to prepare a production sector project in Mexico, but it did not indicate the expected value of this project to be submitted after 1998.

14. The Three-year Business Plan's target for phase-out from approvals for CFC production in 1998 is 13,500 tonnes. The target will not be met based on the 4,000 tonne CFC production project planned for submission in 1998.

Halon Sector

15. Halon consumption sector projects valued at US $2.66 million are planned for submission in 1998 and are expected to result in the phase-out of 7,101 ODP tonnes. This exceeds the Three-year Business Plan target for 1998 halon consumption approvals by over 3,000 ODP tonnes. Most of this tonnage (6,190 ODP tonnes) is a result of the China Halon Plan. Additional submissions are expected from UNDP for the halon sector in India. Both UNDP and the World Bank plan to submit halon recycling projects.

16. Halon production closure projects are expected to be submitted at a value of US $10.7 million. The World Bank plans to submit a halon production project for India valued at US $1 million that is expected to phase-out 400 ODP tonnes. The balance of funding and phase-out for the halon production sector is attributed to the China Halon Plan. Overall, planned submissions for halon production sector closure is expected to result in the phase-out of 6,370 ODP tonnes which is 2,370 ODP tonnes above the target of the Three-year Business Plan.

Contingency Lists

17. Decision 23/40 requested the implementing agencies to provide more detail on contingency proposals. Contingency proposals may be submitted for projects that are expected to raise policy issues. UNDP does not expect its planned submissions to raise policy issues. UNIDO and the World Bank attached a Table 5b to their business plans that lists their contingency projects by country and sector/sub-sector.

18. UNIDO's planned submissions with policy issues include: the aerosol (MDI) project in Cuba, the commercial refrigeration project in India, and the solvent project in Korea (DPR). The

World Bank's planned submissions with policy issues include: the CFC production sector project in China, the halon production sector project in India, the commercial refrigeration project in Argentina, the commercial refrigeration users project in Mexico, the MAC and compressor refrigeration project in India, and Phase III of the Auction Programme in Chile.

19. UNIDO has included US $1.1 million of contingency projects to replace the US $1.5 million with policy issues in its business plan. All of their contingency projects are in the foam sector. The World Bank has included US $17 million of contingency projects to replace the same amount of planned submission with policy issues. Most of these projects are in the refrigeration sector and include a US $7.2 million project for MACs and compressors in China and US $3 million for three projects to provide the incremental operating costs of projects in the domestic refrigeration sectors of China, India, and Turkey.

Project preparation

20. Agencies considered possible areas of duplication in their business plans and have adjusted their business plans accordingly per decision 23/42.

21. Both UNIDO and the World Bank are requesting project preparation funds for activities scheduled to occur in 1999. UNDP plans to utilize all of its project preparation funds for projects to be delivered in 1998. The World Bank is requesting project preparation funds amounting to US $250,000 to prepare contingency projects in 1998. UNDP is requesting additional funding to prepare recovery and recycling projects for countries that it has already prepared RMPs.

22. UNDP and UNIDO have allocated project preparation advances to specific activities which have not yet been approved. Agencies have allocated about US $1.4 million for project preparation for methyl bromide projects and about US $ 1.2 million for project preparation in the foam sector including US $450,000 for foam sector project preparation in China.

23. Specific comments on project preparation requests are provided in the Secretariat's comments on the agencies' work programmes.

Performance indicators

24. Performance indicators are found in each agency's business plan. ODP phase-out from projects approved through 1997 and the target for ODP to be phased out from previous approvals per the Three-year Business Plan are provided in Table 4. The agencies' business plans will result in a greater phase-out in all categories than indicated in the Three-year Business Plan with the exception of CFC production.

TABLE 4

PHASE-OUT IN 1998 FROM PREVIOUS APPROVALS

Category	Three-year Business Plan ODP Phase-out Target (ODP tonnes)	ODP Phase-out in 1998 from Approvals through 1997 (ODP tonnes)
Consumption CFCs	13,794	18,410
Consumption Halons	6,683	10,098
Consumption TCA	no target	33
Production CFCs	3,500	200*
Production Halons	6,000	11,200

* A polyol project was assigned to the production sector, but no project has been approved for direct CFC phase-out.

