



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/62/15  
1 November 2010

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-second Meeting  
Montreal, 29 November - 3 December 2010

**WORLD BANK'S WORK PROGRAMME AMENDMENTS FOR 2010**

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.

## COMMENTS AND RECOMMENDATION OF THE FUND SECRETARIAT

1. The World Bank is requesting approval from the Executive Committee of US \$497,333 for the amendments to its 2010 Work Programme, plus agency support costs of US \$38,800. The Work Programme is attached to this document.

2. The activities proposed in the World Bank's Work Programme Amendments are presented in Table 1 below:

Table 1: World Bank's Work Programme Amendments

Country	Activity/Project	Amount Requested (US \$)	Amount Recommended (US \$)
<b>SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL</b>			
<b>A1. Renewal of institutional strengthening project</b>			
Jordan	Renewal of institutional strengthening (phase IX)	147,333	147,333
	Subtotal for A1:	147,333	147,333
<b>A2. Verification of production of CFCs for essential uses</b>			
China	Verification of production of CFCs for essential use [Executive Committee decision 60/47, paragraphs (b), (c) and (d)]	50,000	50,000
India	Verification of production of CFCs for essential use [Executive Committee decision 60/47, paragraphs (b), (c) and (d)]	50,000	50,000
	Subtotal of A2	100,000	100,000
	Subtotal for A1 and A2	247,333	247,333
<b>SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION</b>			
<b>B1. Technical Assistance</b>			
Global	Resource mobilization for HCFC phase-out co-benefits study	250,000	*
	Subtotal of B1:	250,000	
	Subtotal A and B	497,333	247,333
	Agency support costs (7.5 per cent for project preparation and institutional strengthening, and for other activities over US \$250,000, and 9 per cent for other activities under US \$250,000):	38,800	20,050
	<b>Total:</b>	<b>536,133</b>	<b>267,383</b>

\*Project for individual consideration or pending

### SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL

A1. Renewal of institutional strengthening project

(a) Jordan (phase IX): US \$147,333

#### Project description

3. The World Bank submitted a request for the renewal of the institutional strengthening (IS) project for Jordan. The description of the request for this country is presented in Annex I to this document.

#### Secretariat's comments

4. The Fund Secretariat reviewed the IS terminal report and action plan submitted by the World Bank on behalf of Jordan, which were provided using the revised format for IS renewals approved by decision 61/43. The Secretariat took into account decision 59/17, 59/47(b) and 61/43 in considering this IS request, particularly decision 61/43 where the Executive Committee decided "to maintain funding for

institutional strengthening (IS) support at current levels, and to renew IS projects for the full two-year period from the 61<sup>st</sup> Meeting”.

### **Secretariat’s recommendations**

5. The Fund Secretariat recommends blanket approval of the IS renewal request for Jordan at the level of funding indicated in Table 1 of document UNEP/OzL.Pro/ExCom/62/15. The Executive Committee may wish to express to the Government of Jordan the comments which appear in Annex II to this document.

### **A2. Verification of CFC production for essential use**

China: Verification for CFC production for essential use (US \$50,000)

India: Verification for CFC production for essential uses (US \$50,000)

### **Background:**

6. The 21<sup>st</sup> Meeting of the Parties requested the Executive Committee to consider reviewing the agreements for phase-out of CFC production for export of pharmaceutical grade CFCs for the production of metered-dose inhalers (MDIs). At its 60<sup>th</sup> Meeting, following consideration of the recommendations in the report of the Sub-group on the Production Sector, the Executive Committee decided in decision 60/47:

