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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
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**THE WORLD BANK'S BUSINESS PLAN FOR THE YEARS 2015-2017**

1. This document presents a summary of the World Bank's planned activities for the phase-out of ozone-depleting substances (ODS) during the 2015-2017 period. It also contains the World Bank's business plan performance indicators and recommendations for consideration by the Executive Committee. The World Bank's 2015-2017 business plan narrative is attached to the present document.

**SECRETARIAT'S COMMENTS**

2. Table 1 sets out, by year, the value of activities included in the World Bank's business plan according to categories "required for compliance" and "standard cost activities".

**Table 1: Resource allocation in the World Bank's business plan as submitted (2015-2017)  
(US \$000s)**

Item	2015	2016	2017	Total (2015-2017)	Total (2018-2020)	Total after 2020*
<b>Required for compliance</b>						
Approved multi-year agreements (MYAs)	41,609	26,540	806	68,955	2,723	
HCFC production - stage II	0	29,306	29,306	58,612	87,917	
HCFC production PRP - stage II	374	0	0	374	0	
HPMP PRP - stage II	321	567	0	888	0	
HPMP stage II	5,238	32,704	41,288	79,230	92,255	
HCFC - demonstration - low GWP alternative	1,046	0	0	1,046	0	
<b>Standard cost activities</b>						
Institutional strengthening (IS)	0	529	0	529	1,057	
Core unit	1,725	1,737	1,749	5,211	5,322	
<b>Grand total</b>	<b>50,313</b>	<b>91,382</b>	<b>73,149</b>	<b>214,845</b>	<b>189,274</b>	

\* The World Bank did not provide data from after 2020 including the maximum balance for the total HPPMP in China of US \$159.71 million for the period of 2021-2030.

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.

## **Required for compliance**

### MYAs

3. Approved MYAs amount to US \$68.96 million including US \$18.27 million for HCFC phase-out management plan (HPMP) stage I activities and US \$50.69 million for the HCFC production sector activities. The value for these activities from 2018 to 2020 amounts to US \$2.72 million.

### Stage II project preparation for the HCFC production sector

4. The project preparation associated with stage II production sector amounting to US \$373,815 was included in the 2015 business plan; however, it was also submitted as a work programme amendment to the 73<sup>rd</sup> meeting.

### Stage II production sector

5. A total of US \$146.53 million is included for stage II of the HCFC production phase-out management plan (HPPMP) in China. This amounts to US \$29.31 million per year for the period 2016-2020. However, the average annual level for the period 2017-2030 amounts to US \$21.87 million assuming the maximum amount of funding (US \$406.56 million)<sup>1</sup> including agency fees per decision 69/28(e). Therefore, the proposed level of stage II production sector funding exceeds the average annual amount by 34 per cent. According to decision 71/23(c), stage II of the HPPMP should be commenced in 2017. However, according to the World Bank business plan, the final tranche of stage I of the HPPMP for China of US \$25.3 million would be approved in 2016 at the same time that the first tranche of stage II at a level of US \$29.31 million. This effectively advances one year of funding as two payments for the HPPMP would be approved in the same year. This level of funding after 2020 would amount to US \$15.97 million per year from 2021 to 2030, which would be only 73 per cent of the average annual amount of funding remaining indicated above (US \$21.87 million) and suggests a planned front-loading of funding for the HPPMP.

6. The World Bank indicated that the amount of HCFCs to be eliminated in stage II will be much higher than in stage I<sup>2</sup>. The Bank's business plan includes 2,912 ODP tonnes for the 10 per cent reduction from the baseline for stage I and 7,281 ODP tonnes for stage II that would achieve the balance of the 35 per cent baseline reduction. While stages I and II in the business plan represent a reduction of 35 per cent from the baseline, the funding (US \$246.85 million<sup>3</sup>) represents 60.7 per cent of the total maximum funding (US \$406.56 million). Moreover, unless actual submissions represent more phase-out than that indicated in the business plans, the remaining phase-out to be achieved after 2020 would represent 18,929 ODP tonnes with maximum funding of US \$159.71 million.

### Stage II project preparation for the HCFC consumption sector

7. The total level of funding for project preparation of stage II of HPMPs<sup>4</sup> is US \$888,100 for the period of 2015-2017 and no funding after 2017<sup>5</sup>.

