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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eightieth Meeting
Montreal, 13-17 November 2017

UNIDO BUSINESS PLAN FOR 2018-2020

1. This document presents the UNIDO business plan for 2018-2020¹ and includes: the planned activities for the phase-out of ozone-depleting substances (ODS) during the 2018-2020 period; the business plan performance indicators; and recommendations for consideration by the Executive Committee. The narrative of UNIDO's business plan for 2018-2020 is attached to the present document.

Planned activities during 2018-2020

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 2018-2020 as submitted (US \$000s)*

	2018	2019	2020	Total (2018-2020)	Total after 2020
Required for compliance					
Approved HCFC phase-out management plans (HPMPs)	48,475	32,757	34,686	115,918	92,469
HCFC production project preparation (PRP) - stage I	0	107	0	107	0
HCFC production - stage I	0	0	533	533	1,065
HPMP stage I	0	693	0	693	500
HPMP stage I - additional funding	389	899	0	1,288	0
HPMP PRP - stage II	1,294	620	91	2,005	86
HPMP stage II	366	10,844	15,769	26,978	55,092
HPMP stage III	0	0	0	0	196,130
Required for compliance subtotal	50,523	45,919	51,079	147,522	345,342
HFC activities					
HFC - enabling activities	954	0	0	954	0
HFC - investment	3,776	1,819	0	5,595	0

¹ A draft business plan for 2018-2020 of UNIDO was discussed at the Inter-agency coordination meeting (IACM) held in Montreal from 5 to 7 September 2017. The business plan contained in this document has addressed the issues raised at the meeting.

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	2018	2019	2020	Total (2018-2020)	Total after 2020
HFC - investment - PRP	32	0	0	32	0
HFC activities subtotal	4,762	1,819	0	6,581	0
Standard activities					
Institutional strengthening (IS)	1,002	1,838	663	3,504	0
Core unit	2,084	2,098	2,113	6,295	0
Standard activities subtotal	3,086	3,937	2,777	9,799	0
Grand total	58,371	51,675	53,856	163,902	345,342

* Including agency support cost where applicable.

3. Additional information on some of the proposed activities is provided below.

HCFC production – stage I

4. A total of US \$1.7 million (including US \$107,000 for project preparation activities in 2018) is included for stage I of the HCFC production phase-out management plan (HPPMP) in the Democratic People's Republic of Korea.

HPMP stage I

5. A total of US \$1.2 million, of which US \$692,600 is for the period of 2018 to 2020, is included in UNIDO's business plan for Syrian Arab Republic². However, its stage I of HPMP has not yet been approved and it has not been submitted to the 80th meeting.

6. 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 2018 to 2020. These requests fall under different decisions of the Executive Committee that allow these countries to submit additional projects during the implementation of stage I.

HPMP stage II

7. The total levels of funding for stage II of HPMPs in low-volume-consuming (LVC) countries to reach a 35 per cent reduction in HCFC baseline consumption amount to US \$63,996 for the period of 2018 to 2020, and to US \$6.37 million (including US \$2.3 million for the period of 2018 to 2020) to reach a 67.5 per cent reduction.

8. The funding distribution of stage II of HPMPs for non-LVC countries by sector is provided in Table 2.

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

Sector	2018-2020	After 2020	Total	Per cent of total (%)
Rigid foam	3,328	229	3,557	4.7
Refrigeration air-conditioning	2,831	396	3,227	4.3
Refrigeration assembly	467	467	934	1.2
Refrigeration manufacturing	5,513	31,678	37,191	49.2
Refrigeration servicing	12,453	18,275	30,728	40.6
Total	24,593	51,044	75,637	100.0

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.

HFC-related activities

9. HFC activities include enabling activities (US \$953,750 in 2018 for Argentina, the Democratic Republic of the Congo, Grenada, Libya, the Niger and Uganda); and investment activities (US \$5.6 million (including US \$32,100 for project preparation) in 2018 for China, Ecuador, Lebanon, Mexico, Morocco and Viet Nam).

10. One of the pre-requisites for including an HFC activity in a business plan is a letter of intention/endorsement from the government concerned. UNIDO has submitted all the required letters for these activities.