- “(a) To note the paper on terms and conditions under which the existing CFC production Agreements with China and India and associated accelerated phase-out Agreements might be modified and the report on possible modifications to the terms of reference for the technical audit adopted at the 32<sup>nd</sup> Meeting, as appropriate, to meet the audit needs of the production of HCFCs, both contained in document UNEP/OzL.Pro/ExCom/60/49;
- (b) To modify the production sector Agreements for China and India to allow the production for export of pharmaceutical-grade CFCs for 2010, with an annual review, for purposes of meeting essential use requirements of other countries provided that exporting countries had reporting and verification systems in place and that the reporting and verification systems collected and reported on the following information:
  - (i) Documents from metered-dose inhaler (MDI) manufacturers ordering pharmaceutical-grade CFCs;
  - (ii) Approvals from importing country governments for purchasing essential use pharmaceutical-grade CFCs;
  - (iii) Approvals received from governments of producing countries that order and the essential production authorized;
  - (iv) Raw materials consumed for production run;
  - (v) Amount of pharmaceutical-grade CFC produced;
  - (vi) Amount of non-pharmaceutical-grade CFC produced;
  - (vii) Documentation (transport, storage, disposal) verifying that the amount of non-pharmaceutical CFCs had been destroyed;
  - (viii) Export documentation from producers;

- (ix) Invoices from MDI manufacturers; and
- (x) Audit reports verifying all the above;
- (c) To request the World Bank, as the implementing agency for the CFC production phase-out plans for China and India, to provide its services in carrying out the verification/audit and to submit reports to the Executive Committee on behalf of China and India on the understanding that:
  - (i) The World Bank verified that the producer had access to destroy the excess CFC produced using a destruction technique approved by the Parties;
  - (ii) The cost of verification would be approved in advance of the audit by the Executive Committee;
- (d) That:
  - (i) The Fund Secretariat, on behalf of the Executive Committee, would seek confirmation from the importing country of the actual quantities imported by that country;
  - (ii) The producing country agreed to limit the production of non-pharmaceutical specification grade CFCs to the extent possible and pay for their destruction;
  - (iii) The Executive Committee would consider application of the penalty clause to any CFC production determined as being excessive by the verification reports; and
- (e) To adopt the terms of reference for the technical audit of HCFC production in Article 5 countries contained in Annex IX to the present report”.

### Project description

7. The World Bank submitted requests for funds to cover the cost of verification of the CFC production for essential uses in China and India following decision 60/47 quoted above. The table below provides a breakdown of the US \$50,000 per country sought by the World Bank:

<b>Cost item and Activities covered</b>	<b>Total (US \$)</b>
Verification team (2 persons): 18 days of time for one senior consultant and one more junior associate (32 working days equivalent)	22,000
International travel (2 persons)	20,000
Domestic travel (2 persons): Visits to producers and MDI manufacturers	2,400
Per diem and hotel costs (2 persons): Average 11 in-country days	4,000
Miscellaneous / contingencies	1,600
<b>Total</b>	<b>50,000</b>

**Secretariat's comments**

8. The Secretariat reviewed the two requests submitted by the World Bank and noted that they are consistent with decision 60/47. It also looked at the level of funding for the verification as compared to previous approvals made by the Executive Committee for similar projects. It noted that the above table indicated that the costs being requested are reasonable and within the funding levels of similar requests approved by the Executive Committee in the past.

**Secretariat's recommendation**

9. The Executive Committee may wish to approve the requests for verification of CFC production for essential uses in China and India at a level of funding of US \$50,000 per country in line with decision 60/47.

**SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION****B1. Technical Assistance**

Global: Resource mobilization for HCFC co-benefits (Scaling up financing for meeting Montreal Protocol obligations and beyond) (US \$250,000)

**Project description**

10. The World Bank submitted a request to the 57<sup>th</sup>, 58<sup>th</sup>, 59<sup>th</sup>, 60<sup>th</sup>, and 61<sup>st</sup> Meetings for a technical assistance project for mobilizing resources to maximize climate benefits of the HCFC phase-out.

