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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-first Meeting
Montreal, 5-9 July 2010

UNIDO REVISED BUSINESS PLAN FOR THE YEARS 2010-2014

COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

1. This document presents a summary of UNIDO's planned activities for the phase-out of ozone depleting substances (ODS) for the period 2010-2014. It also contains UNIDO's business plan performance indicators, general comments, and recommendations for consideration by the Executive Committee. UNIDO's 2010-2014 business plan narrative is attached as an annex to the present document. The adjusted business plan database has been included in Annex I of the Consolidated Business Plan.

Adjustments to the revised business plans

2. The value of UNIDO's revised business plan was US \$406.46 million for the period 2010-2014.

3. In reviewing the revised business plans, the Secretariat noted that UNIDO did not fully implement decisions 60/5 and 60/44 in the following ways:

- (a) The maximum level of funding for low-volume-consuming (LVC) countries for the HCFC servicing sector until the year 2020 was exceeded (decision 60/44(f)(xii));
- (b) HCFC project preparation exceeded the maximum allowable amounts (decision 60/5(n));
- (c) ODS disposal projects were included that were not allowed (decision 60/5(g));
- (d) The institutional strengthening (IS) funding did not correspond to the model rolling three-year phase-out plan (decision 60/5(f));
- (e) Funding for multi-year agreements (MYAs) did not reflect the records of the Fund Secretariat (decision 60/5(c));
- (f) Funding for national phase-out plans (NPPs) and terminal phase-out plans (TPMPs) was included after 2010 (decision 60/5(d)).

4. Pursuant to decision 60/9, the Secretariat automatically adjusted UNIDO's business plan to reflect the values in previously approved MYAs and in other previous decisions of the Executive Committee, and to ensure that activities reflected those submitted to the first Meeting of the year and their associated values in order to ensure consistency between submissions and business plans at the first meeting of the year. The Fund Secretariat has automatically adjusted the revised business plans to accommodate those decisions and:

- (a) Modified MYA values and values for other activities that were approved at the 60th Meeting to reflect their approvals; and
- (b) Included IS to reflect the values in the Model.

5. The results of the automatic adjustments were shared with UNIDO and are found in Annex I of the Consolidated Business Plan. UNIDO did not comment on the adjustments.

6. After making these adjustments the total value of the 2010-2014 adjusted UNIDO business plan is US \$401.65 million.

Adjustments to remain within the budget of the current triennium

7. As indicated in the Consolidated Business Plan, even after these automatic adjustments were made, there remained a need to further adjust the revised business plans of the agencies to stay within the

budget for the 2009-2011 triennium. The total value of HCFC investment activities in 2010 and 2011 was US \$200 million including 20 individual projects (US \$41.12 million) requesting one-time funding. The Secretariat has reduced this amount in half, added it to UNIDO's business plan for 2012-2014, and asked for the agency's agreement. UNIDO has not commented.

8. The Executive Committee may wish to endorse the adjustment made to the 2010-2014 business plan of UNIDO.

Adjustments due to tonnage projections

9. The business plans could be further adjusted based on the tonnage and the values included for HCFC activities.

Tonnage for LVC countries and accelerated phase-out

10. The tonnage for LVC countries was limited to the 2020 level indicated in decision 60/44(f)(xii). As a result of this adjustment, UNIDO has included the following LVC countries with HCFC phase-out management plans (HPMPs) in its business plan that are seeking funding for an accelerated 2020 phase-out: Albania, Algeria, Bosnia and Herzegovina, Burundi, Cameroon, Croatia, the Democratic People's Republic of Korea, Eritrea, Guatemala, Honduras, Madagascar, Montenegro, Myanmar, Nicaragua, Niger (the), Senegal, Serbia, Somalia, Turkmenistan and Uruguay.

11. The Executive Committee may wish to consider whether any adjustment is warranted for accelerating phase-out to the year 2020 for LVC countries.

