



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/77/24
25 October 2016



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-seventh Meeting
Montreal, 28 November - 2 December 2016

UNIDO BUSINESS PLAN FOR 2017-2019

1. This document presents the UNIDO business plan for 2017-2019¹ and includes: the planned activities for the phase-out of ozone-depleting substances (ODS) during the 2017-2019 period; the business plan performance indicators; and recommendations for consideration by the Executive Committee. The narrative of UNIDO's business plan for 2017-2019 is attached to the present document.

SECRETARIAT'S COMMENTS

2. Table 1 sets out, by year, the value of activities included in UNIDO's business plan.

Table 1: Resource allocation in the UNIDO business plan for 2017-2019 as submitted (US \$000s)*

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Required for compliance						
Approved HCFC phase-out management plans (HPMPs)	6,762	18,164	1,369	26,295	6,726	482
HCFC production project preparation (PRP) - stage I	107	0	0	107	0	0
HCFC production - stage I	0	533	533	1,065	533	0
HPMP stage I	0	693	0	693	132	0
HPMP stage I - additional funding	899	389	0	1,288	0	0
HPMP PRP - stage II	631	1,460	0	2,091	0	0
HPMP stage II	36,927	61,614	80,509	179,050	79,927	112,052
HPMP stage III	0	0	0	0	39,226	156,904
Standard activities						
Institutional strengthening (IS)	1,378	1,303	1,198	3,880	1,303	0
Core unit	2,069	2,084	2,098	6,252	2,113	0
Grand total	48,773	86,239	85,708	220,720	129,960	269,438

* Including agency support cost where applicable.

¹ A draft business plan for 2017-2019 of UNIDO was discussed at the Inter-agency coordination meeting (IACM) held in Montreal from 31 August to 1 September 2016. The business plan contained in this document has addressed the issues raised at the meeting.

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

Secretariat's observations on activities required for compliance

Stage I of the HCFC production sector

3. A total of US \$1.7 million (including US \$107,000 for project preparation activities in 2017) is included for stage I of the HCFC production phase-out management plan (HPPMP) in the Democratic People's Republic of Korea.

Stage I of HPMPs

4. In UNIDO's business plan, there is one country (Syrian Arab Republic²) for which stage I of HPMP has not yet been approved. The value included for this country amounts to US \$824,997 of which US \$692,600 is for the period of 2017 to 2019.

5. UNIDO's business plan includes additional projects outside their stage I of HPMPs for two countries (Bahrain and Ecuador) amounting to US \$1.29 million for the period of 2017 to 2019. These requests fall under different decisions of the Executive Committee that allow these countries to submit additional projects during the implementation of stage I.

Stage II of HPMPs in low-volume-consuming (LVC) countries

6. The total levels of funding for stage II of HPMPs in LVC countries to reach a 35 per cent reduction in HCFC baseline consumption amounts to US \$15,260 for the period of 2017 to 2019, and to reach a 67.5 per cent reduction amounts to US \$6.37 million (no request for the period of 2017 to 2019).

Stage II of HPMPs in non-LVC countries

7. The total level of funding for stage II of HPMPs for non-LVC countries is US \$364.64 million (including US \$179.04 million for the period of 2017 to 2019). The sectors' breakdown is provided in Table 2.

Table 2: Funding distribution of stage II of HPMPs in non-LVC countries by sector (US \$000)

Sector	2017-2019	2020	After 2020	Total	Per cent of total
Foam rigid	4,000	114	240	4,354	1.2
Extruded polystyrene (XPS) foam	64,200	23,540	74,916	162,656	44.6
Refrigeration assembly	1,221	467	0	1,688	0.5
Refrigeration air-conditioning	81,685	27,262	0	108,947	29.9
Refrigeration manufacturing	15,322	15,247	20,909	51,478	14.1
Refrigeration servicing	12,607	10,767	12,145	35,518	9.7
Grand total	179,035	77,397	108,211	364,642	100.0

Stage III of HPMPs in non-LVC countries

8. The total level of funding for stage III of an HPMP for one non-LVC country (China) is US \$196.13 million for after 2019 in the refrigeration air-conditioning sector.

² Funding was approved for the country for the phase-out of 12.9 ODP tonnes of HCFC in the refrigeration and air-conditioning sector as a stand-alone project outside its HPMP, representing 9.6 per cent of the baseline.

