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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-second Meeting
Montreal, 3-7 December 2018

UNIDO BUSINESS PLAN FOR 2019–2021

1. This document presents the UNIDO business plan for 2019–2021¹ and includes: the planned activities for the phase-out of controlled substances under the Montreal Protocol (controlled substances) during the 2019–2021 period; the business plan performance indicators; and a recommendation for consideration by the Executive Committee. The narrative of UNIDO’s business plan for 2019–2021 is attached to the present document.

Planned activities during 2019–2021

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 2019–2021 as submitted (US \$000s)*

	2019	2020	2021	Total (2019–2021)	Total after 2021
Required for compliance					
Approved HCFC phase-out management plans (HPMPs)	42,300	36,758	40,825	119,883	74,190
HPMP stage I	0	354	0	354	500
HPMP stage I - additional funding	0	459	0	459	0
HPMP project preparation (PRP) – stage II	712	417	86	1,215	0
HPMP stage II	193	8,944	2,273	11,409	52,842
HPMP PRP - stage III	96	0	161	257	0
HPMP stage III	0	5,062	0	5,062	221,565
Required for compliance subtotal	43,301	51,994	43,344	138,639	349,096
HFC activities					
HFC - investment	13,012	0	0	13,012	0

¹ A draft business plan for 2019–2021 of UNIDO was discussed at the Inter-agency coordination meeting (IACM) held in Montreal from 4 to 6 September 2018. 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.

	2019	2020	2021	Total (2019–2021)	Total after 2021
HFC - investment - PRP	150	0	0	150	0
HFC activities subtotal	13,162	0	0	13,162	0
Standard activities					
Institutional strengthening (IS)	1,406	1,464	1,406	4,277	0
Core unit	2,098	2,113	2,128	6,340	0
Standard activities subtotal	3,505	3,578	3,534	10,616	0
Grand total	59,968	55,572	46,878	162,418	349,096

* Including agency support cost where applicable.

Secretariat's comments on activities required for compliance

Stage I of HPMPs

3. A total of US \$853,978, of which US \$353,978 is for 2019–2021, 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 82nd meeting.

4. UNIDO's business plan includes additional project outside its stage I of HPMP for Bahrain amounting to US \$459,364 for 2019–2021. This request falls under different decisions of the Executive Committee that allow the country to submit additional projects during the implementation of stage I.

Stage II of HPMPs

5. The total levels of funding for stage II of HPMPs in low-volume-consuming (LVC) countries to meet a 35 per cent reduction of the HCFC baseline amount to US \$63,996 for 2019–2021, and to US \$6.79 million (including US \$2.61 million for 2019–2021) to meet a 67.5 per cent reduction.

6. 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	2019–2021	After 2021	Total	Per cent of total (%)
Rigid foam	1,092	514	1,606	2.8
Refrigeration air-conditioning	853	0	853	1.5
Refrigeration assembly	178	467	645	1.1
Refrigeration manufacturing	1,303	30,413	31,716	55.3
Refrigeration servicing	5,310	17,265	22,575	39.3
Total	8,736	48,659	57,395	100.0

HFC-related activities

7. HFC activities include investment activities amounting to US \$13.01 million in 2019 for four countries (Argentina, Brazil, China and Islamic Republic of Iran) and preparation projects for two countries (the Democratic People's Republic of Korea and Mexico) amounting to US \$149,800 in 2019. All of these activities, with the exception of the Democratic People's Republic of Korea, were submitted with the required letter from the government concerned indicating its intent to make best efforts to ratify the Kigali Amendment as early as possible, if it has not done so, in line with decision 79/46(d)(i). However, projects

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.

related to the Democratic People's Republic of Korea have been removed from the 2019–2021 business plan pursuant to decision 80/34(c)(iii)b.

Core unit costs

8. The core unit costs³ are expected to increase at an annual rate of 0.7 per cent as agreed.

Proposed adjustments by the Secretariat

9. 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 2019–2021, the Secretariat noted that the following adjustments were not included:

Table 3: Adjustments to the UNIDO business plan for 2019–2021 (US \$000)

Adjustment	2019–2021	After 2021
HPMP values to reflect the actual amounts approved under the agreements including tranches of HPMPs that were not submitted to the 82 nd meeting	687	210
IS pursuant to decision 74/51(c)	3	0
PRP for stage II of HPMPs pursuant to decision 71/42	(268)	0
Stage III of HPMPs and PRP pursuant to decision 80/34(c)(iii)a.	(5,319)	(221,565)
Activities related to the Democratic People's Republic of Korea pursuant to decision 80/34(c)(iii)b. (stage I of HPMP, stage II of HPMP and PRP, HFC investment and IS)	(193)	(1,751)
HFC investment PRP	(43)	0