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<sup>1</sup> US \$385 million plus support costs = US \$406.56 million.

<sup>2</sup>The Bank provided this information for planning purposes based on China's sector agreement for project preparation, but emphasized that as a whole, China had not endorsed the stage II entries in the business plan because it had not had an opportunity to consult with its industry and relevant stakeholders.

<sup>3</sup> Stage I (US \$100.32 million) + stage II (US \$146.53 million) = US \$246.85 million including agency support costs.

<sup>4</sup> "Project preparation could be funded for stage II activities and might be included prior to the completion of stage I in business plans for the years 2012-2014" (decision 63/5(f)(i)).

Stage II of HPMPs in non-low-volume-consuming (LVC) countries

8. The total level of funding for stage II of HPMPs for non-LVC countries is US \$171.49 million for a total phase-out of 1,950 ODP tonnes of HCFCs (including US \$79.23 million for a total phase-out of 962 ODP tonnes for the period of 2015 to 2017). The sectors' breakdown is provided in Table 2.

**Table 2: Stage II of HPMPs by sector (US \$000)**

Sector	Total (2015-2017)	Total (2018-2020)	Total	Per cent of total
Fire fighting	70	17	87	0.1
Foam general	1,481	2,221	3,702	2.2
Foam rigid	63,883	74,580	138,463	80.7
Refrigeration air-conditioning	5,025	2,723	7,748	4.5
Refrigeration assembly	1,982	1,734	3,717	2.2
Refrigeration commercial	3,843	1,599	5,442	3.2
Refrigeration servicing	1,685	9,064	10,748	6.3
Solvent	1,261	315	1,577	0.9
<b>Total</b>	<b>79,230</b>	<b>92,255</b>	<b>171,485</b>	<b>100.0</b>

Demonstration projects for low global-warming-potential (GWP) alternatives

9. A total of US \$1.05 million is included for a demonstration project for three low GWP alternatives for the production of polyol systems for foams through systems houses in Thailand in 2015. The World Bank did not provide ODP value for this activity or indicate if a letter from the country had been received to include the entry in the Bank's business plan.

**Standard cost activities**

10. The World Bank has not increased the core unit budget for 2015.

11. For IS activities, US \$1.06 million has been included in the business plan of which US \$528,581 is for the period of 2015 to 2017<sup>6</sup>, and US \$528,581 for the period of 2018 to 2020.

**Adjustments based on existing Executive Committee decisions**

12. In line with relevant decisions by the Executive Committee, the Secretariat proposed the following adjustments to the World Bank's 2015-2017 business plans:

- (a) To increase MYA values to reflect the records of the Secretariat by US \$1.41 million (US \$598,199 for the period of 2015 to 2017<sup>7</sup>);
- (b) To adjust the level of funding for stage II of HPPMP with a cost-effectiveness value that exceeds the average cost-effectiveness of stage I of HPPMP of US \$12.76/kg and to remove value in 2016 according to decision 71/23(c), resulting in the reduction of US \$72.22 million for the period of 2015 to 2020 (including US \$40.04 million for the period of 2015 to 2017);

<sup>5</sup> The guidelines for the preparation of stage II of HPMPs were approved at the 71<sup>st</sup> meeting (decision 71/42).

<sup>6</sup> In line with decision 63/5(b), current levels of funding for IS for business planning purposes is maintained up to 2020 in the absence of a decision on funding levels.

<sup>7</sup> The values for 2015 tranches for Jordan and Thailand were missing from the World Bank's business plan as submitted.