Secretariat's observations on standard activities

IS

9. For IS activities, US \$5.18 million has been included in the business plan of which US \$3.88 million is for the period of 2017 to 2019³, and US \$1.3 million is for 2020.

Core unit costs

10. The core unit costs⁴ are expected to increase at an annual rate of 0.7 per cent that has been agreed to-date.

Adjustments to the UNIDO business plan for 2017-2019

11. During the IACM, adjustments to the business plans of bilateral and implementing agencies were agreed based on relevant decisions of the Executive Committee. In reviewing the revised UNIDO business plan for 2017-2019, the Secretariat noted that the following adjustments were not included:

Table 3: Adjustments to the UNIDO business plan for 2017-2019

Adjustment	2017-2019 (US \$000)	2020 and after 2020 (US \$000)
Values to reflect tranches of HPMP that are due but not submitted to the 77 th meeting (Algeria, Bahamas (the), Burundi, Cote d'Ivoire, Equatorial Guinea, Gabon, Guinea, Mozambique, Myanmar, Qatar, Suriname, Togo and Turkey)	3,780	0
New HPMP activities (stage II) with submissions to the 77 th meeting to match the proposed funding level as originally submitted	-312	-290
Project preparation for stage II of HPMPs pursuant to decision 71/42	-0.134	0
Stage II of HPMPs in LVC countries to the maximum allowable value to achieve 35 or 67.5 per cent reduction in the HCFC baseline consumption based on decision 74/50(c)(xii)	0	-5
Stage II of HPMPs in non-LVC countries with refrigeration servicing sector based on a maximum cost-effectiveness of US \$4.80/kg	-0.5	-0.68
Stage II of HPMPs in non-LVC countries with the foam sector based on a maximum cost-effectiveness of US \$7.00/kg ⁵	0	-11

12. Table 4 presents the results of the Secretariat's proposed adjustments to the UNIDO business plan for 2017-2019, which are also addressed in the context of the Consolidated business plan of the Multilateral Fund for 2017-2019⁶.

³ In line with decision 74/51(c), to approve all IS projects and renewals at a level 28 per cent higher than the historically agreed level, with a minimum level of IS funding of US \$42,500 per year.

⁴ UNIDO's 2017 core unit cost request has been submitted to the 77th meeting (UNEP/OzL.Pro/ExCom/77/33).

⁵ As agreed at the IACM.

⁶ UNEP/OzL.Pro/ExCom/77/20.

Table 4: Resource allocation in UNIDO's adjusted business plan for 2017-2019 (US \$000s)*

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Required for compliance						
Approved HPMPs	10,542	18,164	1,369	30,075	6,726	482
HCFC production PRP - stage I	107	0	0	107	0	0
HCFC production - stage I	0	533	533	1,065	533	0
HPMP stage I	0	693	0	693	132	0
HPMP stage I - additional funding	899	389	0	1,288	0	0
HPMP PRP - stage II	631	1,460	0	2,091	0	0
HPMP stage II	36,645	61,959	80,133	178,738	80,888	110,785
HPMP stage III	0	0	0	0	39,226	156,904
Standard activities						
IS	1,378	1,303	1,198	3,880	1,303	0
Core unit	2,069	2,084	2,098	6,252	2,113	0
Grand total	52,272	86,584	85,332	224,188	130,921	268,171

* Including agency support cost where applicable.

Performance indicators

13. UNIDO submitted performance indicators pursuant to decision 71/28 in its business plan narrative. After several discussions, UNIDO and the Secretariat agreed on the targets as shown in Table 5.

Table 5: Performance indicators for UNIDO

Type of indicator	Short title	Calculation	2017 target
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned*	36
Planning--Approval	Projects/activities approved	Number of projects/activities approved vs. those planned (including project preparation activities)**	13
Implementation	Funds disbursed	Based on estimated disbursement in progress report	US \$22,350,000
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	436.08 ODP tonnes
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	60
Administrative	Speed of financial completion	The extent to which projects are financially completed 12 months after project completion	12 months after operational completion
Administrative	Timely submission of project completion reports	Timely submission of project completion reports vs. those agreed	On time
Administrative	Timely submission of progress reports	Timely submission of progress reports and business plans and responses unless otherwise agreed	On time

* The target of an agency would be reduced if it could not submit a tranche owing to another cooperating or lead agency, if agreed by that agency.