Core unit costs

11. The core unit costs³ are expected to increase at an annual rate of 0.7 per cent that has been agreed to-date.

Proposed adjustments by the Secretariat

12. 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 2018-2020, the Secretariat noted that the following adjustments were not included:

Table 3: Adjustments to the UNIDO business plan for 2018-2020 (US \$000)

Adjustment	2018-2020	After 2020
HPMP values to reflect the actual amounts approved under the agreements including tranches of HPMPs that were not submitted to the 80 th meeting	-1,465	-465
Institutional strengthening values to reflect actual submission date	94	0
Project preparation for stage II of HPMPs pursuant to decision 71/42	-0.1	0
HFC enabling activities as per decision 79/46(c)	-9	0

13. Table 4 presents the results of the Secretariat's proposed adjustments to the UNIDO business plan for 2018-2020, which are also addressed in the context of the Consolidated business plan of the Multilateral Fund for 2018-2020.⁴

Table 4: Resource allocation in UNIDO's adjusted business plan for 2018-2020 (US \$000s)*

	2018	2019	2020	Total (2018-2020)	Total after 2020
Required for compliance					
Approved HPMPs	48,796	32,694	32,963	114,453	92,004
HCFC production PRP - stage I	0	107	0	107	0
HCFC production - stage I	0	0	533	533	1,065
HPMP stage I	0	693	0	693	500
HPMP stage I - additional funding	389	899	0	1,288	0
HPMP PRP - stage II	1,294	620	91	2,005	86
HPMP stage II	366	10,844	15,769	26,978	55,092
HPMP stage III	0	0	0	0	196,130
Required for compliance subtotal	50,844	45,857	49,356	146,057	344,876
HFC activities					
HFC - enabling activities	945	0	0	945	0
HFC - investment	3,776	1,819	0	5,595	0

³ UNIDO's 2018 core unit cost request has been submitted to the 80th meeting (UNEP/OzL.Pro/ExCom/80/29).

⁴ UNEP/OzL.Pro/ExCom/80/16.

	2018	2019	2020	Total (2018-2020)	Total after 2020
HFC - investment - PRP	32	0	0	32	0
HFC activities subtotal	4,753	1,819	0	6,572	0
Standard activities					
IS	1,096	1,406	1,096	3,598	0
Core unit	2,084	2,098	2,113	6,295	0
Standard activities subtotal	3,180	3,504	3,209	9,893	0
Grand total	58,776	51,180	52,565	162,521	344,876

* Including agency support cost where applicable.

Performance indicators

14. 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	2018 target
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned*	40
Planning--Approval	Projects/activities approved	Number of projects/activities approved vs. those planned (including project preparation activities)**	52
Implementation	Funds disbursed	Based on estimated disbursement in progress report	US \$25,351,715
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	870.0 ODP tonnes
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	57
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

15. The Executive Committee may wish:

- (a) To note the UNIDO business plan for 2018-2020 contained in document UNEP/OzL.Pro/ExCom/80/20; and
- (b) To approve the performance indicators for UNIDO as set out in Table 5 of document UNEP/OzL.Pro/ExCom/80/20.

UNIDO
BUSINESS PLAN 2018



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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.

EXECUTIVE SUMMARY

The 2018 Business Plan of UNIDO together with the forecast for 2019 and 2020 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 79/46, 78/3(g), 77/27(c), 75/3(b)(i), 74/50, 74/18(b), 72/40, 74/21, 74/50(c), 71/18, 71/42 and 57/6(c). It also reflects the discussions held in Montreal during the Inter-Agency Coordination Meeting from 5 to 7 September 2017. 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, HCFC investment, demonstration projects and enabling activities to facilitate the early ratification of the Kigali Amendment. The countries' needs have been calculated based on approved HPMPs and based on reported HCFC Baseline consumption.

In 2018, UNIDO will submit for approval by the Executive Committee forward commitments amounting to USD 48.5 million. New activities are focusing mainly on HCFC phase-out, demonstration projects, enabling activities and the renewal of institutional strengthening projects with a total value of USD almost 8.6 million (including Core Unit Funding). In addition, USD 1,293,900 is earmarked for the preparation of Stage II HPMPs in 2018. As listed in the business plan, about 86 % (USD 50.5 million) of UNIDO's 2018 Business Plan is focusing on the phase out of HCFCs.

Decision 79/41 has maintained the administrative cost regime adopted by Decisions 67/15, namely 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 2018-2020 have been budgeted based on a maximum 0.7 % increase. Thus, USD 2,083,870 has been allocated in the 2018 Business Plan for the Core Unit for the year 2018.

The total amount foreseen in UNIDO's 2018 Business Plan, including forward commitments, new investment, non-investment activities, project preparation and funding of core unit is USD 58,371,062 including support costs and with an impact of 881 ODP tonnes.