25. Disbursement on approved projects is a performance indicator. All agencies have indicated that their estimated disbursements through December 1997 would amount to 42 to 45 per cent of the total value of all approved projects approved to them since 1991. Disbursement as a percentage of approvals to-date are presented in Table 5.

TABLE 5

DISBURSEMENT AS A PERCENTAGE OF APPROVALS THROUGH 1997

Agency	Disbursement Ratio		
	1997 (Estimated)	Year of the Plan (1998)	After 1998
World Bank	45%	23%	31%
UNDP	42%	18%	40%
UNIDO	42%	29%	29%
TOTAL	43%	23%	33%

26. Other performance indicators address cost of project preparation and speed of delivery which are in general similar to previous years.

METHYL BROMIDE

27. The Executive Committee has allocated US $29 million for methyl bromide activities in 1998.

28. Table 6 presents the agency distribution of the US $29 million allocation for methyl bromide. UNDP and UNIDO plan to submit all of their methyl bromide demonstration projects in 1998 while more than half of the World Bank's plan for methyl bromide projects is for a US $3.1 million recycling project in Zimbabwe that will be submitted in 1999. UNIDO reported a surplus

of project preparation in methyl bromide of US $9,218 which is included in the project preparation total in Table 6.

TABLE 6

METHYL BROMIDE ALLOCATION, BY AGENCY

Agency	Project Preparation & Technical Assistance (US $)	Demonstration Projects (US $)	Total (US $)
UNDP	450,000	6,900,000	7,450,000
UNEP	1,255,000	330,000	1,585,000
UNIDO	679,218	13,033,000	13,712,218
World Bank	245,000	5,800,000	6,450,000
Bilateral donors	-	5,000,000	5,000,000
TOTAL	2,629,218	31,063,000	34,197,218

29. The agencies plan methyl bromide demonstration projects in 45 countries in 1998. The largest project is the recycling project in Zimbabwe to be delivered in 1999 at a cost of US $3.1 million. This project would provide funding for on-lending. The next largest project is the US $2 million project in the methyl bromide tobacco sub-sector in Cuba in UNIDO's business plan. Multiple use projects and unspecified use projects represent the next largest including: the tomato and pepper demonstration in Mexico (UNIDO: US $831,000), and the specific uses of the Bank's projects in Chile (US $800,000) and Turkey (US $600,000) were not identified. The lowest cost demonstration project is a US $124,000 in Uruguay for cotton

30. Most of the 45 countries have one project planned for 1998, but three countries have three projects planned: Ecuador, Mexico, and Zimbabwe (including the Bank's project to be delivered in 1999). Seven countries have two methyl bromide projects planned for 1998: Argentina, Chile, China, Costa Rica, Egypt, Turkey, and Zambia.

31. In the light of the draft guidelines for methyl bromide and according to the 5 January 1998 Status of Ratification Report by the Ozone Secretariat, methyl bromide activities are planned in several countries that have not ratified the Copenhagen Amendment: Algeria, China, Costa Rica, Cote d'Ivoire, Cuba, Dominican Republic, El Salvador, Honduras, India, Indonesia, Korea (DPR), Lebanon, Macedonia, Nicaragua, Paraguay, Peru, Philippines, Romania, Senegal, Syria, Tanzania, and Zambia. It is to be noted that most of the countries earmarked for demonstration projects have not reported data for 1995 and 1996 under Article 7 to the Ozone Secretariat.

32. Table 7 presents methyl bromide demonstration projects by use categories excluding those training and technical assistance projects in UNEP's business plan and the allocation for bilateral activities. The implementing agencies plan to conduct methyl bromide demonstration projects for 10 different uses, one recycling project, and 17 projects that include multiple uses as indicated in Table 7. The largest funding category in Table 7 is for the 17 multiple use demonstration projects being proposed by UNIDO. The next largest funding category (US $4.4 million) in Table 7 is for uses that were not identified by the implementing agencies in their business plans for 11 projects.

For specific uses, there are 10 grain storage projects valued at US $3.5 million and 4 projects each for flowers and tobacco.