** Project preparation should not be assessed if the Executive Committee has not taken a decision on its funding.

RECOMMENDATIONS

14. The Executive Committee may wish:
- (a) To note the UNIDO business plan for 2017-2019 contained in document UNEP/OzL.Pro/ExCom/77/24; and
 - (b) To approve the performance indicators for UNIDO as set out in Table 5 of document UNEP/OzL.Pro/ExCom/77/24.
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UNIDO
BUSINESS PLAN 2017



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

EXECUTIVE SUMMARY

The 2017 Business Plan of UNIDO together with the forecast for 2018 and 2019 represents the Rolling Business Plan of Montreal Protocol activities of the Organization. Funding estimates up to 2020 and beyond have also been provided. This provides useful information for Executive Committee members on the funding needed to reach the 2020 control measures for HCFCs.

UNIDO's Business Plan was prepared based on the previous rolling business plan, taking into consideration the approvals and experience of previous years, the requests received from Article 5 countries, priorities established and the decisions taken by the Executive Committee, in particular Decision 74/50, 74/18(b), 72/40, 74/21, 74/50 and 71/42. It also reflects the discussions held in Montreal during the Inter-Agency Coordination Meeting between 31 August and 1 September 2016. It is also largely inspired from the historical decision of the 19th Meeting of the Parties agreeing on the acceleration of the phase-out of HCFCs, and the relevant ExCom decisions on HPMPs and HCFC investment and demonstration projects. The countries' needs have been calculated based on approved HPMPs and based on reported HCFC Baseline consumption.

In 2017, UNIDO will submit for approval by the Executive Committee forward commitments amounting to USD 6.76 million. New activities are focusing mainly on HCFC phase-out and the renewal of institutional strengthening projects with a total value of USD 42 million (including Core Unit Funding). In addition, USD 738,000 is earmarked for the preparation of Stage II HPMPs in 2017. As listed in the business plan, about 89.8 % (USD 43.8million) of UNIDO's 2017 Business Plan is focusing on the phase out of HCFCs.

Decision 67/15 has maintained the administrative cost regime with the following modifications: For new projects with a value over USD 250,000 as well as for institutional strengthening and project preparation activities approved at the 67th Meeting of the Executive Committee and after are subject to 7% agency fee. Support cost for Agreements made before the 67th Meeting of the Executive Committee remained valid, except for the second and subsequent tranches of HPMPs approved at the 66th Meeting of the Executive Committee, where the 7.5% agency fee has been reduced to 7 % in line with Decision 72/20. For new projects with a value at or below USD 250,000, an agency fee of 9 % is provided. Furthermore, for Core Unit Funding an annual increase of maximum 0.7% is allowed for the current triennium. For this reason and in line with the Fund Secretariat's recommendation, Core Unit Costs for the years 2017-2020 have been budgeted based on a maximum 0.7 % increase. Thus, USD 2,069,385 has been allocated in the 2017 Business Plan for the Core Unit for the year 2018.

The total amount foreseen in UNIDO's 2017 Business Plan, including forward commitments, new investment, non-investment activities, project preparation and funding of core unit is USD 48,773,352 including support costs and with an impact of 553 ODP tonnes.

USD 86,239,013 worth of projects are earmarked for 2018 with an impact of 1,065 ODP tonnes, while for 2019 USD 85,707,555 with an impact of 784 tonnes of ODP tonnes are forecasted.

A. MULTILATERAL FUND TARGETS

1. CONTEXT

UNIDO prepared its business plan for 2016 to 2018 based on ExCom Decisions 74/50, 74/18(b), 72/40, 74/21, 74/50 and 71/42 as well as the Government requests received from Article 5 countries. An inter-agency coordination meeting was held between 31 August and 1 September 2016 in Montreal, Canada. Considering the draft business plans submitted by all implementing and bilateral agencies and the compliance-oriented model, the Secretariat identified the countries that are in need of assistance in order to comply with the various phase-out schedules, for which no activities were included in the business plans of implementing agencies and pointed out cases where a duplication of activities occurred among the various implementing agencies. The countries' needs have been calculated for most countries based on the actual HCFC baseline data as well as based on approved HPMP Agreements.