USD 61,674,868 worth of projects are earmarked for 2019 with an impact of 724 ODP tonnes, while for 2020 USD 53,855,635 with an impact of 801 ODP tonnes are forecasted.

A. MULTILATERAL FUND TARGETS

1. CONTEXT

UNIDO prepared its business plan for 2018 to 2020 based on ExCom Decisions 79/46, 78/3(g), 77/27(c), 75/3(b)(i), 74/50, 74/18(b), 72/40, 74/21, 74/50(c), 71/18, 71/42 and 57/6(c). as well as the Government requests received from Article 5 countries. An inter-agency coordination meeting was held between 5 and 7 September 2017 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. In addition, the Kigali Amendment of the Montreal Protocol and related ExCom decisions also had an important impact on UNIDO's planning.

As agreed with the Secretariat, activities which were part of UNIDO's 2017 business plan, but could not be submitted either to the 79th or to the 80th Meeting of the Executive Committee, are reflected in the present business plan. Furthermore, any projects submitted to, but not approved at the 80th Meeting should be added afterwards to the 2018 Business Plan.

During the 2018-2020 business plan cycle, UNIDO also foresees the implementation of trust fund projects (e.g. Argentina, China, Libya, Mexico) and continued strong cooperation with donor countries, particularly with Italy and Spain.

2. RESOURCE ALLOCATION

In 2018, UNIDO is planning to submit USD 56.3 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 2.08 million.

HCFC phase-out activities form large part of UNIDO's 2018 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 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.

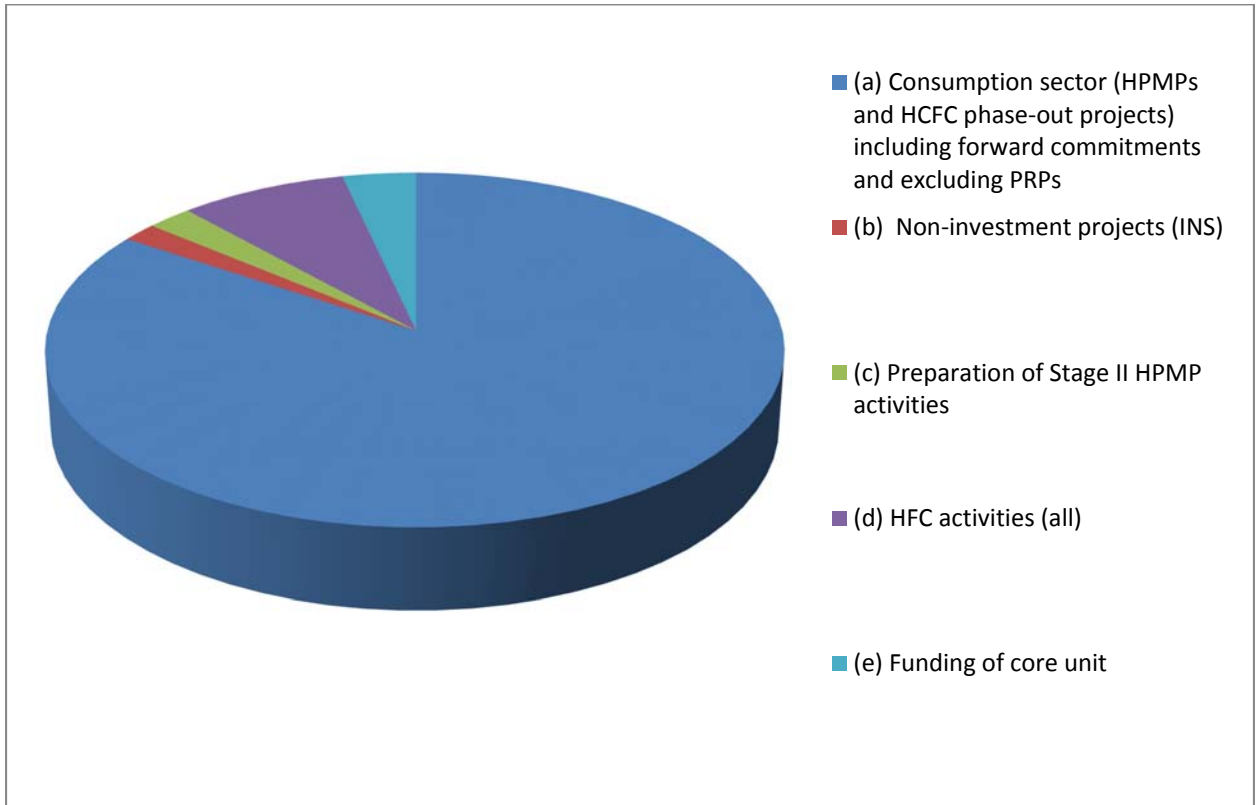
Furthermore, renewal of institutional strengthening projects also form part of UNIDO's 2018-2020 Business Plan.