Tonnage for non-LVC countries and accelerated phase-out

12. In the case of tonnage adjustments for non-LVC countries, decision 60/44(d) allows Article 5 countries to choose between the most recent reported HCFC consumption under Article 7 of the Montreal Protocol at the time of the submission of the HPMP and/or the investment projects, and the average consumption forecast for 2009 and 2010, in calculating starting points for aggregate reductions in HCFC consumption. UNIDO has activities in the following countries that exceed the calculated baseline level for funding. Table 1 lists those countries with tonnage that exceed the calculated baseline, with the level of tonnage of UNIDO's activities. UNIDO however did not comment as to whether the tonnage was for accelerated phase-out.

Table 1

**HCFC CONSUMPTION TONNAGE IN COUNTRIES THAT EXCEED THE 10% BASELINE
REDUCTION FROM THE CALCULATED BASELINE BY MORE THAN 10%
AND ACCELERATED PHASE-OUT
(in ODP tonnes)**

Country	10% Reduction from Calculated Baseline	HCFC Consumption Tonnage in Revised Business Plans							Additional Tonnage in BP	Comment on Accelerated Phase-Out
		Italy	Japan	UNDP	UNEP	UNIDO	World Bank	Total		
Argentina	41.0	1.0		7.3		53.5		61.7	20.8	Not provided.
China	1,776.2		0.0	556.7	0.0	776.4	1,373.0	2,706.2	930.0	Not provided.
Indonesia	34.4			25.0	1.2	17.2	150.0	193.4	159.0	Not provided.
Jordan	6.8					16.1	39.0	55.1	48.3	Not provided.
Pakistan	21.9				3.2	72.9		76.1	54.2	Not provided.
Philippines (the)	25.8			12.3		7.0	49.0	68.3	42.5	Not provided.

Country	10% Reduction from Calculated Baseline	HCFC Consumption Tonnage in Revised Business Plans						Additional Tonnage in BP	Comment on Accelerated Phase-Out	
		Italy	Japan	UNDP	UNEP	UNIDO	World Bank			Total
Syrian Arab Republic	11.2					22.1		22.1	10.9	Not provided.
Thailand	103.1		0.0			0.0	195.0	195.0	91.9	Not provided.

13. As indicated above, UNIDO did not provide information indicating if its tonnage was for accelerated phase-out or not. UNIDO reduced the tonnage for HCFC investment in its business plan for HCFCs from 2,587 ODP tonnes included in its business plan submitted to the 60th Meeting to 1,544 ODP tonnes in its revised business plan submitted to the 61st Meeting, resulting in an overall reduction of 1,042 ODP tonnes.

14. The Executive Committee may wish to consider whether any further modification to the HCFC tonnage in UNIDO's business plan is warranted in the light of decision 60/44(d).

Tonnage for non-LVC countries and sufficiency to achieve compliance with the 10% reduction

15. There are two countries that do not appear to have enough tonnage to achieve the 10 per cent reduction based on the calculated baseline. Agencies were asked to indicate the basis for the tonnage used for their project components and why the level should be sufficient to enable compliance for those countries. Table 2 presents the relevant information for two countries; UNDP and UNIDO have activities in Mexico and Nigeria.

Table 2

**HCFC CONSUMPTION TONNAGE IN COUNTRIES THAT IS BELOW THE
10% REDUCTION FROM THE CALCULATED BASELINE BY MORE THAN 10%
AND ITS SUFFICIENCY TO ENABLE COMPLIANCE
(in ODP tonnes)**

Country	10% Reduction from Calculated Baseline	HCFC Consumption Tonnage in Revised Business Plans			Amount Below Calculated Requirement	UNIDO Comment on Sufficiency of Tonnage
		UNDP	UNIDO	Total		
Mexico	140.3	33.1	90.0	123.1	17.2	Not provided.
Nigeria	34.2	17.6	6.7	24.3	9.9	Not provided.

16. The Secretariat requested UNIDO to comment on the sufficiency of the tonnage in its business plan for these countries, but it did not provide a response. The Executive Committee may wish to consider whether any tonnage should be added to UNIDO's business plan.

Resource allocation

17. Table 3 presents, by year, the value of activities included in the adjusted business plan according to the categories "required for compliance" and "not required" according to the Model rolling three-year phase-out plan.