The Business Plan is also largely inspired from the historical decision of the 19th Meeting of the Parties agreeing on the acceleration of the phase-out of HCFCs, and the Decision 74/50 on the draft criteria for funding HCFC phase-out in the consumption sector for Stage II of HCFC Phase-Out Management Plans and other relevant ExCom decisions on HPMPs and HCFC investment and demonstration projects.

As agreed with the Secretariat, activities which were part of UNIDO's 2016 business plan, but could not be submitted either to the 76th or to the 77th Meeting of the Executive Committee, are reflected in the present business plan. Furthermore, any projects submitted to, but not approved at the 77th Meeting should be added afterwards to the 2017 Business Plan.

During the 2017-2019 business cycle, UNIDO also foresees the implementation of trust fund projects (e.g. Iran, Mexico, Morocco, South Africa and Tunisia) and continued strong cooperation with donor countries, particularly with Italy and Spain.

2. RESOURCE ALLOCATION

In 2017, UNIDO is planning to submit USD 46.7 million worth of projects, the majority of which is focused on phase-out of HCFCs, plus core unit funding in the value of about USD 2 million.

HCFC phase-out activities form large part of UNIDO's 2017 Business Plan. Most HPMPs for non-LVCs include investment projects for the conversion of manufacturing enterprises to HCFC-free alternatives taking into consideration new technological developments to ensure sustainable conversion of HCFC-based manufacturing enterprises.

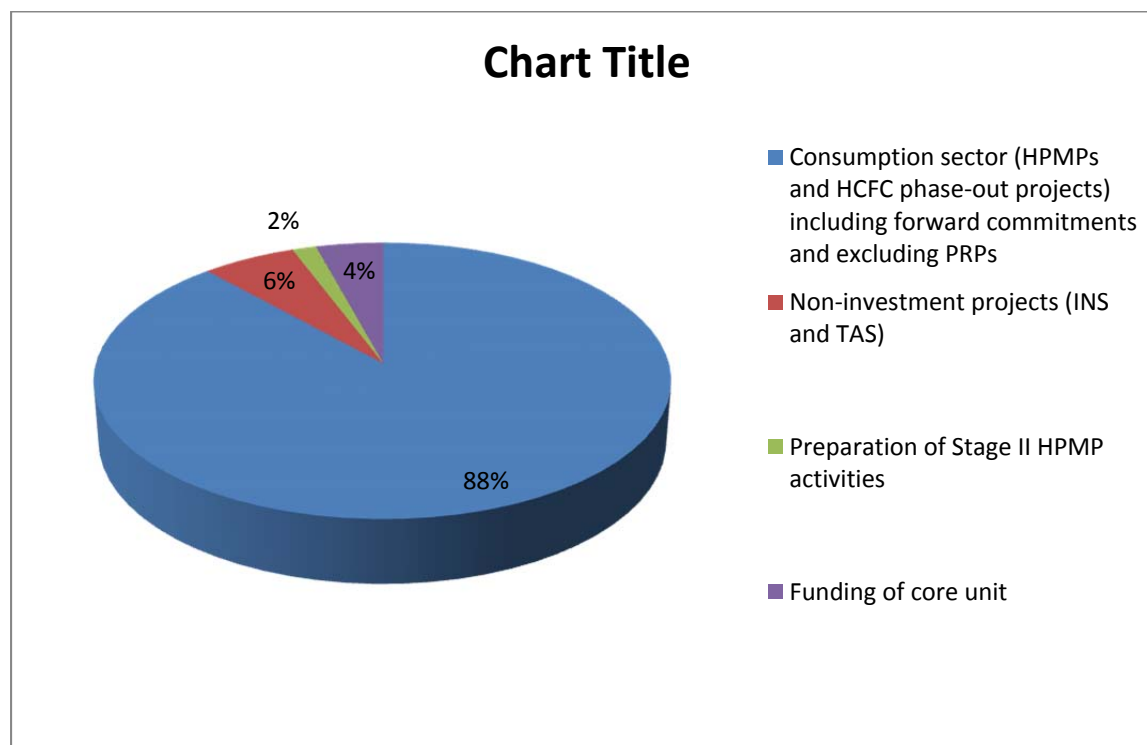
In line with earlier discussions, funding requests for the preparation of Stage II HPMPs should be submitted 2 years before the last tranche of Stage I. However, there are exceptions, in particular in non-LVC countries with extended commitments, whereby no funding is scheduled between 2015 and 2017 or 2018. In such cases, project preparation is required 1 or 2 years before the penultimate tranche of Stage I. UNIDO made careful consideration of each country to ensure smooth implementation, without interruptions between Stage I and Stage II activities.