10. Table 4 presents the results of the Secretariat's proposed adjustments to the UNIDO business plan for 2019–2021, which are also addressed in the context of the Consolidated business plan of the Multilateral Fund for 2019–2021.⁴

Table 4: Resource allocation in UNIDO's adjusted business plan for 2019–2021 (US \$000s)*

	2019	2020	2021	Total (2019–2021)	Total after 2021
Required for compliance					
Approved HPMPs	43,929	36,621	39,977	120,528	74,400
HPMP stage I	0	354	0	354	500
HPMP stage I - additional funding	0	459	0	459	
HPMP PRP - stage II	444	342	86	872	
HPMP stage II	193	8,944	2,273	11,409	51,091
HPMP PRP - stage III	0	0	0	0	
HPMP stage III	0	0	0	0	
Required for compliance subtotal	44,566	46,721	42,335	133,622	125,990
HFC activities					
HFC - investment	13,012	0	0	13,012	0
HFC - investment - PRP	32	0	0	32	0
HFC activities subtotal	13,045	0	0	13,045	0
Standard activities					
IS	1,406	1,467	1,406	4,280	0
Core unit	2,098	2,113	2,128	6,340	0
Standard activities subtotal	3,505	3,580	3,534	10,619	0
Grand total	61,115	50,301	45,870	157,286	125,990

* Including agency support costs where applicable.

³ UNIDO's 2019 core unit cost request has been submitted to the 82nd meeting (UNEP/OzL.Pro/ExCom/82/38).

⁴ UNEP/OzL.Pro/ExCom/82/25.

Performance indicators

11. UNIDO submitted performance indicators pursuant to decision 71/28 in its business plan narrative. The Secretariat informed UNIDO of the targets shown in Table 5.

Table 5: Performance indicators for UNIDO for 2019

Type of indicator	Short title	Calculation	2019 target
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned*	23
Planning--Approval	Projects/activities approved	Number of projects/activities approved vs. those planned (including project preparation activities)**	28
Implementation	Funds disbursed	Based on estimated disbursement in progress report	US \$23,573,657
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	651.7 ODP tonnes
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	48
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	32
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.

RECOMMENDATION

12. The Executive Committee may wish:

- (a) To note the UNIDO business plan for 2019–2021 contained in document UNEP/OzL.Pro/ExCom/82/29; and
- (b) To approve the performance indicators for UNIDO as set out in Table 5 of document UNEP/OzL.Pro/ExCom/82/29.



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

**UNIDO
BUSINESS PLAN 2019**

EXECUTIVE SUMMARY

The 2019 Business Plan of UNIDO together with the forecast for 2020 and 2021 represents the Rolling Business Plan of Montreal Protocol activities of the Organization. Funding estimates up to 2021 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 81/31, 81/53, 79/45, 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 4 to 6 September 2018. 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 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 2019, UNIDO will submit for approval by the Executive Committee forward commitments amounting to USD 42.3 million. New activities are focusing mainly on preparation for HCFC phase-out plans, the renewal of institutional strengthening projects that amount to USD 4.5 million. In addition in 2019 UNIDO is planning to submit new activities for HFC Phase-down amounting to USD 13 million. As listed in the business plan, about 72 % (USD 43.3 million) of UNIDO's 2019 Business Plan is focusing on the phase out of HCFCs without accounting for the institutional strengthening projects.

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 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, the agency fee of 9 % was maintained. 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 2019-2021 have been budgeted based on a maximum 0.7 % increase. Thus, USD 2,098,457 has been allocated in the 2019 Business Plan for the Core Unit for the year 2020.

The total amount foreseen in UNIDO's 2019 Business Plan, including forward commitments, new investment, non-investment activities, project preparation and funding of

core unit is USD 46,805,927 including support costs and with an impact of 706 ODP tonnes for HCFC Phase-out activities plus USD 13,162,284 for HFC Phase-down activities with an estimated impact of 525 MT.

USD 55,571,910 worth of projects are earmarked for 2020 with an impact of 975 ODP tonnes, while for 2021 USD 46,877,804 with an impact of 713 ODP tonnes are forecasted for HCFC Phase-out activities.