Table 3

**RESOURCE ALLOCATION IN THE ADJUSTED BUSINESS PLAN OF UNIDO
(2010-2014) (US \$000s)**

Required by Model	2010	2011	2012	2013	2014	Total (2010 to 2014)
Required for compliance (MYAs and standard costs)	8,693	7,455	5,368	4,966	5,037	31,250
Required for compliance (HCFCs)	50,140	67,454	113,279	71,955	56,325	359,154
Not Required for compliance (Resource mobilization)	323					323
Not Required for compliance (ODS disposal)	3,687	5,889				9,576
Not Required for compliance (CTC)	1,075					1,075
Grand Total	63,919	80,798	118,648	76,921	61,363	401,648

18. UNIDO had included activities valued at US \$63.92 million in 2010 and a total value as adjusted of US \$401.65 million over the period 2010 to 2014.

19. UNIDO included the project “Phase-out of CTC as Process Agent at Vinalon and Sinuiju Chemical Fibre Complex (SCFC)” in the Democratic People's Republic of Korea valued at US \$1.075 million in its 2010 business plan pursuant to decisions 55/12 and 59/39. However, the project is not required for compliance as those funds have already been provided through the CTC phase-out agreement approved at the 41st Meeting (decision 41/74).

MYAs and standard costs

20. Table 4 presents information on UNIDO’s MYAs, new methyl-bromide (MBR) activities, IS, and core unit activities that are considered to be required for compliance under the adjusted business plan.

Table 4

**REQUIRED FOR COMPLIANCE FOR MYAs AND STANDARD COSTS (2010 to 2014)
(US \$000s)**

Required by Model	2010	2011	2012	2013	2014	Total (2010-2014)
Approved MYAs	5,664	2,803	2,796	1,517	2,338	15,117
IS	657	1,296	482	1,296	482	4,213
New MBR activities	402	1,326				1,728
Core Unit	1,971	2,030	2,091	2,154	2,218	10,463
Total (required for compliance for MYAs and standard costs)	8,693	7,455	5,368	4,966	5,037	31,250

21. No issues were raised with respect to the other activities, also considered required for compliance. UNIDO’s core unit costs are projected to increase at a rate of 3 per cent per year.

HCFC activities

HCFC demonstration projects

22. UNIDO has US \$9.86 million for HCFC demonstration projects in its adjusted business plan.

HCFC servicing sector in LVC countries

23. The total value of activities in the HCFC servicing sector in LVC countries in UNIDO's adjusted business plan amounts to US \$5.37 million.

HCFC investment activities

24. The total value of investment activities in UNIDO's adjusted business plan amounts to US \$333.9 million for 1,407 ODP tonnes (excluding project preparation). Of this, US \$245.27 million is for Group 1 countries (China) (763 ODP tonnes of consumption), US \$87.4 million for Group 2 countries (non-LVC countries) (631 ODP tonnes), and US \$1.24 million for Group 3 countries (LVC countries with manufacturing) (13 ODP tonnes).

Other HCFC activities

25. UNIDO has also included in its business plan other HCFC activities for the preparation of HCFC investment projects, HPMP sector plans, and HPMPs. The total amount for these activities in UNIDO's business plan is US \$1.58 million. In addition, UNIDO has US \$271,410 for a regional technical assistance project and US \$8.72 million for HPMPs.

ODS disposal activities

26. UNIDO has ODS disposal projects valued at US \$9.58 million, all of which are in the 2010 and 2011 business plan. Table 5 lists the ODS disposal projects for LVC countries added by UNIDO in response to decision 60/5(i), which requested bilateral and implementing agencies to suggest, at the 61st Meeting of the Executive Committee, a level of funding for ODS disposal activities in LVC countries in light of decision XXI/2 of the Twenty-first Meeting of the Parties.

