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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-second Meeting
Montreal, 12-16 May 2014

WORLD BANK's WORK PROGRAMME FOR 2014

COMMENTS AND RECOMMENDATION OF THE FUND SECRETARIAT

1. The World Bank is requesting approval from the Executive Committee of US \$440,000 for its 2014 work programme, plus agency support costs of US \$30,800 listed in Table 1. The submission is attached to this document.

Table 1: World Bank's work programme for 2014

| Country | Activity/Project | Amount Requested (US \$) | Amount Recommended (US \$) |
|---|---|--------------------------|----------------------------|
| SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL | | | |
| A1: Project preparation | | | |
| Indonesia | Preparation for HCFC phase-out investment activities (stage II) (foam sector) | 150,000 | 150,000 |
| Viet Nam | Preparation of a HCFC phase-out management plan (stage II) | 90,000 | 90,000 |
| | Preparation for HCFC phase-out investment activities (stage II) (foam sector) | 80,000 | 80,000 |
| | Preparation for HCFC phase-out investment activities (stage II) (refrigeration sector) | 60,000 | 60,000 |
| | Preparation for HCFC phase-out investment activities (stage II) (air-conditioning sector) | 60,000 | 60,000 |
| Subtotal for A1 | | 440,000 | 440,000 |
| Agency support costs (7 per cent for project preparation) for A1: | | 30,800 | 30,800 |
| Total for A1 | | 470,800 | 470,800 |

SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL

A1: Project preparation for HCFC phase-out management plans/HCFC phase-out investment activities (stage II)

Project description

2. The World Bank submitted requests for two countries for the preparation of stage II of HCFC phase-out management plans (HPMPs) and HCFC phase-out investment activities: Viet Nam (the World Bank as the lead implementing agency) and Indonesia (UNDP¹ as the lead implementing agency and the Government of Germany² as the cooperating implementing agency). The details of the activities that will be undertaken during the project preparation process are described in the work programme of the lead implementing agency. In the case of Indonesia, this request is in addition to what is being requested by UNDP and the Government of Germany for other HCFC manufacturing sectors.

3. The World Bank provided a description of the activities for the preparation of stage II of the HPMP for Viet Nam for a total of US \$290,000 with the following breakdown: overarching strategy (US \$90,000), foam sector (US \$80,000), air-conditioning sector (US \$60,000) and refrigeration sector (US \$60,000).

Secretariat's comments

4. In reviewing these requests, the Secretariat took into account the guidelines for funding the preparation of stage II of the HPMPs for Article 5 countries as contained in decision 71/42, and an extensive review of stage I of HPMP documents as well as the status of implementation of the HPMPs as

¹ UNEP/OzL.Pro/ExCom/72/14

² UNEP/OzL.Pro/ExCom/72/13

at the time of the preparation of the present document. Detailed comments seeking clarification on the information submitted to support the project preparation requests were provided and substantive discussions were held to understand both the required activities for stage II and funding being sought.

5. The Secretariat sought clarification on the following:

- (a) An explanation for the request for preparatory funding for the foam sector taking into account that the remaining eligible consumption of HCFC-141b for this sector of 79.7 ODP tonnes is made up largely of consumption in imported pre-blended polyols, which had already been identified and included in the foam sector plan for stage I; and
- (b) A similar explanation for the refrigeration/air-conditioning sector as stage I of the HPMP had also identified all manufacturing enterprises and a project proposal was fully developed as part of stage I, but its approval had been deferred because of technology issues.

6. In its response, the World Bank explained that for the foam sector, while these enterprises had been identified, stage I prioritized large-size HCFC-consuming foam enterprises and excluded many enterprises using solely HCFC-based pre-blended polyol in manufacturing; therefore, they need to be verified in order to prepare a detailed phase-out strategy for them. The requested funding would be required to conduct a survey and develop specific proposals to convert these enterprises.

7. With regard to both the air-conditioning and refrigeration sectors, the World Bank indicated that data for these sectors was collected in 2009 and would need to be updated and verified. In particular, some amount had been discounted from the funding requested for the refrigeration/air-conditioning sectors to account for work that had been completed in stage I.

8. A detailed costing for the activities for the three sectors as well as the overarching strategy was provided by the World Bank.

9. The Secretariat also sought clarification on the requested project preparation funding for the foam sector for Indonesia. It noted that upon review of stage I of the HPMP, it appears that extensive work had been done in the sector. While not all foam enterprises were funded during stage I, all HCFC-consuming enterprises were identified. The Secretariat therefore enquired about what additional activities need to be done for the sector, and a justification of the costs being requested.

