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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-fifth Meeting
Montreal, 4-8 April 2005

PROJECT PROPOSAL: VIET NAM

This document consists of the comments and recommendation of the Fund Secretariat on the following project proposal:

Phase-out

- National CFC and halon phase-out plan (first tranche) World Bank

PROJECT EVALUATION SHEET - VIET NAM

PROJECT TITLE

BILATERAL/IMPLEMENTING AGENCY

National CFC and halon phase-out plan (first tranche)	World Bank
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NATIONAL CO-ORDINATING AGENCY:	Ministry of Natural Resources and Environment
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT

A: ARTICLE-7 DATA (ODP TONNES, 2003, AS OF FEBRUARY 17, 2005)

Annex A Group I	Annex A Group II	Annex B Group II	
243.2	0	0	

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2003, AS OF SEPTEMBER 2004)

ODS	Foam	Ref.	Aerosol	ODS	Fire Protection*	Solvent*	Fumigant
CFC - 11	19.00	0.60		Halon - 1301	40		
CFC - 12		223.06		Halon - 2402	36		
CFC - 115		0.90		CTC		0.22	

*Consumption in 2002. In 2003, the required amounts were drawn from existing stocks within the country.

CFC consumption remaining eligible for funding (ODP tonnes)	44 th Meeting approved allocation of all remaining eligible tonnes to this project
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CURRENT YEAR DRAFT BUSINESS PLAN: Total funding \$ 1.26 million: total phase-out 278 ODP tonnes

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
Annex A Group I (ODP tonnes)	Montreal Protocol limits	500	250	250	75	75	75	0	n.a
	Annual consumption limit	(243.2)*	240	200	75	40	10	0	n.a
	Annual phase-out from ongoing projects	0	0	0	0	0	0	0	0
	Annual phase-out newly addressed	n.a.	40	125	35	30	10	n.a.	240
	Annual unfunded phase-out	0	(+3.2)**	0	0	0	0	0	(+3.2)**
Annex A Group II (ODP tonnes)	Montreal Protocol limit	37	18.5	18.5	18.5	18.5	18.5	0	n.a
	Annual consumption limit	(0)*	18.5	18.5	18.5	18.5	18.5	0	n.a
	Annual phase-out from ongoing projects	0	0	0	0	0	0	0	0
	Annual phase-out newly addressed	0	0	0	0	0	18.5	n.a.	18.5
	Annual unfunded phase-out	0	0	0	0	0	0	0	0
Annex B Group II (ODP tonnes)	Montreal Protocol limit	n.a.	0.24	0.24	0.24	0.24	0.24	0	n.a.
	Annual consumption limit	0	0.19	0.19	0.19	0.19	0.19	0	n.a.
	Annual phase-out from ongoing projects	0	0	0	0	0	0	0	0
	Annual phase-out newly addressed	0	0	0	0	0	0.19	n.a.	0.19
	Annual unfunded phase-out	0	0	0	0	0	0	0	0
TOTAL ODS CONSUMPTION TO BE PHASED OUT		0	40	125	35	30	28.69	n.a.	258.69
Total ODS consumption to be phased-in (HCFCs)		0	(+3.2)**	0	0	0	0	0	(+3.2)**
Project cost as originally submitted (US \$)			1,232,500		1,232,387				2,464,887
Final Project costs (US \$):									
Funding for World Bank									Pending
Total project funding									Pending
Final Support costs (US \$)									
Support cost for World Bank									Pending
Total support costs									Pending
TOTAL COST TO MULTILATERAL FUND (US \$)									Pending
Final project cost effectiveness (US \$/kg)									4.89

*Last reported consumption (2003); **: phase-down from last reported consumption to reach 2005 target

FUNDING REQUEST: Approval of funding for first tranche, tranche funding level pending

SECRETARIAT'S RECOMMENDATION	Pending
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PROJECT DESCRIPTION

1. On behalf of the Government of Viet Nam, the World Bank submitted to the 44th Meeting of the Executive Committee a "Viet Nam National CFC and Halon Phase-out Plan". The Viet Nam National CFC and Halon Phase-out Plan will lead to the final phase out of CFCs and halons in the country by the year 2010 and will assist the Government of Viet Nam to meet its 2005 compliance targets for halon consumption and 2007 compliance targets for CFC consumption.
2. At the 44th Meeting, the Executive Committee decided in decision 44/46 to approve the national CFC and halon phase-out plan in principle, at a funding level of US \$1,260,000 plus agency support costs of US \$94,500 to the World Bank, with the following conditions:
 - (a) The Government of Viet Nam was committed to achieving complete phase out of CFCs, halons, CTC and TCA in the country, without further requests for funding from the Multilateral Fund, and at least according to the reduction schedule of the Montreal Protocol;
 - (b) The World Bank would submit a revised proposal for a phase-out plan at least 10 weeks before the 45th Meeting of the Executive Committee. The project proposal should be at the level of funding indicated above, be closely related to the phase-out plan submitted previously, and include a draft Agreement between the Government of Viet Nam and the Executive Committee with verifiable consumption targets; and
 - (c) The World Bank would start non-administrative activities in Viet Nam directly related to ODS phase out within eight months of approval of funding of the first tranche of the project. Commencement of such activities would be reported as part of the annual reporting.
3. The World Bank submitted a revised proposal as per decision 44/46.

