

2009 – 2010 UNIDO AGENCY OVERVIEW REPORT

FISCAL YEAR 2010



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INDUSTRIAL DEVELOPMENT ORGANIZATION

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1. Introduction

This report highlights progress made in 20 countries through the contribution of 16 UNIDO-supported GEF- funded projects* that have been under implementation over fiscal year 2010 and have submitted their first project implementation reports. While UNIDO's GEF portfolio encompasses projects in the areas Climate Change, Persistent Organic Pollutants (POPs), Ozone Depleting Substances and International Waters, in 2010 only the UNIDO-GEF projects in the POPs portfolio have reached an implementation stage at which they are able to report on the progress made towards achieving the results and targets set forth in the endorsed project documents. This project cohort mainly comprises of national projects with the exception of 3 regional projects. These country-driven projects work towards improving national environmental conditions, while helping countries to reach their sustainable development and environmental goals, as well as to contribute to the global environmental benefits.

The strategic focus of UNIDO's support is to promote and accelerate sustainable industrial development in developing countries and countries with economies in transition, and work towards improving living conditions in the world's poorest countries by drawing on its combined global resources and expertise to help these countries implement legal, organizational and environmental management measures, including substantive technological changes. Furthermore, UNIDO recognizes the Millennium Development Goals (MDGs) as the overarching framework for collective action, believes that a competitive and environmentally sustainable industry plays a crucial role in accelerating economic growth, thereby reducing poverty and helping to achieve the MDGs and through its relevant programmes and activities is recognized as a contributing agency to the annual Millennium Development Goals Report.

The focus of UNIDO's support via energy and environmental programmes is to assist countries in putting in place the policy, institutional and financial frameworks through projects across most of the GEF Focal Areas. With major activities in the focal areas of Climate Change, International Waters, Ozone Depletion, Persistent Organic Pollutants (POPs) and Land Degradation, UNIDO supports more than 50 countries in achieving sustainable industrial development under the GEF mandate.

Over fiscal year 2010, UNIDO continued to work towards greater decentralization of its activities, and was able both to strengthen its field network and reinforce its existing field offices. This not only contributed to a higher level of coherence at the country level but also has led to a strong increase in and improvement of the field-based technical cooperation delivery performance.

* The projects included in the 2010 UNIDO Annual PIRs include: PCB projects in the Republic of Armenia, Azerbaijan, India, the Former Yugoslav Republic of Macedonia, Mongolia, Morocco, Philippines and Romania; POPs pesticides project in China; BAT/BEP projects in China (ESM of Medical wastes), Vietnam, Regional Arab and Regional Asia; Enabling activity in India , Capacity Building project in China and; Contaminated sites management in Ghana and Nigeria

2. General Portfolio Overview

UNIDO's support to its portfolio of GEF projects is based on the organization's strong commitment to results management, continuous improvement, learning, and the sharing of knowledge and best practices. This report summarizes progress made by 16 UNIDO supported projects in POPs Focal Area that have been under implementation over the 2010 fiscal year. UNIDO supported projects that fall under other GEF focal areas have either not reached the implementation stage to be able to report on their progress over the 2010 fiscal year, as in the case of the climate change focal area; or, are being reported on by other GEF implementing agencies with which UNIDO has reached a co-implementation and/or execution agreement.

This overview report highlights the facts and the information presented in the POPs projects' individual PIRs covering the period from 1 July 2009 to 30 June 2010. In PIRs each project reports on the quantifiable progress made against a set of portfolio specific impact result indicators, as identified in GEF tracking tools, as well as against the progress made towards reaching their specific project objective and outcomes against baseline data and end-of-project targets. The report also highlights lessons learned and best practices from a number of individual projects. Total GEF grant funding for this project cohort is USD 64 million, out of which USD 28 million or 43% have been disbursed as of 31 August 2010. The co-financing committed to these projects amounts to USD 150 million. Whereas, the average GEF grant of a full-size project in this cohort comes to USD 5.38 million.

In addition to the UNIDO portfolio of POPs projects that have been under implementation over fiscal year 2010, two new projects have been endorsed by the GEF CEO over the same period – one under Climate Change Mitigation and one under POPs Focal Areas. The medium-sized project (MSP) under the Climate Change focal area will concentrate on reducing greenhouse gas emissions through improved energy efficiency in the industrial sector in Moldova while the POPs MSP in Nepal will look at promoting environmentally sound management and disposal of POPs Pesticides and polychlorinated biphenyls (PCBs).

Given that in fiscal year 2010 UNIDO project cohort comprised of only POPs projects, please refer to the **Section 3 on Portfolio Performance by Focal Area** for a more detailed analysis of the portfolio.