10. In response, the World Bank emphasized that while the number of foam enterprises had been identified, there are still significant activities to be carried out. This includes the need to confirm the HCFC consumption data, the level of production output and the technology to be introduced for the enterprises to be included for stage II. In addition, the survey was carried out in 2009, and since then the sector has undergone many changes due to strong growth of the Indonesian economy; therefore, it is essential that project preparation funding be approved to enable the update of this information.

11. After these discussions, the Secretariat concluded that these requests met the requirements of decision 71/42. The amounts indicated for the countries in Table 1 are for the World Bank only. Additional funding are reflected in the respective work programmes of the other implementing agencies.

Secretariat's recommendation

12. The Fund Secretariat recommends blanket approval of the requests for the World Bank's components for project preparation for the HCFC phase-out management plans/HCFC phase-out investment activities (stage II) for Indonesia and Viet Nam at the level of funding shown in Table 1 of this document.

2014 BUSINESS PLAN WORK PROGRAM

**WORLD BANK GROUP-IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS**



**PRESENTED TO THE
72nd MEETING of the EXECUTIVE COMMITTEE
of the MULTILATERAL FUND**

March, 2014

WORK PROGRAM FOR WORLD BANK GROUP-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS

1. This proposed work program for World Bank Group (WBG)-Implemented Montreal Protocol Operations is prepared on the basis of the 2014-2016 WBG Business Plan, also being submitted for the consideration of the Executive Committee at its 72nd meeting.
2. The proposed 2014-2016 WBG Business Plan consists of investment and non-investment activities to assist Article 5 country clients in meeting remaining ODS phase-out obligations, sustaining the 2013 freeze in HCFC consumption, and achieving the 10% HCFC consumption reduction by 2015 and the 35% HCFC consumption reduction by 2020 in a sustainable manner.
3. The 2014-2016 Business Plan includes a number of Stage II HCFC phase-out sector plans and Stage II gradual production phase-out plans that will be put forward for the consideration of the Executive Committee (ExCom). It also includes ongoing work associated with the implementation of annual work programs of sector and national plans, previously approved, to phase out HCFCs and methyl bromide (MB), as well as renewal of institutional strengthening (IS).

2014 BUSINESS PLAN

4. The value of deliverables contained in the proposed current year 2014 WBG Business Plan, including investment and non-investment activities, as well as agency support and core costs, totals US \$34.2 million. Funds will be used to support both new and previously approved activities.
5. The proposed 2014 Business Plan includes deliverables of 5 investment activities in 4 countries (China, Jordan, Thailand and Vietnam), totaling US \$30.1 million, in support of national and sectoral ODS phase-out work. The deliverables are associated with submission of annual work programs for previously approved multi-year projects including, HCFC phase-out management in China, Jordan and Thailand, MB phase-out in Vietnam, as well as 1 sector-specific investment activity associated with a new HCFC production sector phase-out submission in China.
6. The 2014 Business Plan also includes requests for extension of support for implementation of existing institutional strengthening projects supported by the World Bank in Jordan and Thailand.
7. Lastly, the proposed 2014 Business Plan includes a request of US \$1.725 million in agency core unit costs.

2014 WORK PROGRAM – EXCOM 72 AMENDMENT

8. The 2014 Work Program Amendment being submitted for consideration at the 72nd Meeting of the ExCom includes five (5) requests:

- Project Preparation Activities for Stage II of HCFC Foam Sector Plan in Indonesia
- Project Preparation Request for Stage II HPMP in Vietnam
- Project Preparation Activities for three (3) Sector Plans in Vietnam: Foam, Refrigeration and Air-conditioning

Table 1: Activity Requests Submitted for Consideration to the 72nd Meeting of the ExCom

| Country | Request (US\$) | Duration | Description |
|---------------|----------------|--------------|---|
| Indonesia | 150,000 | 18-24 months | Project Preparation Activities for Stage II of HCFC Foam Sector Plan [in accordance with ExCom Decision 71/42, paragraph (f) (iv)] <i>*cost breakdown presented in Annex I</i> |
| Vietnam | 90,000 | 18-24 months | Project Preparation Request for Stage II HPMP [in accordance with ExCom Decision 71/42, paragraph (d) (v)] <i>*cost breakdown presented in Annex II, table 1</i> |
| | 80,000 | | Project Preparation Activities for Stage II of HCFC Sector Plan in Foam Sector <i>*cost breakdown presented in Annex II, table 2</i> |
| | 60,000 | | Project Preparation Activities for Stage II of HCFC Sector Plan in Refrigeration Sector <i>*cost breakdown presented in Annex II, table 2</i> |
| | 60,000 | | Project Preparation Activities for Sector Plan in Air-conditioning Sector <i>*cost breakdown presented in Annex II, table 2</i> |
| Sub-Total | 440,000 | | |
| Support Costs | 30,800 | | |
| TOTAL | 470,800 | | |

Annex I

Project Preparation Request: Indonesia Stage II, HCFC Foam Sector Plan

At the request of the Government of Indonesia, and as per ExCom Decision 71/42, the World Bank Group has included a funding request associated with preparation of Stage II of Indonesia's HCFC Foam Sector Plan. While all foam enterprises were identified under Stage I of the HCFC Foam Sector Plan's preparation, a detailed technical assessment has only been completed for the enterprises covered under Stage I. Hence, the proposed preparation for Stage II will involve an update of the overall HCFC consumption in the foam sector and a detailed technical assessment of about 42 enterprises to be covered under Stage II.