11. This request addresses three main areas: (a) monetization of future donor commitments (contributions) by using World Bank bonds to scale-up Multilateral Fund funding; (b) monetization of future carbon credits to finance the costs of climate-ozone benefits; and (c) tailor-made (pilot) financing scenarios for five donor (contributing) countries. The approach would consist of expert time to develop financial products and cash-flow scenarios and consultations with contributing countries. The detailed project description is included in Annex I to the present document.

12. The table below provides a breakdown of the US \$250,000 requested by the World Bank:

<b>Cost Components</b>	<b>Cost (US \$)</b>
Development of green financial products and cash-flow scenarios	130,000
Travel for donor consultation meetings	50,000
Development of country-specific scaled-up financing proposals	70,000
<b>Total</b>	<b>250,000</b>
<b>Total with support costs</b>	<b>268,750</b>

13. The request to the 61<sup>st</sup> Meeting was for the same level of funding.

**Secretariat's comments**

14. The Meeting of the Parties is responsible for the determination of contributions to the Multilateral Fund. It should be recalled that the issue of a special funding facility was brought to the attention of the Parties for several reasons, including whether it could be established without a mandate from the Parties. Similarly, the request of the World Bank to scale-up contributions may be an issue for study and consideration at the level of the Parties, in cooperation with the Ozone Secretariat and Treasurer, instead of the Executive Committee since the Committee does not have responsibility for additional contributions. The World Bank indicated that the proposed concept was not related to additional

contributions but rather to advance future contribution commitments. Actual contributions could be higher or lower depending on the replenishment negotiation at the Party level. Moreover, the dialogue proposed to underpin this analysis would not impinge on the role of the Treasurer, but would supplement its work given that the end objective of the proposal is to contribute to the financial mechanism of the Montreal Protocol. Exact levels of contributions for each triennium would only be determined at the level of the Meeting of the Parties.

15. The future of carbon credits and the risk associated with entrance into the carbon markets is part of the analysis that the Bank would undertake for this aspect of the request. The Bank intends to review existing funding mechanisms including the Clean Development Mechanism (CDM) and non-CDM methodologies for the possibility of their use in securing additional resources for climate co-benefits. The future of the CDM should be addressed by the Kyoto Protocol by the end of the year. Therefore, the Bank was asked about the timeliness of its request with respect to carbon credits given the uncertainty with respect to the future of the CDM at this time. The Bank indicated that, along with many other stakeholders, it remains certain that, with or without the CDM, carbon trading will continue to operate. It further indicated that the identification of innovative financing options was critical to meeting the financing needs of Article 5 countries.

16. The third element of the study would result in the development of financing scenarios for five contributing countries. Each scenario would be elaborated to reflect budgetary cycles and constraints of contributing countries, while also providing comparison in terms of global environmental benefits and financial risks. It was suggested to the Bank that the development of country-specific financing options for contributing countries may not be an appropriate use of Multilateral Fund resources that are intended for the benefit of Article 5 countries. The Bank indicated that the direct beneficiaries of funds mobilized on the basis of the outcomes of the proposed analysis would be Article 5 countries. While the scale-up proposal would not benefit donors per se, Multilateral Fund financing will most likely have to be augmented. The Bank believes that the provision of innovative financing scenarios that can strategically inform projected funding needs and demand would be valuable to contributing countries.

#### **Secretariat's recommendation**

17. The Executive Committee may wish to consider whether scaling up future contributions, monetization of future carbon credits, and scaling up financing scenarios for five contributing Parties should be funded as resource mobilization.