3. Portfolio Performance by Focal Area

Chemicals – Persistent Organic Pollutants (POPs)

For the reporting period for project implementation (June 2009 – July 2010), three new POPs projects have been added to the UNIDO GEF portfolio. The table below provides an overview of the projects and the issues they are seeking to address. One of the projects represents a regional initiative in Asia on the demonstration of BAT/BEP in fossil fuel-fired utilities and industrial boilers, the remaining three projects are being implemented in individual countries, such as Azerbaijan, India, and Peru.

GEF ID	Focal Area	Region	Country	Project Title	Project Size	Project Start Date
3543	POPs	Eastern Europe and Central Asia	Azerbaijan	Environmentally Sound Management and Disposal of Polychlorinated Biphenyls (PCBs)	FSP	5/19/10
3775	POPs	Asia and the Pacific	India	Environmentally Sound Management and Final Disposal of PCBs in India	FSP	1/18/10
3732	POPs	Regional	Cambodia, Indonesia, Lao PDR, Mongolia, Philippines and Thailand	Demonstration BAT and BEP in fossil fuel-fired utilities and industrial boilers in response to the Stockholm Convention on POPs	FSP	5/20/10

i. POPs Portfolio Overview

The total amount of GEF funds allocated to the UNIDO's on-going POPs projects comes to USD 64 million for the 16 projects (11 full-sized projects (FSP) and 5 medium-sized projects (MSP)). The total amount of co-financing committed to the projects was USD 150 million, while the total amount of GEF grants disbursed as of August 31, 2010 was USD 28 million.

Looking at the regional distribution of the portfolio, as highlighted in the table below, around 63% of the projects, in terms of project number, is being implemented in Asia and the Pacific, 25% in Eastern Europe and Central Asia (ECA), and the remainder in Africa and Middle East and Northern Africa (MENA). In terms of total project value (GEF Grant and Co-financing) of the overall POPs portfolio, 90% of projects are in Asia and the Pacific, 7% in ECA, 2% in Africa, and 1% in MENA.

Region	Number of projects	Project size		Total Project Value (USD million – GEF Grant and Co- financing)
		FSP	MSP	
Asia and the Pacific	10	8	2	195.1
Eastern Europe and Central Asia	4	1	3	14.7
Africa	1	1	-	4.1
Middle East and Northern Africa	1	1	-	3.0
	16	11	5	216.9

With regards to project management, it should be noted that UNIDO-GEF projects follow a common project cycle, which allows for flexibility and adaptive management to facilitate generation of results on the ground. Project cycle time targets that are set indicate the amount of time it takes for the project to reach each of its milestones. Although making sure that the project is on time in terms of achieving all of its milestones is UNIDO's responsibility, in many cases this responsibility is shared between various stakeholders, e.g. the GEF Secretariat, and different international and national implementing partners. Therefore, some of the delays are not within the immediate influence of any given party.

The 2010 cohort of UNIDO POPs projects were all rated on their success of meeting development objectives, as well as on achieving progress in implementation. All of the projects reported received an overall satisfactory (S) rating on reaching their Development Objectives and an overall satisfactory (S) rating on Implementation Progress.

UNIDO supports capacity building and technical transfer in the three main thematic pillars of (i) Environment & Energy, (ii) Trade capacity-building, and (iii) Poverty Reduction through productive activities. UNIDO's POPs projects fall under the thematic area of Environment and Energy. Although UNIDO PCB projects are handled by the organization's environmental management team, they serve as great examples of addressing global environmental issues through the linking of the Energy and Environment fields. In addition, UNIDO's projects on Best Available Techniques and Best Environmental Practices (BAT/BEP) also tackles inter-linked issues of reducing emission of unintentionally-produced POPs and other gaseous pollutants including CO₂ and mercury while improving resource and energy efficiency.

Some of the UNIDO POPs projects are currently undergoing key implementation phases and should set important lessons and best practices to be considered in future project development.

ii. UNIDO Contributions to Focal Area Strategic Priorities / Programs and Targets

UNIDO has assisted many Parties to the Stockholm Convention in preparing their National Implementation Plans (NIPs) funded through the GEF POPs Focal Area during GEF-3 and GEF-4. In addition, UNIDO also assisted Parties in formulating projects identified as priorities in their NIPs. These projects mainly focused on PCBs and BAT/BEP and fell under UNIDO's comparative advantage within the GEF network of agencies.