1. CONTEXT

UNIDO prepared its business plan for 2019 to 2021 based on ExCom Decisions 57/6(c), 71/18, 71/42, 72/40, 74/50, 74/18(b), 74/21, 74/50(c), 75/3(b)(i), 77/27(c), 78/3(g), 79/45, 81/31, 81/53 as well as the Government requests received from Article 5 countries. An inter-agency coordination meeting was held between 4 and 6 September 2018 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 2018 business plan, but could not be submitted either to the 81st or to the 82nd Meeting of the Executive Committee, are reflected in the present business plan. Furthermore, any projects submitted to, but not approved at the 82nd Meeting should be added afterwards to the 2019 Business Plan.

2. RESOURCE ALLOCATION

In 2019, UNIDO is planning to submit USD 57 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 2.098 million.

HCFC phase-out activities form large part of UNIDO's 2019 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 2016 and 2019. 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.

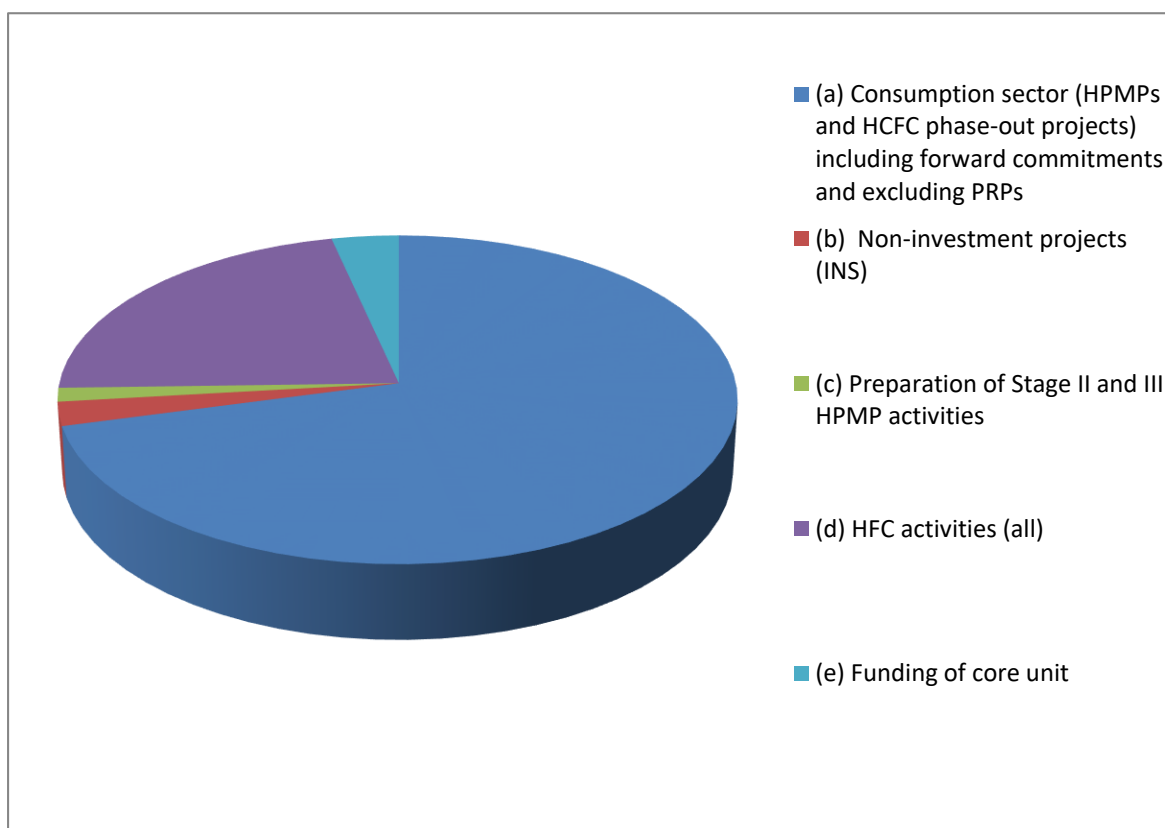
Furthermore, renewal of institutional strengthening projects also form part of UNIDO's 2019-2021 Business Plan. Estimates for funding needs for institutional strengthening projects have provided in 2020 for those countries (Macedonia, Montenegro and Turkmenistan), which have institutional strengthening projects incorporated in their ongoing HPMP.

In addition in 2019 UNIDO is planning to submit new activities for HFC Phase-down to facilitate early ratification of Kigali amendment and initial actions towards the phase down of HFC.

The total budget for 2019 for the above activities is USD 59,968,211 including USD 2,098,457 core unit funding for UNIDO. Table 1 below summarizes the resource allocation of UNIDO's 2019 Business Plan.