Annex I

INSTITUTIONAL STRENGTHENING PROJECT PROPOSAL

Jordan: Renewal of institutional strengthening

Summary of the project and country profile		
Implementing agency:		World Bank
Amounts previously approved for institutional strengthening (US \$):		
	Phase I: Jun-92 & Jul-95	170,000
	Phase II: May-97	113,333
	Phase III: Jul-99	113,333
	Phase IV: Jul-01	133,333
	& Jul-05 (transfer)	(20,000)
	Phase V: Jul-03	147,333
	Phase VI: Jul-05	147,320
	Phase VII: Jul-07	147,333
	Phase VIII: Jul-09	110,500
	Total:	1,062,485
Amount requested for renewal (phase IX) (US \$):		147,333
Amount recommended for approval for phase IX (US \$):		147,333
Agency support costs (US \$):		11,050
Total cost of institutional strengthening phase IX to the Multilateral Fund (US \$):		158,383
Date of approval of country programme:		1993
ODS consumption reported in country programme (1991) (ODP tonnes):		905.0
Baseline consumption of controlled substances (ODP tonnes):		
(a) Annex A, Group I (CFCs) (average 1995-1997)		673.3
(b) Annex A, Group II (halons) (average 1995-1997)		210.0
(c) Annex B, Group II (carbon tetrachloride) (average 1998-2000)		40.3
(d) Annex B, Group III (methyl chloroform) (average 1998-2000)		18.2
(e) Annex E (methyl bromide) (average 1995-1998)		176.3
Latest reported ODS consumption (2009) (ODP tonnes) as per Article 7:		
(a) Annex A, Group I (CFCs)		0.0
(b) Annex A, Group II (halons)		0.0
(c) Annex B, Group II (carbon tetrachloride)		0.4
(d) Annex B, Group III (methyl chloroform)		0.0
(e) Annex E (methyl bromide)		26.4
(f) Annex C, Group I (HCFCs)		70.9
	Total:	97.7
Year of reported country programme implementation data:		2009
Amount approved for projects (as at July 2010) (US \$):		21,342,070
Amount disbursed (as at December 2009) (US \$):		17,422,394
ODS to be phased out (as at July 2010) (ODP tonnes):		2,231.16
ODS phased out (as at December 2009) (ODP tonnes):		1,900.83

1. Summary of activities and funds approved by the Executive Committee:

Summary of activities	Funds approved (US \$)
(a) Investment projects:	17,093,023
(b) Institutional strengthening:	1,062,485
(c) Project preparation, technical assistance, training and other non-investment projects:	3,186,562
Total:	21,342,070

Progress report

2. Currently in the eighth phase of its institutional strengthening (IS) project, Jordan has successfully completed phase-out of Annex A substances in advance of the 1 January 2010 Montreal Protocol deadline. This accomplishment is a result of the proactive execution of the ODS programme by Jordan's National Ozone Unit (NOU) which is responsible for overseeing conversion subprojects, developing policies and regulation to comply with the Protocol and its amendments, enforcing the licensing and quota system and reaching out to the public and the private sector. In the short period between July 2009 and leading to December 2010, the NOU placed particular attention on a) overseeing the CFC chiller replacement project and b) initiating development of its HCFC phase-out plan. This involved significant consultations and meetings with the private sector in 2009 through 2010 and was facilitated through a cooperative relationship with other government agencies (embodied by an advisory group that was set up in regards to HCFC phase-out). In addition to these initiatives, the NOU continued its normal functions, including public awareness, monitoring of converted enterprises, follow-up on a labelling system for new products using ozone friendly substances and reporting to the Ozone and Multilateral Fund Secretariats. Finally, the NOU actively participated in the network meetings for West Asia, the 59<sup>th</sup> through 61<sup>st</sup> Executive Committee Meetings, the 43<sup>rd</sup> and 44<sup>th</sup> Implementation Committee Meetings and the 21<sup>st</sup> Meeting of the Parties.