Furthermore, renewal of institutional strengthening projects also form part of UNIDO's 2017-2019 Business Plan.

The total budget for 2017 for the above activities is USD 46,703,968 plus USD 2,069,385 core unit funding for UNIDO. Table 1 below summarizes the resource allocation of UNIDO's 2016 Business Plan.

Table 2: Resource allocation

Pos.	Type/sector	Value (\$ 000) (incl. support cost)	Share of Business Plan allocation (%)
(a)	Consumption sector (HPMPs and HCFC phase-out projects) including forward commitments and excluding PRPs	43,074	88.3
(b)	Non-investment projects (INS and TAS)	2,892	5.9
(c)	Preparation of Stage II HPMP activities	738	1.5
(d)	Funding of core unit	2,069	4.24
	Total	48,773	100%

Resource Allocation as per Table 1

The details of the 2017-2019 rolling Business Plan are spelled out in the Business Plan Database.

3. GENERAL OVERVIEW ON ASSISTANCE TO COUNTRIES IN NON-COMPLIANCE

In UNIDO's portfolio, there is currently no country being in non-compliance with the HCFC phase-out schedule. UNIDO has been providing continuous assistance to countries that had been in non-compliance in previous years (Bosnia and Herzegovina, Democratic People's Republic of Korea, Guatemala, Libya and Ecuador).

All activities presented in UNIDO's business plan aim at providing assistance to A5 countries to comply with their obligations towards the Montreal Protocol. Should there be any countries in non-compliance under UNIDO's responsibility, UNIDO will work closely with the countries concerned to bring them back to compliance and will assist them to report the required data to the Ozone Secretariat.

4. PROGRAMME EXPANSION

In the years 2017 to 2019 UNIDO aims to enhance its assistance to Article 5 countries by strengthening its project portfolio through the implementation of HCFC phase-out management plans and HCFC phase-out investment projects.

UNIDO continues providing support with Stage II HPMPs to all the countries assisted during Stage I. Furthermore, Stage II HPMP of Sao Tome is added to UNIDO's portfolio.

The main objective of this Business Plan is to assist Article 5 countries in meeting their obligations under the Montreal Protocol, in particular the 35% reduction target in 2020 for HCFCs. However, in some cases UNIDO in agreement with the beneficiary countries has set more ambitious objectives and targets 67.5% reduction.

The analysis of the activities of UNIDO's Business Plan reveals that the major share of UNIDO's MP project portfolio consists of HPMPs including HCFC investment activities in different sub-sectors.

In 2017, UNIDO will continue to cover all regions (Latin America and the Caribbean, Africa, Asia and Pacific, Europe) with planned activities in various sectors and countries (including project preparation and non-investment activities).

The following section summarizes the activities contained in UNIDO's 2017 Business Plan sorted by region.

Africa

In Africa, funding requests for nine countries, with a total value of USD 4,310,528 will be submitted in 2017. The main concentration will be in HPMPs, as well as preparatory assistance projects for HPMP Stage II. UNIDO is cooperating with UNEP on several HPMPs in African countries.

Asia

In Asia requests for funding for nine countries with a value of USD 38,099,461 will be submitted in 2017. This represents about 78.1 % of the total Business Plan for 2017. The main concentration will be in HPMPs, HCFC investment projects, as well as preparatory assistance projects for HPMP Stage II.