- (c) To reduce the level of funding for project preparation of stage II of HPMPs pursuant to decision 71/42 by US \$470,800 for the period of 2015 to 2017 with no adjustment after 2017;
- (d) To adjust projects with a cost-effectiveness that exceeds the relevant cost-effectiveness thresholds by:
  - (i) Reducing the amount for stage II of HPMPs in non-LVC countries for the rigid foam sector projects by US \$80,986 for the period of 2015 to 2020 (including US \$39,365 for the period of 2015-2017) based on a maximum cost-effectiveness of US \$6.92/kg<sup>8</sup>;
  - (ii) Reducing project values based on a cost-effectiveness of US \$4.50/kg as follows: US \$1.42 million for the period of 2015 to 2020 (including US \$756,608 for the period of 2015 to 2017) for the refrigeration assembly sector; US \$260,010 for the period of 2015 to 2017 (no adjustment after 2017) for the refrigeration servicing sector; and US \$692 for the period of 2015 to 2020 (including US \$555 for the period of 2015 to 2017) for the solvent sector;
- (e) To remove the demonstration project on low GWP alternatives for the foam system house amounting to US \$1.05 million for the period of 2015-2017 with no adjustment after 2017; and
- (f) To reduce IS values by US \$370,935 for the period of 2015 to 2020 (no adjustment for the period of 2015 to 2017), according to when IS renewals are due based on the latest approvals of the IS requests and the current funding structure.

13. These adjustments are addressed in the context of the Consolidated 2015-2017 business plan document (UNEP/OzL.Pro/ExCom/73/18).

14. Table 3 presents the results of the Secretariat's proposed adjustments to the World Bank's 2015-2017 business plan.

**Table 3: Resource allocation in the World Bank's business plan as adjusted by existing Executive Committee decisions (US \$000s)**

Item	2015	2016	2017	Total (2015-2017)	Total (2018-2020)	Total after 2020
<b>Required for compliance</b>						
Approved MYAs	39,736	28,748	1,070	69,554	3,529	
HCFC production - stage II	0	0	18,576	18,576	55,729	
HCFC production PRP - stage II	374	0	0	374	0	
HPMP PRP - stage II	0	417	0	417	0	
HPMP stage II	4,600	32,684	40,890	78,173	91,551	
HCFC demonstration - low GWP alternatives	0	0	0	0	0	
<b>Standard cost activities</b>						
IS		158	371	529	686	
Core unit	1,725	1,737	1,749	5,211	5,322	
<b>Grand total</b>	<b>46,434</b>	<b>63,744</b>	<b>62,656</b>	<b>172,834</b>	<b>156,818</b>	<b>0</b>

<sup>8</sup> According to decision 60/44(f).

## Performance indicators

15. A summary of the World Bank's performance indicators pursuant to decision 71/28 is provided in Table 4.

**Table 4: Performance indicators for the World Bank**

Type of indicator	Short title	Calculation	2015 target
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned*	8
Planning--Approval	Projects/activities approved	Number of projects/activities approved vs. those planned (including project preparation activities)**	3
Implementation	Funds disbursed	Based on estimated disbursement in progress report	\$27 million
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	3,873
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	3
Administrative	Speed of financial completion	The extent to which projects are financially completed 12 months after project completion	90%
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.

16. According to the 2015 business plan, the World Bank's target for projects/activities approved for individual projects should be five including three preparation, one demonstration and one technical assistance activities and the target for ODS phase-out for tranches should be 3,224.3 ODP tonnes. As per the 2013 progress report for projects that are planned to be completed in 2015, the target for project completion should be 13 including one demonstration, one IS, three technical assistance and eight investments activities.

## Policy issues

17. The World Bank raised the same three policy issues in its business plan narrative as in its 2014-2016 business plan: closure of HCFC production swing plants; the time between funding and phase-out in the business plans and actual phase-out; and eligible consumption for stage II of HPMPs in the business plans.

18. The Bank raised the issue of swing plants that were not included in its business plan for Argentina and India in the light of decision 66/5(a)(v). If the Committee determines that swing plants are eligible, such projects might be submitted in line with the Committee's guidelines irrespective of whether they are in the business plan, as indicated in the Bank's narrative.

19. The other policy issues raised by the World Bank are addressed in the context of the Consolidated 2015-2017 business plan document (UNEP/OzL.Pro/ExCom/73/18).

## RECOMMENDATIONS

20. The Executive Committee may wish to consider:
- (a) Noting the 2015-2017 business plan of the World Bank as contained in document UNEP/OzL.Pro/ExCom/73/23; and
  - (b) Approving the performance indicators for the World Bank as set out in Table 4 in document UNEP/OzL.Pro/ExCom/73/23 while setting a target of five projects/activities approved for individual projects, 3,224.3 for ODS phase-out for tranches, and 13 for project completion for activities.