Table 5
ODS DISPOSAL ACTIVITIES

Country	Type	Sector / Sub-Sector	Value (\$000) in 2010	ODP in 2010	Value (\$000) in 2011	ODP in 2011
Region: AFR	DEM	ODS destruction/demo in LVC countries in South America			568	40.0
Region: AFR	PRP	ODS destruction/demo in LVC countries in South America	91			
Region: EUR	DEM	ODS destruction/demo in LVC countries in ECA			568	40.0
Region: EUR	PRP	ODS destruction/demo in LVC countries in ECA	108			
Region: LAC	DEM	ODS destruction/demo in LVC countries in Central American Countries			497	35.0
Region: LAC	DEM	ODS destruction/demo in LVC countries in South America			355	25.0
Region: LAC	PRP	ODS destruction/demo in LVC countries in Central America	70			
Region: LAC	PRP	ODS destruction/demo in LVC countries in South America	70			

27. The Executive Committee may wish to consider maintaining these ODS disposal activities in the light of decision 60/5(i).

Other activities not required for compliance (resource mobilization, studies and workshops)

28. UNIDO included two activities that are not required for compliance including resource mobilization amounting to US \$322,500 in 2010 and a process agent activity in the Democratic People's Republic of Korea amounting to US \$1.075 million in 2010. The Executive Committee deferred consideration of resource mobilization for UNIDO to its 61st Meeting (decision 60/27).

Performance indicators

29. A summary of UNIDO's performance indicators pursuant to decisions 41/93, 47/51 and 49/4(d) is provided in Table 6.

Table 6

PERFORMANCE INDICATORS

Item	2010 Targets
Number of annual programmes of multi-year agreements approved versus those planned	22
Number of individual projects/activities (investment projects, RMPs, halon banks, TAS, institutional strengthening) approved versus those planned	30
Milestone activities completed/ODS levels achieved for approved multi-year annual tranches versus those planned	30
ODS phased-out for individual projects vs. those planned per progress reports	45.1
Project completion (pursuant to decision 28/2 for investment projects) and as defined for non-investment projects versus those planned in progress reports	14
Number of policy/regulatory assistance completed versus that planned	N/A
Speed of financial completion versus that required per progress report completion dates	12 months after operational completion
Timely submission of project completion reports versus those agreed	On time
Timely submission of progress reports and responses unless otherwise agreed	On time

30. UNIDO's target for annual tranches of MYAs should be 26. This includes annual tranches for 13 approved agreements and 13 new agreements. The agency's target for the number of approved individual projects should be 40, including 7 demonstration projects, 3 technical assistance projects, 7 IS projects and 23 investment projects. As per the 2008 progress report (using revised planned date of completion), excluding MYA projects, the phase-out target should be 965.7 ODP tonnes. UNIDO's target for project completion should be 15 excluding MYAs and project preparation projects. UNIDO's target for milestone activities completed for MYAs should be 13 to correspond with the number of approved multi-year agreements.

RECOMMENDATIONS

31. The Executive Committee may wish to consider:

- (a) Endorsing the revised 2010-2014 business plan of UNIDO as contained in document UNEP/OzL.Pro/ExCom/61/11, as adjusted by the Fund Secretariat while noting that endorsement denotes neither approval of the projects identified therein nor their funding levels, and the endorsement is with any modifications based on consideration of:

- (i) Those activities associated with issues addressed in the Consolidated Business Plan including any adjustments based on overall cost-effectiveness values;
 - (ii) Maintaining or removing values and tonnage associated with accelerated phase-out to the year 2020 for low-volume-consuming (LVC) countries;
 - (iii) Any tonnage reductions due to accelerated phase-out based on the explanations provided by UNIDO for non-LVC countries;
 - (iv) Any tonnage increases based on the explanations provided by UNIDO for non-LVC countries;
 - (v) Maintaining the ODS disposal activities in UNIDO's business plan as a window for LVC countries in the light of decisions XXI/2 of the Twenty-first Meeting of the Parties and decision 60/5(i) of the 60th Meeting of the Executive Committee; and
- (b) Approving the performance indicators for UNIDO set out in Table 6 as contained in document UNEP/OzL.Pro/ExCom/61/11 while setting a target of 26 for annual tranches of multi-year agreements (MYAs) approved, 40 for individual projects approved, 965.7 ODP tonnes for ODS phase-out for individual projects, 15 for project completion and 13 for milestone activities completed for MYAs.