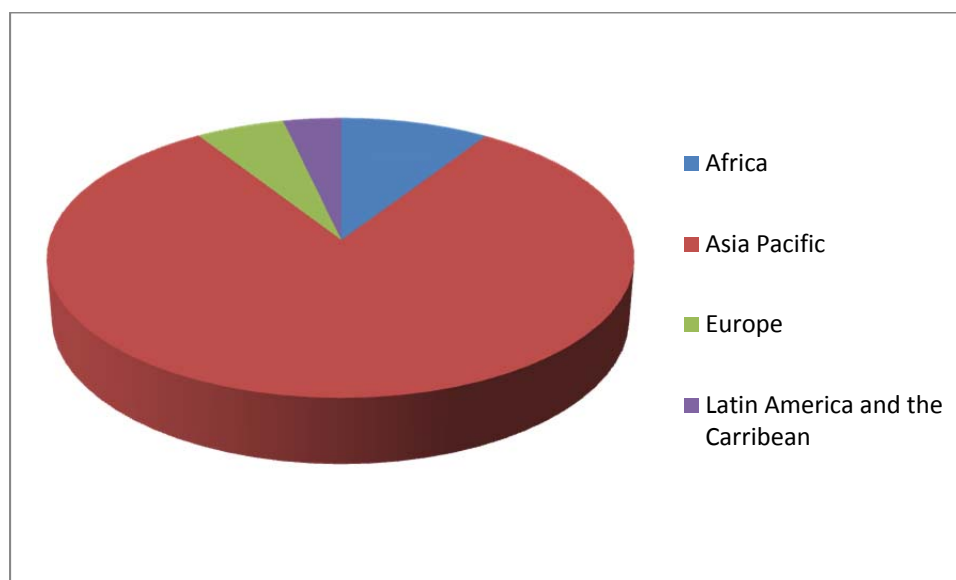
Europe

In Europe, requests for four countries with a value of USD 2,573,309 will be submitted in 2017, three targeting the phase-out of HCFCs and three institutional strengthening.

Latin America and the Caribbean

In Latin America and the Caribbean Region, requests for two countries, with a value of USD 1,683,000 will be submitted in 2017. The main concentration will be in HPMPs, including Stage I and Stage II activities as well.

UNIDO's 2017 Business Plan by Region



PERFORMANCE INDICATORS

The 71st Meeting of the Executive Committee has reviewed the performance indicators. The new weightings, based on Decision 71/28, are indicated in the below table.

Type of Indicator	Short title	Calculation	Weighting	Target 2017
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned	10	23
Planning--Approval	Projects/activities Approved	Number of projects/activities approved vs. those planned (including project preparation activities)	10	12

Type of Indicator	Short title	Calculation	Weighting	Target 2017
	Sub-total		20	
Implementation	Funds disbursed	Based on estimated disbursement in progress report	15	USD 25.5 million
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	25	ODPt
Implementation	Project completion for Activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	20	47
	Sub-total		60	
Administrative	Speed of financial completion	The extent to which projects are financially completed 12 months after project completion	10	12 months after operational completion
Administrative	Timely submission of project completion reports	Timely submission of project completion reports vs. those agreed	5	On time
Administrative	Timely submission of progress reports	Timely submission of progress reports and business plans and responses unless otherwise agreed	5	On time
	Sub-total		20	
	Total		100	

Based on Decision 71/28, the performance indicator on milestone activities for MYAs was changed as listed now in the above table.

INITIATIVES TO ENSURE COMPLIANCE

Successful and timely implementation of ongoing activities is essential for the current compliance period.

Special attention is provided to countries that may previously have been in non-compliance and that have decisions outlining plans of actions with time-specific benchmarks for return to compliance.

UNIDO has continued to provide supportive initiatives in order to ensure timely project completion of projects approved so far, and to facilitate compliance of the recipient countries with their MP obligations, which supported successful project implementation:

- Regular follow up of the implementation process is being done by the staff of the ozone office together with UNIDO's national and international consultants and project managers. This ensures that effective actions on critical issues such as resolving bottlenecks in site preparation, customs clearance, installation, commissioning and safety certification, monitoring of CFC-related equipment are taken.
- UNIDO is frequently attending Regional Network Meetings and respective workshops providing additional support to our counterpart countries.
- Communication and interaction between regional and country offices about the implementation process has ensured the smooth flow of project plans. As in previous years, directors of UNIDO regional and country offices are regularly briefed at UNIDO HQs on ongoing and possible future activities. They are involved in the implementation process and are following up the progress of the programmes. In turn, the representatives brief headquarter staff working in a specific country on the regular activities in the field and problems faced, if any.
- UNIDO also provides, when requested, support such as policy assistance, putting in place relevant legislation etc. Additionally, UNIDO project managers are visiting the project site, if definitely required.
- Based on recommendation of the Implementation Committee, additional assistance will be offered to the countries with delays in reporting of its ozone-depleting substance data