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# 2015-2017 BUSINESS PLAN



## **WORLD BANK GROUP**

### INVESTMENT AND NON-INVESTMENT OPERATIONS FUNDED BY THE MULTILATERAL FUND OF THE MONTREAL PROTOCOL

Presented to the  
73rd Meeting of the Executive Committee  
of the Multilateral Fund

15 September 2014





# I. MULTILATERAL FUND TARGETS

## A. Meeting the Objectives of the Multilateral Fund

1. The three-year rolling Business Plan for the World Bank has been prepared on the basis of approved and projected funding needs of client countries covering the years 2015-2017.
2. The objectives of the proposed 2015-2017 Business Plan for the World Bank are to:
  - a) Assist Article 5 countries in meeting the two obligations pertaining to HCFC consumption and production phase-out – the 10% consumption reduction by 2015 and the 35% consumption reduction in 2020 and also to meet the extended HCFC phase-out commitment under each country’s Agreement with the Executive Committee.
  - b) Ensure Article 5 partner countries’ sustainable phase-out of the remaining Methyl Bromide (MB) and the implementation of institutional strengthening (IS) activities.
3. The proposed 2015-2017 Business Plan of the World Bank includes annual work programs of sector plans and national plans, previously approved, to phase out HCFCs and methyl bromide, as well as the renewal of the institutional strengthening activities. In light of the decisions taken at the ExCom, the Bank’s Business Plan includes new HCFC Stage II project preparation activities, and a number of stage II HCFC phase-out sector plans and a Stage II gradual production phase-out plan. In line with the decision taken at the 72<sup>nd</sup> ExCom meeting, the World Bank also proposes a demonstration project in its 2015-2017 Business Plan.
4. The expected impact of proposed new investment activities for the 2015-2017 period are summarized in Table I – 1, below. It should be noted that activities planned for these years are included on an indicative basis, and that they may later be revised as part of individual project submissions or future year World Bank business plan submissions.

Table I-1: Expected impact of new investment activities anticipated to be requested by the World Bank for the years 2015-2017 (ODP tonnes)

	2015	2016	2017	Total
HCFC Sector Plans Stage II	49.48	415.69	496.89	962.05
HCFC Demonstration Project	0.00	-	-	0.00
HCFC Production Phase-out Plan Stage II (China)	0.00	1,456.20	1,456.20	2,912.40
Total	49.48	1,871.89	1,953.09	3,874.45

5. Other than the ODP to be phased out from new investment activities proposed for the 2015-2017 period, additional phase-out of 3,259.70 ODP tons will be achieved by 2017 through the ongoing implementation of previously approved multi-year projects. This additional phase-out is summarized in Table I-2.

Table I-2: Expected impact of approved investment activities anticipated to be requested by the World Bank for the years 2015-2017 (ODP tonnes)

	2015	2016	2017	Total
MB Phase-out Plan (Vietnam)	35.00	0.00	0.00	35.00
HCFC Sector Plans Stage I	262.82	42.21	7.67	312.70
HCFC Production Phase-out Plan Stage I (China)	2,912.00	0.00	0.00	2,912.00
Total	3,209.82	42.21	7.67	3,259.70

### Strategic approach to HCFC phase-out in the proposed 2015-2017 Business Plan

6. Balancing supply and demand of HCFC Production and Consumption: China is the world's largest producer, consumer of HCFCs for ODS use. China's 2012 ODS production and consumption accounted for 87% and 50% of global production and consumption of HCFCs, respectively. Based on preliminary 2013 information, China exports around 30% of its production for ODS use. The upcoming closure of 5 HCFC producers will also have implications on the supply of HCFCs to both the domestic and export markets.

7. To assist China in meeting the compliance target in 2020, the World Bank proposes to include Stage II HCFC gradual production phase out plan and PU foam phase-out sector plan. The plans are expected to be delivered for the ExCom's consideration in 2015. In preparing these plans, the Bank will consult closely with other implementing agencies during their preparation of other Stage II sector plans for China in order to minimize economic disruption to both China and export markets in each sector.