Plan of action

3. The ninth phase of Jordan's IS project which will span a two-year timeframe aims to maintain the successful phase-out accomplished for Annex A substances while increasingly emphasizing policy measures that target HCFCs. This phase of the IS project will end on the date that the first control measure for HCFC phase-out comes into force – the 2013 freeze. Thus, the NOU will put its efforts into creating an enabling environment in Jordan to complete the HPMP, to receive endorsement by key stakeholders and to begin its implementation. It will in parallel work with certain HCFC-consuming sectors and actors to prioritize phase-out actions and determine appropriate regulation and policies, including a quota schedule. It is expected that the close of all CFC-based activities will be achieved during this phase with the exception of ongoing monitoring and possibly CFC destruction activities. Renewal of the IS strengthening project will allow the NOU to continue to enhance its ability to assure compliance to the Montreal Protocol for all controlled substances. Hence, regular annual monitoring, reporting and public awareness activities are included in the action plan as is attendance by the NOU at key ozone-related meetings.

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**Annex II**

**VIEWS EXPRESSED BY THE EXECUTIVE COMMITTEE ON RENEWALS OF  
INSTITUTIONAL STRENGTHENING PROJECTS SUBMITTED TO THE 62<sup>nd</sup> MEETING**

**Jordan**

1. The Executive Committee reviewed the terminal report presented with the institutional strengthening project renewal request for the Hashemite Kingdom of Jordan and expressed its appreciation for the commitment that Jordan has shown to the Montreal Protocol not only by completing the phase-out of consumption of Annex A and B substances, but also by initiating draft regulation to begin controlling HCFCs. The Executive Committee is hopeful that through the national ozone unit's demonstrated effectiveness in project management, private sector oversight and regulatory direction, Jordan will continue on the path towards compliance, particularly as regards its first HCFC obligation under the Protocol on 1 January 2013, which coincides with the completion of the ninth phase of the institutional strengthening project.

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**2010 WORK PROGRAM  
AMENDMENT**

**PRESENTED TO THE 62<sup>nd</sup> MEETING  
of the EXECUTIVE COMMITTEE**

**WORLD BANK IMPLEMENTED  
MONTREAL PROTOCOL OPERATIONS**

**4 October, 2010**

## **WORK PROGRAM FOR WORLD BANK-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS**

1. The World Bank 2010-2012 Business Plan and its 2010 Work Program were considered by the Executive Committee at its 60<sup>th</sup> Meeting and, pursuant to decision 60/5, resubmitted and approved by the Executive Committee at its 61<sup>st</sup> Meeting in July 2010.
2. The 2010-2012 Business Plan consists of investment and non-investment activities to ensure Article 5 partner countries' full compliance with the 2010 complete phase-out of CFCs, halon, and CTC, and also includes activities identified as necessary to assist Article 5 countries to meet their first two HCFC reduction targets, the 2013 freeze and the 2015 10% reduction. The Business Plan includes, in addition to deliverables associated with previously approved and new investment activities, requests to extend support for implementation of existing institutional strengthening projects in 4 countries, and a global study on resource mobilization to maximize climate benefits from HCFC phase-out.
3. Approvals taken at the 60<sup>th</sup> and 61<sup>st</sup> meetings of the Executive Committee include: project preparation funds for development of seven new HCFC investment activities in three countries (Jordan, Thailand and Vietnam); subsequent funding for approved multi-year projects (Antigua and Barbuda, Thailand, Tunisia and Turkey); and institutional strengthening renewals in two countries (the Philippines and Tunisia).
4. With regard to the proposed global study on resource mobilization to maximize climate benefits from HCFC phase-out, with Decision 61/31 the Executive Committee decided to defer consideration of the request to its 62<sup>nd</sup> Meeting. As a result, the World Bank is resubmitting this request as part of its 2010 Work Program Amendment for the consideration of the 62<sup>nd</sup> Meeting of the Executive Committee.
5. Further to the decision taken by the Parties at their 21<sup>st</sup> Meeting to grant China and India essential use nominations for annual production of CFCs for metered dose inhalers (MDIs), the Parties also requested the Executive Committee to consider reviewing both China and India's CFC production phase-out agreements with a view to allowing production of pharmaceutical-grade CFCs to meet the authorized levels of production and consumption specified in the annex to MOP Decision XXI/4 and any authorized amounts in future. As per Executive Committee Decision 60/47, the World Bank has been requested to carry out such verification as per the guidance provided (Annex I).
6. The proposed 2010 Work Program, which is being submitted for consideration at the 62<sup>nd</sup> Meeting of the Executive Committee therefore, includes six (6) funding requests:
  - i. one (1), for which no funding is being requested, for preparation of a technical audit related to HCFC production in China;
  - ii. two (2) for preparation of verification audits related to production of CFCs for essential use in China and India;