Progress of Stage I HCFC Foam Sector Plan

Progress under Stage I has been satisfactory. On 1 July, 2013, the Government of Indonesia signed the Grant Agreement with the World Bank for the implementation of the foam sector plan. Since then, the Ministry of Environment has signed contracts (FTRA- Foam Technology Replacement Agreements) with 3 large foam enterprises (PT Nayati Indonesia , PT Topjaya Antariksa Electronics, and PT Maspion Elektronik) to phase out a 159 MT of HCFC-141b, covering 57% of total consumption of the baseline to be phased-out under Stage I of the foam sector plan. Currently, these enterprises are at different stages of procuring and installing equipment for conversion of their manufacturing facilities.

The value of the 3 FTRA signed to date is US \$1,202,000. As at end December 2013, US \$140,400 has been disbursed to one enterprise (PT Topjaya).

The Government of Indonesia plans to establish FTRA with another 23 foam enterprises in 2014 to phase out the remaining 118 MT of HCFC-141b against the baseline. The NOU is organizing a workshop on 22 March 2014 to which the 23 foam enterprises will be invited in order to expedite implementation of the program. The Government expects to disburse US \$2,306,812 in 2014 (\$2,176,600 to companies/for investment component and \$130,212 for technical assistance including workshop, training and policy support).

Preparation Activities for Stage II of HCFC Foam Sector Plan

Preparation activities will include completion of a survey questionnaire and follow-up site visits, as well as technical assessment and assistance to determine the proper choice of alternatives. Stakeholder consultations will be organized since companies with different levels of consumption may be eligible for different alternatives, given limited funding available from the ExCom.

The approval of the request for project preparation funds will allow the WBG to prepare Stage II of the HCFC foam sector plan to phase-out 400 MT from 42 enterprises that will enable Indonesia to meet its 35% reduction target.

| Activity | Particulars | Value in |
|-----------------|--------------------|-----------------|
|-----------------|--------------------|-----------------|

| | | USD |
|--|---|----------------|
| Field survey and data collection and analysis | <ul style="list-style-type: none"> • Recruitment of national consultant for field survey and data collection • Field survey and data collection • Survey report preparation | 20,000 |
| Preparation of Stage II of HCFC foam sector plan | <ul style="list-style-type: none"> • Recruitment of international consultant for preparing detailed technical assessment • Preparation of stage II of HCFC foam sector plan including technology options review and selection for phase-out projects and finalization | 100,000 |
| Stakeholder consultations | <ul style="list-style-type: none"> • Consultative workshops with stakeholders | 5,000 |
| Communications and miscellaneous | <ul style="list-style-type: none"> • Communication costs for organization of HPMP survey for investment component • Printing and stationery • Travel and other miscellaneous costs | 25,000 |
| Total | | 150,000 |

Annex II

Project Preparation Request: Vietnam Stage II, HPMP

Progress under Stage I HPMP

The agreement between the Government of Vietnam and the Executive Committee of the Multilateral Fund (MLF) for the reduction of HCFCs through a Stage I HCFC Phaseout Management Plan (HPMP) encompasses the period 2011-2015 and allocates resources for HCFC reductions through 2015. This support will enable Vietnam to comply with its maximum allowable consumption target of 199.08 tons in 2015. Reductions expected under Stage I amount to 50.08 ODP tonnes of HCFC consumption – all from the foam sector. Implementation of the Stage I HPMP is well underway and on target for physical completion in late 2015.

The primary Stage I intervention is in the foam sector, specifically for 12 enterprises that consumed 94% of the bulk HCFC-141b imported in 2009. As of mid-March 2014, 11 enterprises have signed subgrant agreements, four of these have equipment contracts, and one has completed its subproject. A second subproject completion is expected by May 2014. The 12th enterprise has withdrawn from the project because of a substantial decrease in foam production and inevitable exiting from the market in the near future. Nine enterprises are scheduled to complete conversion to cyclopentane by the end of 2014. Consequently, disbursement for this project component is expected to increase rapidly in the next six months.