One of the UNIDO PCB projects which was completed during GEF-4 set an example by exceeding its initial targets – it disposed 1,166 tons of PCB-contaminated wastes and equipment against the committed amount of 300 tons. Over GEF-5 UNIDO will continue to contribute and develop projects through the GEF's Chemicals focal area anticipating that these new projects can perform even better by taking all of the past lessons learned and best practices into account beginning at their design stage.

iii. Outcomes and Implications for the Overall Portfolio

Most of the PCB projects under the UNIDO portfolio are still at their first stages of implementation where the plans for Environmentally Sound Management (ESM) have been developed (Implementation Status 1), with the exception of one project in the Philippines. During the implementation stage, greater efforts are now being made to accurately update the PCB inventories, as inventory information such as volumes, concentrations, locations, phased-out/in-service are the key to the successful establishment and sustainable operation of the ESM systems.

In some countries, access to possible PCB contaminated equipments for sampling and testing is given only after going through several administrative obstacles among different entities. In spite of such difficulties, the PCB inventories in most of the countries have been successfully updated by engaging PCB chemical test kits. In other projects that are currently at advanced stages of implementation, such as the Philippines, the updated PCB inventories have identified more than the committed amount of PCB contaminated equipment, and are now installing or selecting non-combustion technologies based on the technical criteria set as results of the PCB inventory updates. In these specific projects, various options were explored, during the selection of the adequate technology and negotiation with the non-combustion technology providers, in order to strike a balance between securing final disposal of the committed amount of PCBs and anchoring institutional and technical capacities for ESM of PCBs. The result being that selected non-combustion technologies, well-proven in developed countries, will be put in operation in developing countries under the UNIDO's supervision. This should contribute to sustaining the ESM system to continue final disposal of PCB contaminated equipments under project periods and consequently strengthen capacities of developing countries in the area of sound chemicals management.

iv. Progress on projects that received sub-optimal ratings in AMR 2009

UNIDO did not have any projects rated as MU, U or HU in FY 2009.

v. Portfolio Risk

Lack of commitment of PCB owners, such as those in the power and energy intensive sectors, is one of the risks that has been listed throughout the UNIDO POPs project portfolio. This risk has been addressed by reducing PCB disposal costs to incentivize participation in project schemes, as well as engaging employees such as stakeholder organizations as technical experts.

Delay in the establishment of legal frameworks for sound chemical management is also among the risks listed for most of the UNIDO's POPs projects. This risk has been addressed by engaging national legal experts in the early phases of the project. It seems the need to strengthen the sound management of chemicals at national governmental levels through other initiatives such as Stockholm Convention, Basel Convention, and SAICM are well understood, which has helped more or less gain strong support to the establishment of legal frameworks needed for the projects.

In general and wherever applicable, the political environment in a recipient country also proved to pose a certain risk for the successful implementation of project(s).

vi. Co-financing

The only project that has undergone terminal evaluation during the reporting year of FY 2010 has been *Capacity Building for Environmentally Sound Management of PCBs in Romania (Disposal of PCBs Waste)*- GEFSEC Project ID: 2715. The terminal evaluation for this project was not required by GEF but voluntarily arranged by UNIDO to ensure that lessons learned were collected and shared with other projects under the UNIDO portfolio. The terminal evaluation report drew an important lesson on co-financing and concluded that:

“Co-financing cash contribution to the project by the private sectors involved in the activities has reached approximately 1,573,000 US\$ for investment in BAT/BEP. In-kind contribution from the Government was approximately 69,000 US\$ according to a report from September 2009 covering the fiscal years of 2007 and 2008 (apparently the data for 2009 and 2010 are missing in this regard). The total co-financing of the project can be calculated at 1,642,000 US\$ which is above the desired 1:1.5 ratio for co-financing the received GEF contribution.”

It should be noted that the proposed initial co-financing amount for this project was USD 1.02 million only.

vii. Lessons Learned and Best Practices

GEF Corporate Learning Objective 1:

The participation of civil society in project monitoring and evaluation is highly observed in many of the projects being implemented. A good example is the involvement of the Ecological Waste (ECOWASTE) Coalition in the information, education and communication (IEC) activities for the Philippine PCB project. IEC campaigns in the communities surrounding the non-combustion facility is regularly being conducted creating significant social understanding of the objectives of the project.

This same framework on engaging CSOs and NGOs in awareness raising campaigns is being duplicated in many of the ongoing projects.