8. Certification of refrigeration and air-conditioning service technicians: In reviewing potential alternatives to replace HCFC and HFC refrigerants being developed, many candidates are classified as A2L - mildly flammable refrigerants<sup>1</sup> or A3 – flammable refrigerants. Safety concern is a significant barrier to overcome before the market could widely adopt A2L refrigerants. This includes the capacity of refrigeration and air-conditioning (RAC) service technicians to properly install and service equipment in addition to adopting or modifying national standard and building codes specifically for flammable refrigerants.

9. For many Article 5 countries, RAC servicing sector is considered informal and most service technicians do not have formal technical training and learn their skills on the job. Attempts to improve technical capacity of service technicians for the refrigeration sector have been done previously during the phase-out of CFCs. However, due to easy entry into this trade and high turnover rate of service technicians, most technicians trained during the CFC phase-out period have already moved on to other professions. Given that training is not a mandatory requirement in most countries, very few service technicians active in the market today have undergone any training.

10. The World Bank proposes a number of preparation activities for Stage II HCFC Phase-out Management Plans in the 2015-2017 World Bank Business Plan. In a number of countries, the sectors to be targeted by the Stage II HCFC Phase-out Management Plans will include conversion of refrigeration and air-conditioning manufactures and HCFC phase-out in the servicing sector. Service technician certification system will ensure that RAC service technicians can safely perform their service and equipment will be properly installed which minimize the risk of accident during operations. This would help promote the adoption of low-GWP alternatives. Moreover, proper installation will ensure that

<sup>1</sup> Based on ASHRAE Standard 34 on Designation and Safety Classification of Refrigerants

equipment operates at the optimal design points where energy consumption performance will be at its best. The Bank will consider activities to set up service technicians certification system wherever feasible in these countries.

11. Foam Demonstration project: The development of the first HPMPs included surveys of the foam markets in Article 5 countries and these surveys revealed a spread of enterprises size with a high proportion in the small and micro-size range. For example, the HPMPs for China, Indonesia, Thailand and Vietnam included significant numbers of “micro” enterprises with HCFC consumption below 1 tonne per annum. Small and micro-sized enterprises frequently use pre-blended polyol formulations containing HCFC-141b in their manufacturing processes. While these enterprises wish to emulate the larger players in terms of using hydrocarbons as their blowing agent of choice due to operating cost savings, the investment costs are too prohibitive.

12. The challenge for Stage II is to providing the best technical guidance and support to small and micro foam manufacturers as they work to transition away from HCFC-141b. In line with decision 72/40 on demonstration projects to demonstrate climate-friendly and energy efficient alternative technologies to HCFCs, the World Bank proposes to include a foam system house demonstration project to demonstrate viability of three low-GWP alternatives and market acceptance by strengthening and equipping three local foam system houses with technology and equipment for product development.

## B. Resource Allocation in 2015

13. The proposed 2015 Business Plan includes deliverables of eleven investment activities in the following seven countries: Argentina, China, Indonesia, Jordan, Philippines, Thailand and Vietnam. The total amount of funding requested for ongoing and new investment activities in the proposed 2015 Business Plan is US\$46.8 million.

14. The funding distribution for ongoing and new investment activities included in the proposed 2015 Business Plan is summarized below.

Table I-3: Summary of funding distribution for investment activities in the proposed 2015 World Bank Business Plan

	Total amount of funds requested in 2015 (US\$ 000s)*	Percent of total	Estimated impact in 2015 (ODP tonnes)	Percent of total
MB Phase-out Plan (Vietnam)	0.00	0%	35.00	1%
HCFC Sector Plans Stage I <sup>2</sup>	16,265.24	35%	262.82	8%
HCFC Sector Plans Stage II	5,238.09	11%	49.48	2%
HCFC Production Phase-out Plan Stage I (China) <sup>3</sup>	25,344.00	54%	2,912.00	91%
Total	46,847.32	100%	3,209.82	100%

\* Figures include agency support costs

<sup>2</sup> Does not include second tranche of Jordan AC sector plan stage I at US \$1,240,539 and second and third tranches of Thailand HPMP stage I at US \$11,455,585 that are intended to be submitted in CY 2015

<sup>3</sup> Does not include third tranche at US \$25.344 million that is intended to be submitted in CY 2015

15. The total deliverables contained in the proposed 2015 World Bank Business Plan, including investment, non-investment and preparatory activities amounts to US\$52 million (including agency support costs and core unit costs). The breakdown of the total deliverables is summarized below.