Background Information

4. Viet Nam's reported consumption of Annex A controlled substances for the year 2003 was 243.70 ODP tonnes of CFC, which is already below the 2005 compliance obligation of 250 ODP tonnes (50 per cent of the baseline consumption level of 500 ODP tonnes). The remaining CFC consumption is distributed between several sectors, as shown in the following table:

Sector	CFC Consumption (ODP tonnes)	Share of total consumption
Aerosols	39.0	16.0%
Foam (eligible)	10.	4.1%
Foam (not eligible)	2.3	0.9%
Refrigeration manufacturing (not eligible)	10.0	4.1%
Domestic, commercial and fishery service sector	102.2	41.9%

Sector	CFC Consumption (ODP tonnes)	Share of total consumption
MAC service sector	70.8	29.1%
Unknown/not identified	9.4	3.8%
Total	243.7	100.0%

5. So far, the Executive Committee has approved several projects for conversion of CFC use to non-CFC technologies. The projects in the aerosol sector amount to US \$854,010, in the foam sector to US \$40,000 and in the refrigeration manufacturing sector to US \$532,070. Projects related to the refrigeration-servicing sector, including RMP components, amount to US \$1,655,106. The Secretariat took into account these projects while reviewing the activities proposed in the national phase-out plan.

6. Viet Nam is a country with a low level of installed capacity of halon. This is confirmed both from the last 10 years of data reported pursuant to Article 7 (installed capacity 407.8 ODP tonnes) as well as a survey undertaken by UNIDO (341.95 ODP tonnes). Viet Nam's baseline of 37 ODP tonnes further supports this low level of installed capacity since it is commonly accepted that the level of installed capacity is about 10 years of the baseline consumption, which in the case of Viet Nam indicates an installed capacity of 370 ODP tonnes. However, the proposal indicates that there are substantial emissions of halons during servicing amounting to a 25 per cent loss.

7. Viet Nam acceded to the Vienna Convention and the Montreal Protocol as well as the London and Copenhagen Amendments in 1994. The Montreal and Beijing Amendments have not yet been ratified. The Country Programme for the Phase out of ODS in Viet Nam was approved by the Executive Committee of the Multilateral Fund at its 19th Meeting in May 1996. The Refrigerant Management Plan for Viet Nam was approved at the 34th Meeting in 2001.

8. Viet Nam manufactures neither CFCs nor halons, and therefore the difference between imports and exports corresponds to the total consumption in the country. No export has been reported. The proposal covers the maximum of up to 190 kg of CTC (Annex B Group II) consumption as well as maintaining the sustainability of the present zero level consumption of TCA (Annex B Group III).

Eligibility

9. The eligibility of Viet Nam for assistance has been determined through decision 44/46 of the 44th Meeting of the Executive Committee.

Content

10. The National CFC and Halon Phase-out Plan proposes to utilize a combination of policies, regulations and financial incentives to subsidize the phase-out costs of the industrial sector, and to promote refrigerant recovery and recycling, training, and technical assistance activities to minimize and eventually eliminate import of virgin CFCs and halons.

11. The National CFC and Halon Phase-out Plan includes relevant technical assistance components for strengthening the capacity of industry and the Government. The Plan proposes to include a series of investment and technical assistance activities including their timing. This proposed Plan also includes a monitoring programme in order to ensure its successful and effective implementation.

12. The CFC component of the Viet Nam National CFC and Halon Phase-out Plan for which support is sought from the Multilateral Fund consists of seven main operational components:

- (a) Technical assistance component for the MDI sector;
- (b) Conversion project for one foam company, completing the foam sector;
- (c) Refrigeration service technician training - domestic and commercial sub-sectors, finalizing training in all refrigeration servicing sub-sectors except MAC;
- (d) Provision of service tool kits for the refrigeration servicing sub-sectors except MAC;
- (e) MAC inspection programme to enforce a CFC use ban in MAC;
- (f) Provision of service tool kits for the MAC servicing sector; and
- (g) Project implementation, management, awareness, monitoring; includes also the necessary project management components for the halon component.

13. To eliminate the demand of halon-1301 and halon-2402 in Viet Nam, the World Bank proposes an activity to assist the vietnamese industry to avoid venting of installed halons, to undertake recovery and recycling of halon-1301 and halon-2402 from existing facilities, and to have these recycled halons available for critical uses in the future. It is proposed that this activity should consist of two components: technical assistance, and establishment of a recovery and recycling facility.

14. Because of only sporadic and very small consumption of TCA and CTC with no consumption in 2002 and 2003, and a total lack of historical CFC-113 consumption, no solvent component is planned.

Performance targets and disbursement schedule

15. At the time of dispatch, performance targets and the disbursement schedule remained under discussion.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

16. The project document presented by the World Bank contains a logical and consistent, country-specific approach. A feature throughout the plan is the proposed close co-ordination and integration of support for the phase out or conversion with government incentives through bans of CFC use and import, certification and other measures.

17. The status and progress relating to the set-up of a licensing system was specifically addressed in discussions with the World Bank. According to information provided by the World Bank, since the 44th Meeting responsibilities within Viet Nam regarding the licensing system have been decided at the Prime Minister's level, and operational details at the Vice-Minister's level. On this basis, it is expected that the system will be operational in July 2005. In addition, the present version of the "Draft Agreement for the National CFC and Halon Phase-out Plan for Viet Nam" as submitted by the World Bank specifies in Appendix 3-A that not more than US \$265,537 of the total project funds could be disbursed to Viet Nam until the import/export control system is in place and operational, the status of this system is to be reported as part of the annual reporting.

18. The draft agreement has been largely, but not completely agreed between the Secretariat and the World Bank. In particular, the Secretariat expressed concern about parts of the draft agreement as submitted by the World Bank relating to the specification of the annual target, the planning and reporting requirements as well as the description of the role and responsibilities of the World Bank. At the time of dispatch, the related issues had not yet been resolved.

RECOMMENDATION

19. Pending

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