GEF Corporate Learning Objective 2:

Non-combustion technology for PCB decontamination

The GEF financing for PCB projects has leveraged interests of the project recipient countries in non-combustion technology. The non-combustion technologies available in the market for PCB decontamination could offer technical and financial advantages against combustion options. One is on-site PCB decontamination (if all the processes are set up in a mobile unit), which solves many technical and procedural barriers for giant-sized transformers that cannot be transported on the road to transformer maintenance facilities. The other is regeneration of oil and flushing of PCBs from porous materials inside the transformers that need to be reused. This could also reduce workers' risks of exposure to PCBs who need to be involved in draining and dismantling of the transformers to be recycled.

There are still lessons to be learned throughout the subsequent implementation phases before the technology could be replicated as best practices in other countries with different institutional settings and technical capacities. It is clear, however, that GEF financing has played a catalytic role for such non-combustion technologies to be technologically reviewed and engaged in some of the project recipient countries.

BAT/BEP Forum

UNIDO initiated its BAT/BEP Forum in East and South East Asia in October 2007 as a means to promote and create an enabling environment for the development, diffusion, deployment and transfer of existing cost-effective, environmentally sound BAT/BEP to mainly reduce unintentional emission of POPs from thermal sources such as industrial boilers, metallurgical sectors, and waste incineration. This Forum has formulated a project proposal as a regionally concerted effort which culminated into the approved GEF project on demonstration BAT and BEP in fossil fuel-fired utilities and industrial boilers in response to the Stockholm Convention on POPs (GEFSEC ID: 3732). UNIDO is currently replicating this successful

approach in other parts of the world. The Regional Forum on BAT/BEP in Central and Eastern Europe, Caucasus, and Central Asia (CEECCA) was established in Bucharest, Romania, on 5 November 2009, and for Gulf Cooperation Countries (GCC) in October 2010. The establishment of the same forum in Africa is envisaged for 2011.

GEF Corporate Learning Objective 3:

PCB inventory updates engaging PCB test kits

The use of PCB test kits in updating the PCB inventory has vastly improved the breadth of such inventories. While gas chromatography analysis is still the best method to determine the actual concentration of PCBs in most samples, the PCB test kits offer practical analytical tool when testing large number of transformers and other equipment.

The adoption of PCB test kits basically enhanced scientific capacity and led to very effective outcomes. This is true even in institutional settings often seen in least developed countries.

4. Administrative Expenses

UNIDO GEF Fiscal Year (July 09-June 10)	Estimated staff time (days)	Consultant time (days)	Estimated staff cost (i) (\$)	Consultant cost (i) (\$)	Travel costs (ii) (\$)	Overhead Costs (iii)	Total Cost (\$)
1. Corporate activities:							
a) Policy support	121.5	-	86,706	-	132,514	68,538	287,758
b) Portfolio management	92.5	-	59,046	-	8,421	52,179	119,645
c) Reporting	87.5	-	43,402	-	-	49,358	92,761
d) Outreach and knowledge sharing	139.0	-	69,023	-	11,063	78,409	158,495
e) Support to the GEF EO	6.0	-	4,507	-	-	3,385	7,891
Subtotal	446.5	-	262,684	-	151,997	251,869	666,550
2. Project Cycle management:							
a) Project preparation and approval	1368.5	69	836,133	14,114	202,617	771,967	1,824,830
b) Project supervision, monitoring and evaluation	1400.5	-	856,951	-	40,856	790,018	1,687,824
Subtotal	2769.0	69	1,693,083	14,114	243,472	1,561,984	3,512,654
Total:	3,216	69	1,955,767	14,114	395,469	1,813,854	4,179,204

Overall remarks to the above table: 1. UNIDO's base accounting currency is Euro. All amounts have been converted to US dollars using the average United Nations rate of the relevant fiscal years. 2. UNIDO's reporting is based on different reporting methodologies, namely some data is readily available in our financial system whereas other data needs to be estimated based on a calculation model.

(i) Direct Staff and Consultant costs: staff and consultant cost is pro-rated to arrive at daily rate. UNIDO has determined that per fiscal year 264 days are considered working days. Staff and consultant time as indicated above is multiplied by the staff and consultants daily rate. When calculating the costs of staff, the full standard rate applied includes salary, dependency, and other allowances, hardship and mobility payments, contributions to medical insurance and pension fund, education grant, home leave and other entitlements. Consultants' costs are based on actual fee paid.

(ii) Travel Cost: Including tickets and daily subsistence allowance (DSA).

(iii) Overhead costs: The direct reporting of such costs is not possible in the absence of a cost center accounting system of UNIDO. Items reported in this column are based on a calculation methodology and provide an estimate for: office space, maintenance, utilities, office equipment, security cost, IT, HRM, FIN, Field Representation, etc. Costs have been pro-rated by fiscal working day and then multiplied by days indicated in the above table.