Table I-4: Summary of all activities included in the proposed 2015 World Bank Business Plan

Type of activity included in the proposed 2015 Business Plan	Number of activities	Amount requested (US\$ 000s)*
HCFC Sector Plans Stage I	5	16,265.24
HCFC Gradual Production Phase-out Plan Stage I (China)	1	25,344.00
HCFC Gradual Production Phase-out Plan Stage II Preparation (China)	1	373.82
HCFC Sector Plans Stage II Preparation	2	321.00
HCFC Sector Plans Stage II	6	5,238.09
Institutional Strengthening	0	0.00
Core Unit Cost	1	1,725.00
Demonstration project	1	1,046.10
Total	17	50,313.24

\* Figures include agency support costs

## C. Resource Allocation Beyond 2015

16. The breakdown of the resource allocation beyond 2015 in the 2015-2017 Business Planning is summarized below.

Table I-5: World Bank's proposed resource allocation plan for 2016-2017 (in US\$ 000s)

Type of activity	Total amount of funds requested in 2016 (US\$ 000s)	Estimated impact in 2016 (ODP tonnes)	Total amount of funds requested in 2017 (US\$ 000s)	Estimated impact in 2017 (ODP tonnes)
HCFC Sector Plans Stage I	1,195.84	42.21	806.38	7.67
HCFC Production Phase-out Plan Stage I (China)	25,344.00	0.00	0.00	0.00
HCFC Gradual Production Phase-out Plan Stage II (China)	29,305.80	1,456.20	29,305.80	1,456.20
HCFC Sector Plans Stage II Preparation	567.10	N/A	0.00	N/A
HCFC Sector Plans Stage II	32,703.61	415.69	41,110.96	494.79
Institutional Strengthening	528.58	N/A	0.00	N/A
Core Unit Cost	1,737.08	N/A	1,749.23	N/A
Total	91,382.01	1,914.10	72,972.38	1,958.66

## II. PLANNED BUSINESS ACTIVITIES

### A. Ongoing Approved Activities

17. Investment projects for which funding is requested in the 2015-2017 BP: As of September 2014, the World Bank's Montreal Protocol portfolio consists of 6 ongoing multi-year projects for which funding

will be solicited in 2015-2017: HCFC phase-out management and sector plans in China, Indonesia, Jordan, Thailand and Vietnam, and HCFC production phase-out plan in China.

18. Non-investment projects and activities: As of September 2014, the World Bank's portfolio includes 2 ongoing institutional strengthening projects (Thailand and Jordan).

## **B. Program Expansion in 2015 and Beyond**

19. A list of detailed new and approved activities to be implemented during 2015-2017, their associated levels of funding, projected ODP impact and country specific remarks is submitted as a separate table.

### New submissions

20. HCFC consumption phase-out Stage II: As part of the World Bank 2015-2017 Business Plan, the World Bank plans to submit new preparation fund requests for HCFC sector plans Stage II for Argentina, Jordan, and Thailand, and project proposals for Argentina, China, Indonesia, Jordan, the Philippines, Thailand and Vietnam. As the criteria for funding HCFC phase-out in the consumption sector for Stage II HPMP are still under development, the cost information for projects will be based on Stage I guidelines and use the cost-effectiveness thresholds for each sector agreed under Stage I and suggested by the Secretariat.

21. HCFC production phase-out Stage II (China): The World Bank has included the preparation fund request for China production phase out plan Stage II in 2015 as a placeholder. However, the preparation fund is being requested as part of 2014 World Bank Work Program Amendment in line with Decision 71/23 in order to start preparation at the beginning of 2015 to allow development of coordinated strategy for both consumption and production. This stage will involve additional closure and therefore more analysis, planning, and identification of options are required. Detailed analysis and study will have to be conducted to ensure that phase-out by chemical matches the situation in the consumption sectors. To ensure achievement of the total capacity to be dismantled as per the agreement, examination at the plant level is needed to come up with options on how to meet the target.