- iii. one (1) funding request for the renewal of the institutional strengthening project in Jordan, further to Decision 58/16 and as per Decision 60/43;
- iv. one (1) for a global initiative, which proposes initiation of a comprehensive study on resource mobilization to maximize climate benefits from HCFC phase-out; and,
- v. Agency Core Unit Costs for 2011.

7. Brief descriptions of the work program amendment activity requests are highlighted below.

**Table 1: Funding Requests Submitted for Consideration of the 62<sup>nd</sup> Meeting of the Executive Committee**

Country	Request (US\$)*	Duration	Description
China	0	January 2011 – May 2011	Technical Audit for HCFC Production ( <i>Activity to be carried out by the MLF Secretariat</i> )
China	50,000	January 2011 – May 2011	Verification of Production of CFCs for Essential Use [Executive Committee Decision 60/47, paragraphs (b), (c) and (d)]
India	50,000	January 2011 – May 2011	Verification of Production of CFCs for Essential Use [Executive Committee Decision 60/47, paragraphs (b), (c) and (d)]
Jordan	147,333	January 2011 – December 2012	Institutional Strengthening renewal, Phase IX (further to Decision 58/16 and as per Decision 61/43)
Global	250,000	January 2011 – December 2011	Resource Mobilization for HCFC Phase-out Co-benefits Study
Global	1,805,000	January 2011 – December 2011	Agency Core Unit Costs
Support Costs	37,300		
<b>Total</b>	<b>2,339,633</b>		

## Annex I

### EXECUTIVE COMMITTEE DECISION 60/47, PARAGRAPHS (b), (c) AND (d)

b.) To modify the production sector Agreements for China and India to allow the production for export of pharmaceutical-grade CFCs for 2010, with an annual review, for purposes of meeting essential use requirements of other countries provided that exporting countries had reporting and verification systems in place and that the reporting and verification systems collected and reported on the following information:

- (i) Documents from metered-dose inhaler (MDI) manufacturers ordering pharmaceutical-grade CFCs;
- (ii) Approvals from importing country governments for purchasing essential use pharmaceutical-grade CFCs;
- (iii) Approvals received from governments of producing countries that order and the essential production authorized;
- (iv) Raw materials consumed for production run;
- (v) Amount of pharmaceutical-grade CFC produced;
- (vi) Amount of non-pharmaceutical-grade CFC produced;
- (vii) Documentation (transport, storage, disposal) verifying that the amount of non-pharmaceutical CFCs had been destroyed;
- (viii) Export documentation from producers;
- (ix) Invoices from MDI manufacturers; and
- (x) Audit reports verifying all the above;

c.) To request the World Bank, as the implementing agency for the CFC production phase-out plans for China and India, to provide its services in carrying out the verification/audit and to submit reports to the Executive Committee on behalf of China and India on the understanding that:

- (i) The World Bank verified that the producer had access to destroy the excess CFC produced using a destruction technique approved by the Parties;
- (ii) The cost of verification would be approved in advance of the audit by the Executive Committee;

d.) That:

- (i) The Fund Secretariat, on behalf of the Executive Committee, would seek confirmation from the importing country of the actual quantities imported by that country;
- (ii) The producing country agreed to limit the production of non-pharmaceutical specification grade CFCs to the extent possible and pay for their destruction;
- (iii) The Executive Committee would consider application of the penalty clause to any CFC production determined as being excessive by the verification reports.