TABLE 7

PLANNED ACTIVITIES IN 1998 BY METHYL BROMIDE USE CATEGORY

Methyl Bromide Uses	Number of Projects	Total Value of Projects (US $)
Bananas	1	123,200
Cocoa	1	345,133
Cotton	1	123,894
Cucurbits	1	300,000
Dates	2	594,110
Flowers	4	1,352,000
Grain Storage	10	3,507,013
Multiple	17	6,653,51
Rice	1	356,400
Strawberries	2	700,000
Tobacco	4	2,968,141
Tomatoes	2	1,200,000
Unspecified	11	4,409,850
Recycling	1	3,100,000
TOTAL	58	25,633,251

NON-INVESTMENT PROJECTS

33. The resource allocation for non-investment projects include 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.

34. Table 8 summarizes non-investment activities foreseen in the agencies' business plans. The table indicates that aside from the technical assistance allocation which includes UNEP's recurring costs, the agencies plan to conduct almost US $1 million in refrigerant management plans. UNEP and UNIDO are the only implementing agencies planning these activities in 1998, although UNDP has requested project preparation funds for recovery and recycling projects.

TABLE 8

NON-INVESTMENT ACTIVITIES, BY TYPE

Non-investment Activities in Business Plans	Total (US $)
Country programme preparation	272,000
Refrigerant management plans	991,000
Technical assistance	3,478,000
Training	85,000
TOTAL	4,826,000

35. Country programme preparation is expected to be initiated in the following countries: Belize, Burundi, Laos, Saudi Arabia, and Surinam. UNIDO has indicated that there may be a policy issue concerning Saudi Arabia. A policy issue may be involved in country programme preparation in war-torn Burundi, also.

36. Refrigeration management plans were addressed with regard to the 1999 freeze. The training project for customs officials in the Caribbean region has already been approved.

Institutional Strengthening

37. Institutional strengthening is a separate resource allocation for business planning purposes. US $5,224,000 is expected to be requested in 1998 for this activity. Institutional strengthening is initially a three-year programme with renewals eligible for a two-year period. Initial institutional strengthening requests are planned to be submitted for the following countries: Bosnia & Herzegovina, Qatar, Saudi Arabia, and Yugoslavia. Renewal of institutional strengthening projects is expected to be requested for 44 countries.

Performance indicators

38. Aside from UNEP's activities, the other agencies have a limited number of non-investment activities, mostly institutional strengthening. Their goals are similar to previous years and are provided in their business plans.

39. Excluding institutional strengthening and country programme preparation, UNDP has 24 non-investment activities for which most of the funds are to be disbursed in 1998 except for the Foam Strategy/action programme for India where most of the funds will be disbursed in 1999. UNIDO's activities will be completed in 1998 with the exception of its new requests for RMP preparation which are planned to be completed in March 1999. The World Bank is implementing seven technical assistance/demonstration activities. Some of the projects were approved several years ago for example the CFC Recycling Project in Thailand for which US $900,000 was approved in June 1992 but only US $200,000 is planned to be disbursed in 1998 with the balance in 1999. The remaining activities are expected to be completed in 1998. Also, the Us $2 million recycling project in Brazil (approved in July 1992) has not yet been implemented.

UNEP's recurring core clearinghouse, networking and information dissemination activities

40. UNEP sets additional performance indicators in its business plan. Its performance indicators are both quantitative and qualitative, but only quantitative performance can be assessed. Many of the qualitative performance indicators may be quantified if baseline data is provided. The quantitative performance indicators are:

- an average of three months to first disbursement for institutional strengthening projects
- an average of 15 months to complete country programme preparation
- one update of the OAIC-Diskette version
- four quarterly newsletters and two special supplements

COMMENTS

41. The implementing agencies revised their business plans in the light of the comments provided by the Executive Committee at its last meeting in varying degrees. The format of the business plans in general comply with the guidance provided.

RECOMMENDATION

1. The Sub-Committee on Monitoring, Evaluation, and Finance may wish to consider the agencies' business plans in the light of these comments with a view to recommend to the Executive Committee to approve them with the proviso that the following should be taken into account by the implementing agencies:

- increasing the targeted level of disbursements to provide an incentive for expedited project implementation to assist countries in meeting their freeze obligations
- eliminating planned activities which may raise additional policy issues beyond those identified
- adjusting methyl bromide activities to expected guidance from the Committee at this meeting
- providing measurable performance indicators in the case of UNEP, and
- adjusting agency activities on the basis of the reports on implementation delays and the status report on the implementation of the 1997 business plan