22. China Gradual Production Sector Stage II will start implementation in 2016, however, all the figures included in the business plan are indicative and need further industrial consultation with China as more experience needs to be gained and many uncertainties exist in the production sector.

## **C. Measures to Expedite Implementation of Approved Projects and Those Critical to Compliance**

23. 2015 will be the second year that all Stage I HPMPs and HCFC sector plans<sup>4</sup>, including those approved in late 2012 and early 2013 will be under implementation by the World Bank's partner countries. Consequently, the Bank will utilize all resources at its disposal to support countries in

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<sup>4</sup> With the exception of Thailand whose project implementation is delayed due to country situation

overseeing conversions in manufacturing and HCFC production phase-down while revising and introducing new policy and legislation at the sector and national levels. This support will include at minimum two supervision missions per project, greater use of video and teleconferencing, and provision of targeted technical and policy expertise as required. Alongside implementation, the Bank will ensure that its partners maintain a longer term vision of their national HCFC phase-out programs vis-à-vis MP obligations beyond 2015. It will for example, act to bridge project technical assistance activities at the country level with international technological developments so that countries may be better prepared when initiating Stage II work (as early as next year for a couple countries).

24. A now recurrent East Asia regional workshop will be held again in 2015 for technical and procedural guidance to partner countries from the World Bank and external experts, exchange of views, and cross-fertilization on efficient and effective HCFC phase-out implementation. Another workshop will also be organized in 2015 to promote synergy between climate and ozone activities. This workshop will be the second of its kind that was successfully organized in 2014. The workshop will be complemented by sector-specific technical reviews of new and emerging low-GWP alternatives by the Bank’s Ozone Operations Resource Group directed towards the specific needs of partner countries.

25. Lastly, in helping partner countries consider options for addressing Stage II consumption phase-out, particularly where grant funding may be limited due to eligibility, cost-effectiveness ceilings and specific sector funding boundaries, the World Bank is exploring means to better integrate the MP agenda into its main line of work. Beyond the identification of synergies in the Bank’s larger lending portfolio, there will be continuing efforts in 2015 to seek out concrete opportunities that allow ODS sector phase-out to be twinned with new projects aiming for green growth in industry, energy, agriculture, infrastructure, and other sectors.

### III. PERFORMANCE INDICATORS

26. As per Decision 71/28, the following performance indicators are included in the World Bank’s 2015-2017 Business Plan:

#### A. Planning--Approval Performance Indicators

27. Number of tranches of multi-year agreements approved vs. those planned (Weighting: 10)

Table III-1: Number of annual programs of multi-year agreements planned for 2015

Item	Planned for 2015	Remarks
Tranches of previously approved multi-year agreements to be presented to ExCom in 2015	8	HCFC Foam Sector Plan (China, 2015 tranche; Indonesia, 2015 tranche) HCFC Gradual Production Phase-out Plan (China, 2014 and 2015 tranches) HCFC AC Sector Plan (Jordan, 2013 tranche) HCFC Phase-out Plan (Thailand, 2013 and 2014 tranches; Viet Nam, 2015 tranche)

28. Number of individual projects/ activities (investment, demonstration projects, TAS, IS) approved vs. those planned. (Weighting: 10)

Table III-2: Number of individual projects/ activities planned for 2015

Item	Planned for 2015	Remarks
Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	5	Preparation funding for stage II HPMP IS – Thailand Demonstration - Thailand

## B. Implementation Performance Indicators

29. Funds disbursed (Weighting: 15). In 2015, the World Bank is targeting disbursement of the balance of \$27 million based on estimated disbursement for 2014 in the 2013 Progress Report.

30. ODP phased-out for the tranche when the next tranche is approved vs. those planned per progress reports (Weighting: 25): In 2015, the World Bank expects to phase out a total of 3,873 ODP tons through implementation of multi-year projects.

31. Project completion vs. those planned in progress reports for all activities (excluding project preparation) (Weighting: 20): In 2015, the World Bank expects to bring to completion a total of 3 individual project activities including 2 investment activities, and 1 institutional strengthening project.

## C. Administrative Performance Indicators

32. Speed of financial completion after project completion (Weighting: 10): The Bank has set its target for financial completion of all project activities completed in 2013 within 12 months at 90%.