Table 1: Resource allocation

Pos.	Type/sector	Value (\$)	Share of Business Plan allocation (%)
		Incl. support costs	
(a)	Consumption sector (HPMPs and HCFC phase-out projects) including forward commitments and excluding PRPs	42,492,617	71%
(b)	Non-investment projects (INS)	1,406,203	2%
(c)	Preparation of Stage II and III HPMP activities	808,650	1%
(d)	HFC activities (all)	13,162,284	22%
(e)	Funding of core unit	2,098,457	4%
	Total	59,968,211	100

Resource Allocation as per Table 1

The details of the 2019-2021 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.

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 2019 to 2021 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 2019, 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) including new activities for HFC phase-down.

Africa

In Africa, funding requests for seventeen countries, with a total value of USD 3,127,249 will be submitted in 2019. 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 and the Pacific

In Asia requests for funding for eight countries with a value of USD 39,098,319 will be submitted in 2019. This represents about 68 % of the total Business Plan for 2019 excluding Core Unit funding. The main concentration will be in HPMPs, HCFC investment projects, as well as preparatory assistance projects for HPMP Stage II. The plan includes two investment project and one preparatory assistance for HFC related activities.

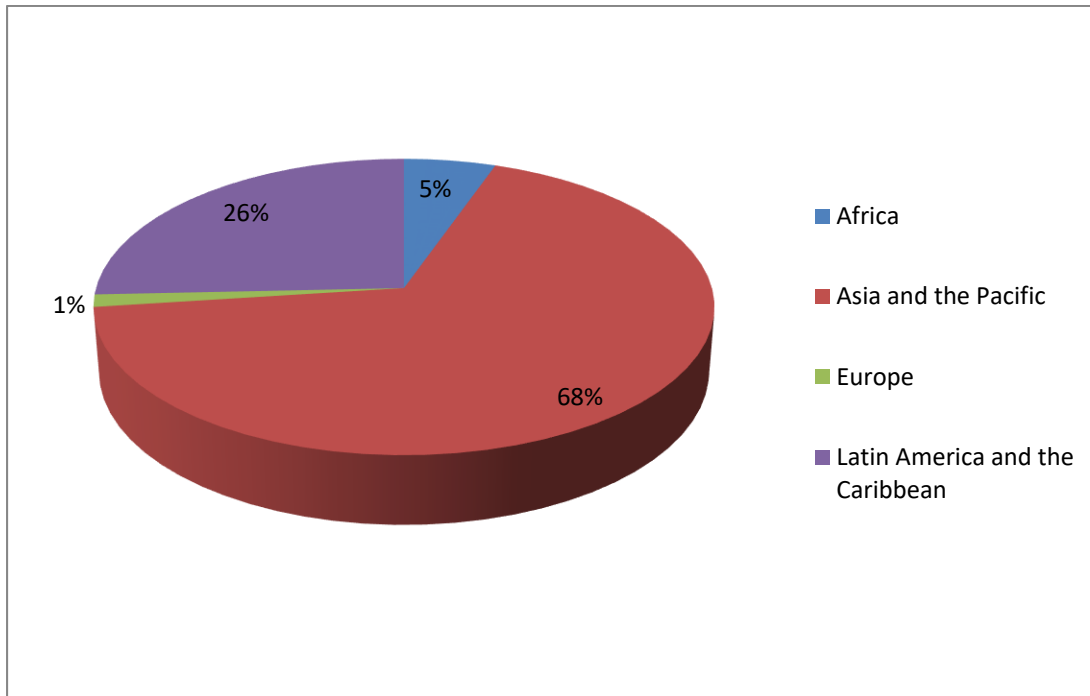
Europe

In Europe, requests for five countries with a value of USD 779,367 will be submitted in 2019, targeting the phase-out of HCFCs and institutional strengthening.

Latin America and the Caribbean

In Latin America and the Caribbean Region the planned requests to be submitted in 2019 amount to USD 14,864,820. This includes three HPMPs stage II, four preparatory assistance for HPMPs Stage II and III activities, as well as two projects and one preparatory assistance for HFC related activities in Argentina, Brazil and Mexico respectively.

UNIDO's 2019 Business Plan by Region



5. 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 2019
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned	10	21
Planning--Approval	Projects/activities Approved	Number of projects/activities approved vs. those planned (including project preparation activities)	10	22
	Sub-total		20	
Implementation	Funds disbursed	Based on estimated disbursement in progress report	15	USD 23.57 million
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	25	702 ODPt
Implementation	Project completion for Activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	20	48
	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

Type of Indicator	Short title	Calculation	Weighting	Target 2019
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.

6. 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