The total budget for 2018 for the above activities is USD 56,287,192 plus USD 2,083,870 core unit funding for UNIDO. Table 1 below summarizes the resource allocation of UNIDO's 2018 Business Plan.

Table 1: Resource allocation

Pos.	Type/sector	Value (\$) Incl. support costs	Share of Business Plan allocation (%)
(a)	Consumption sector (HPMPs and HCFC phase-out projects) including forward commitments and excluding PRPs	49,229,599	84.3
(b)	Non-investment projects (INS)	1,002,080	1.7
(c)	Preparation of Stage II HPMP activities	1,293,900	2.2
(d)	HFC activities (all)	4,761,613	8.2
(e)	Funding of core unit	2,083,870	3.6
	Total	58,371,062	100

Resource Allocation as per Table 1



The details of the 2018-2020 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 (Democratic People's Republic of Korea and Libya).

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 2018 to 2020 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.

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 2018, 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 2018 Business Plan sorted by region.

Africa

In Africa, funding requests for nine countries, with a total value of USD 5,006,836 will be submitted in 2018. 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. Furthermore, enabling activities and institutional strengthening requests will also be submitted

Asia

In Asia requests for funding for nine countries with a value of USD 35,285,585 will be submitted in 2018. This represents about 60.6 % of the total Business Plan for 2018. The main concentration will be in HPMPs, HCFC investment projects, demonstration projects, as well as preparatory assistance projects for HPMP Stage II.

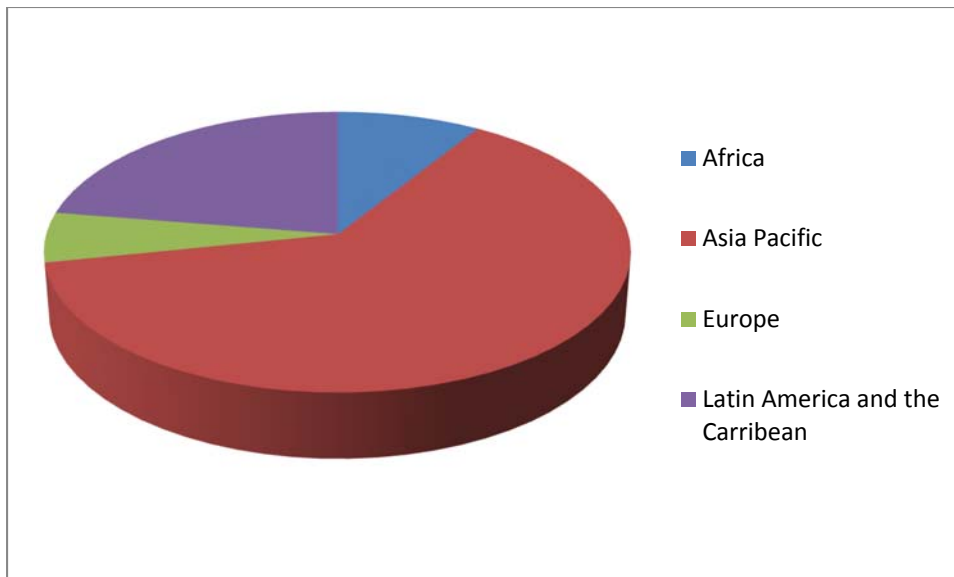
Europe

In Europe, requests for eight countries with a value of USD 3,168,197 will be submitted in 2018, targeting the phase-out of HCFCs and institutional strengthening.

Latin America and the Caribbean

In Latin America and the Caribbean Region, requests for two countries, with a value of USD 12,615,624 will be submitted in 2018. The main concentration will be in HPMPs, including Stage I and Stage II activities, demonstration projects and enabling activities.

UNIDO's 2018 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 2018
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned	10	25
Planning--Approval	Projects/activities Approved	Number of projects/activities approved vs. those planned (including project preparation activities)	10	35
	Sub-total		20	
Implementation	Funds disbursed	Based on estimated disbursement in progress report	15	USD 25.3 million
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	25	600 ODPt
Implementation	Project completion for Activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	20	50
	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	5	On time

Type of Indicator	Short title	Calculation	Weighting	Target 2018
		business plans and responses unless otherwise agreed		
	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