33. Timely submission of project completion reports (Weighting: 5): The Bank plans to submit project completion reports as agreed with the Senior Monitoring and Evaluation Officer.

34. Timely submission of progress reports and responses unless otherwise agreed (Weighting: 5): The Bank plans to submit its 2014 Progress Report by the May 1<sup>st</sup> deadline.

35. A summary of the World Bank's 2015 performance indicators is included in Table III-3 below.

Table III-3: Summary of World Bank's 2015 performance indicators

Category of Performance Indicator	Title	Weighting	2015 Target
Planning -- Approval	Tranches of previously approved multi-year agreements to be approved in 2015	10	8
	Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	10	3
Implementation	Funds disbursed based on estimated disbursement in progress report	15	\$27 million
	ODP phase-out for the tranche vs. that planned per progress reports	25	3,873
	Project completion vs. those planned per progress reports (excluding preparation)	20	3
Administrative	Speed of financial completion after project completion	10	90%
	Timely submission of project completion reports	5	On time
	Timely submission of progress reports	5	On time

## **IV. POLICY ISSUES**

### **A. Swing Plants**

36. The World Bank had intended to include in its 2015-2017 Business Plan, project preparation requests to develop HCFC gradual production phase-out plans for Argentina and India, where all HCFC manufacturers have swing facilities and all of them have received funding from the MLF to phase out CFC production. Based on previous advice of the Fund Secretariat which cited Executive Committee Decision 66/5 that asks that phase-out activities involving swing plants be removed from the previous year's business plan, the Bank has not included the concerned project preparation requests in the current business plan.

37. The Production Sub-group has been mandated by the ExCom to review the eligibility of these facilities for additional funding from the MLF to support HCFC production phase-out. It was clarified that upon positive decision from the Production Sub-group on this issue, the Bank would be able to submit immediately, on behalf of Argentina and India, preparation requests to develop HCFC production phase-out plans in Argentina and India and other HCFC producing countries that have swing plants irrespective of the business plan cycle.

### **B. Time Lag Between Funding Received and ODP Phase-out**

38. The World Bank 2015-2017 Business Plan table of activities has been completed in accordance with the Fund Secretariat's guidance to the Implementing Agencies in 2014. This guidance aims to ensure consistency in the planning approach across Agencies while ensuring that proposed costs and overall plans are within certain cost-effectiveness thresholds. There are two aspects of the approach utilized in the business planning process that need to be clarified as they may not provide a full picture of the level and timing of ODP phase-out required in Stage II HPMPs.

39. Agencies were instructed to insert for every dollar amount of a given year, an ODP phase-out value. This provides the Executive Committee an understanding on an annual basis how much phase-out would cost as opposed to how much under the overall sector plan. However, experience with National CFC Phase-out Plans and Stage I HPMPs, shows that countries will require funding a year to two years before actual phase-out occurs given the time required for implementation. This is particularly true when the main objective of the first 1-2 years of Stage II HPMPs will be to maintain consumption at the maximum amount allowed under the Montreal Protocol for Annex C substances. It is therefore important to understand that the timing of the phase-out in the business plans may not be completely aligned with when the phase-out will actually occur.

### **C. Business Planning and Eligible Consumption in Stage II HPMPs**

40. More critically, for Article 5 countries, is how the adjusted consolidated business plan determines the remaining eligible phase-out amount for meeting the 2020 obligations, i.e. for achieving phase-out



equivalent to 35% of the baseline. The general approach taken is to simply calculate the difference between total phase-out approved in Stage I from the 2020 required level (35% of the baseline). However, this approach is not based on Executive Committee decision and does not take into account possible growth in Stage I. In Stage I HPMPs, on a country-by-country basis, the Committee allowed for some growth to be funded. Thus, the Committee decision and agreement with a country will specifically indicate the percentage of phase-out the agreement covers for Stage I taking into account the compensation for growth and hence the remaining percentage of eligible consumption for meeting 2020 targets. It is more the case than not that the approved percentage covered in Stage I is less than the percentage of total phase-out funded. The consolidated business plan may for some countries therefore underestimate the remaining eligible consumption phase-out amount for Stage II.