Under the technical assistance component of the HPMP, additional activities completed since last reporting to ExCom (see the biennial tranche implementation report submitted to the Committee's 71st Meeting) consist of four training and awareness workshops, including Customs training in controlling the import and export of HCFCs. A report was completed for the Project Management Unit on existing Government policies in the seafood industry and on a master plan to ban the new installation and expansion of HCFC-based refrigeration equipment. Finally, a consultant has been selected for conducting the consumption verification for 2013. A verification report is expected by mid-year.

In terms of policy measures, the Government of Vietnam has introduced a quota system for controlling HCFCs, in force now since 1 January 2012. The regulation governing the quota also provides for licensing of imported HCFC-based pre-blended polyol. A policy recommendation was issued to prevent the establishment of new, and the expansion of existing HCFC-based manufacturing facilities in the foam and air-conditioning sectors as of 16 January 2014.

Preparation Activities for Stage II of Vietnam's HPMP

The subsequent compliance period requiring support, starting in 2016, will involve new sectors. Experience under the Stage I HPMP indicates that approximately two years are required for the preparation and approval of an HCFC phaseout strategy and sector plans. The WBG is therefore seeking project preparation funding on behalf of the Government of Vietnam to initiate project preparation as outlined in the tables below.

Overall Stage II HPMP Preparation

Activities to be Undertaken and Information to be Collected and Updated

| Activity | Information to be Collected/Updated | Cost |
|---|--|---------------|
| Survey work | <ul style="list-style-type: none"> • Data collection including, overall consumption patterns by HCFC substance and sector with emphasis on user level HCFC-22 consumption data that was not funded under Stage I. • Corroboration of survey data through site visits (agreed percentage of users). • Inclusion of servicing sector in survey work to better assess the type/size of typical providers, nature of work and options/readiness for introduction of climate-friendly, potentially flammable replacements. | 55,000 |
| Technology assessment | <ul style="list-style-type: none"> • Consideration of the range of non-ODS, technically proven, and commercially available alternatives in the Vietnamese context, including climate-friendly alternatives to HCFCs; will supplement the requisite assessments at the sector, subsector level. | 10,000 |
| Stakeholder workshops (2) and consultations | <ul style="list-style-type: none"> • Kick-off workshop, including informing non-funded stakeholders of phase-out obligations, replacement technologies and existing and planned regulation. • A second workshop to present the final Stage II strategy and associated data, validate data, and secure stakeholder commitment. | 20,000 |
| Policy development | <ul style="list-style-type: none"> • Initiation of additional policy measures for new HPMP sectors through inter-ministerial and sector-wide consultations, as well as expert legal support. Efforts will focus on initiation of a quota for imported HCFC-141b preblended polyol and measures to control installation of R-22 systems during preparation of Stage II. | 5,000 |
| | Total | 90,000 |

Sector Plan Preparation Requests

| Stage II Sector to be Prepared | Amount of Preparation Funding Requested (US\$) | Number of Enterprises | Explanations |
|--------------------------------|--|-----------------------|---|
| Foam Sector | 80,000 | 60+ | The Stage I request for project preparation funds in the foam sector was to allow the Bank to cover at least 15% of identified enterprises. All funds were used. Although attempts were made to survey the entire sector, it is known now that not all foam companies were reflected in Stage I. Moreover, in 5 years since the survey there have been changes in the make-up of the sector (some enterprises are no longer in business, new ones may have been established, or some have grown significantly. Additional funds will be used as follow: Sector-survey, consultations and site visits - \$25,000; Detailed technical assessment of enterprises not included under Stage 1 - \$20,000; and international expertise (for technologies, project design) and sector plan preparation - \$35,000 |
| Refrigeration Sector | 60,000 | 25+ | The Stage I request for project preparation funds in the refrigeration sector was to allow the Bank to cover at least 15% of identified enterprises. Full project preparation funding was utilized and included a broad survey of the refrigeration and air-conditioning sector. An investment activity was also prepared specifically for the AC manufacturing sector. |
| Air-conditioning Sector | 60,000 | 5 | Investment activities in the AC sector were prepared through project preparation funding for the refrigeration sector (see row above). However, upon consideration of the HPMP by the Executive Committee, the Gov. of Vietnam, through the WB, was requested to remove the AC component from the proposed HPMP and action plan at the 63rd Meeting. Proposed project preparation funding has been discounted to reflect some knowledge of the sector and main players. Given the complexity of the sector (high growth rates, available technologies, types of the enterprises involved, etc.) however, as well as the expectation of changes in the sector, additional preparation funding is necessary as follows: International technical expertise for preparation (new tech. assessment, costing, design, etc.) - \$30,000; consultations with enterprises sector-wide, associations, regulators, and updated data collection at proposed beneficiaries - \$15,000; strategy /sector plan preparation - \$15,000. |
| TOTAL | 20,000 | | |