UNIDO

BUSINESS PLAN 2010 - 2012

Revised for consideration at the 61st ExCom



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

EXECUTIVE SUMMARY

The 2010 Revised Business Plan of UNIDO together with the forecast for 2011 and 2012 represents the Three-year Rolling Business Plan of Montreal Protocol activities of the Organization. However, this year, on the request of the Multilateral Fund Secretariat, UNIDO has included funding estimates for 2013 and 2014 too. This provides useful information for ExCom members for the funding needs to reach the 2013 and 2015 control measures for HCFCs.

UNIDO's Business Plan was prepared based on the previous three year 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. The 2010 Revised Business Plan of UNIDO takes into full consideration the relevant decisions adopted at the 60th ExCom Meeting, in particular Decision 60/5 on Consolidated business plan of the Multilateral Fund, Decision 60/10 on Funding of institutional strengthening renewals, Decision 60/11 on Final tranches of ODS phase-out plans not submitted to the 60th Meeting, Decision 60/44 on cut-off date, level of incremental operating costs, funding provided to the servicing sector, and incremental capital costs. The latest reported consumption and a fixed growth rate was used to predict the compliance needs of the various countries and to assess the resource planning for the 2010-2012 triennium as well as for 2013 and 2014. The 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 other ExCom decisions on HPMPs and HCFC investment and demonstration projects.

The 2010 Revised Business Plan of UNIDO includes the assessment of the level of climate co-benefits that could be achieved through HCFC phase-out activities required to achieve compliance as well as DEMO activities on destruction. The assessment was based on the GWP of the chemical to be replaced/destroyed and the GWP of the most promising alternatives to be introduced. The potential climate benefit was estimated at a level close to 34 M t CO₂ t-eq. Further, the Plan includes also a suggestion for the level of funding for ODS activities in low-volume-consuming (LVC) as per Decision 60/5.

The overall fund allocation for the period 2010-2014 was therefore reduced from US\$ 568.5 million to US\$ 406.6 million. The total amount foreseen in UNIDO's 2010 Business Plan, including forward commitments, new investment and non-investment activities, and funding of core unit is **US\$ 103,159,190** including support costs and with an impact of **1,285.2ODP** tonnes. For the second and third year of the Three-year Rolling Business Plan, US\$ 145.0 million worth of projects was included for the year 2011 with a planned phase-out of 1,400 ODP tonnes and US\$ 87.0 million worth of projects were earmarked for 2012 with an impact of 475 ODP tonnes.

In 2010, UNIDO will submit for approval by the Executive Committee forward commitments amounting to US\$ 4,142,251. Still, the lion's share (over 65%) of UNIDO's 2010 Business Plan is focusing on the phase out of HCFCs. Furthermore, additional 17% is for the demonstration of new technologies for HCFC phase out as well as the destruction of unwanted ODSs. Methyl bromide projects account for 7% of UNIDO's 2010 Business Plan.

In accordance with ExCom's decision 38/68, as modified by decision 46/35, in 2006, and following decision 56/41 maintaining the existing cost regime for the 2009-2011 Triennium, **US\$ 1,970,776**, has been allocated for funding of the 2011 core unit at UNIDO.

B. PERFORMANCE INDICATORS

The 47th ExCom Meeting has reviewed the weighting of the existing performance indicators. The new weightings, based on decision 47/51, are indicated in the below table.

Performance Indicator	Item	Weighting	Target 2010
Approval	Number of annual programmes of multi-year agreements approved	15	22
Approval	Number of individual projects/activities (investment projects, methyl bromide, halon banks, TAS) approved	10	30
Implementation	Milestone activities completed/ODS levels achieved for approved multi-year annual tranches versus those planned	20	30
Implementation	ODP phased out for individual projects	15	45.1
Implementation	Project completion (pursuant to Decision 28/2 for investment projects) and as defined for non-investment projects	10	14
Implementation	Policy/regulatory assistance completed	10	N/A
Administrative	Speed of financial completion	10	12 months after operational completion
Administrative	Timely submission of project completion reports	5	On time
Administrative	Timely submission of progress reports and responses unless otherwise agreed	5	On time

Based on Decision 49/4, the performance indicator on milestone activities for MYAs was changed as listed now in the above table.