



**Programa de las
Naciones Unidas
para el Medio Ambiente**



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COMITÉ EJECUTIVO DEL FONDO MULTILATERAL
PARA LA APLICACIÓN DEL
PROTOCOLO DE MONTREAL
Sexagésima tercera Reunión
Montreal, 4 a 8 de abril de 2011

PROGRAMA DE TRABAJO DEL BANCO MUNDIAL PARA 2011

OBSERVACIONES Y RECOMENDACIÓN DE LA SECRETARÍA DEL FONDO

1. El Banco Mundial solicita del Comité Ejecutivo la aprobación de 280 000 \$EUA para su Programa de trabajo de 2011, más gastos de apoyo al organismo de 21 000 \$EUA. El Programa de trabajo se adjunta al presente documento.

2. En el Cuadro 1 a continuación se exponen las actividades propuestas en el Programa de trabajo del Banco Mundial:

Cuadro 1: Programa de trabajo del Banco Mundial

País	Actividad/Proyecto	Monto solicitado (\$EUA)	Monto recomendado (\$EUA)
SECCIÓN A: ACTIVIDADES RECOMENDADAS PARA APROBACIÓN GENERAL			
A.1 Preparación de proyecto			
Jordania	Preparación de proyecto para el sector de refrigeración y aire acondicionado	30 000	30,000
Subtotal de la sección A1:		30 000	30,000
SECCIÓN B: ACTIVIDADES RECOMENDADAS PARA CONSIDERACIÓN INDIVIDUAL			
B1. Asistencia técnica			
Mundial	Movilización de recursos para estudiar los beneficios colaterales de la eliminación de los HCFC	250 000	*
Subtotal de la sección B1		250 000	
Subtotal de las secciones A y B		280,000	30 000
Gastos de apoyo al organismo (7,5 por ciento para preparación de proyecto y fortalecimiento institucional y para otras actividades por más de 250 000 \$EUA y 9 por ciento para otras actividades por menos de 250 000 \$EUA):		21,000	2 250
Total:		301,000	32 250

*Proyecto para consideración individual o pendiente

SECCIÓN A: ACTIVIDADES RECOMENDADAS PARA APROBACIÓN GENERAL

A.1 Preparación de proyecto

Jordania: Preparación de proyecto para el sector de fabricación de refrigeración y aire acondicionado: 30 000 \$EUA

Descripción del proyecto

3. El Banco Mundial solicitó 30 000 \$EUA para la preparación de actividades de inversión para el sector de aire acondicionado de Jordania como parte del plan de gestión de eliminación de HCFC. El Banco Mundial indicó que algunas de las empresas de este sector se cubrirán en el ejercicio de preparación de proyecto.

Observaciones de la Secretaría

4. La Secretaría examinó la presentación del Banco Mundial en detalle y pidió las aclaraciones necesarias. La Secretaría determinó que la financiación solicitada guardaba conformidad con la decisión 56/16.

Recomendación de la Secretaría

5. La Secretaría recomienda la aprobación general de la solicitud para la preparación de las actividades de inversión para el sector de fabricación de aire acondicionado como parte del plan de gestión de eliminación de HCFC para Jordania, con los niveles de financiación indicados en el Cuadro 1 del documento UNEP/OzL.Pro/ExCom/63/21.

SECCIÓN B: ACTIVIDADES RECOMENDADAS PARA CONSIDERACIÓN INDIVIDUAL

B1. Asistencia técnica

Mundial: Movilización de recursos para obtener beneficios colaterales de la eliminación de los HCFC (Aumento de la financiación para cumplir las obligaciones que surgen del Protocolo de Montreal y en adelante) (250 000 \$EUA)

Descripción del proyecto

6. En la 62ª Reunión, por medio de la decisión 62/23, el Comité Ejecutivo decidió pedir al Banco Mundial que aplase la propuesta para un proyecto de asistencia técnica para aumentar al máximo los beneficios colaterales para el clima de la eliminación de los HCFC y que la presente ante la 63ª Reunión, con toda aquella información nueva que pudiese ser proporcionada por el organismo de ejecución. El Banco Mundial volvió a presentar la misma propuesta con cambios menores para que fuese considerada por la 63ª Reunión del Comité Ejecutivo.

7. La solicitud aborda tres aspectos principales: a) la monetización a través de bonos del Banco Mundial de los compromisos futuros (contribuciones) de los donantes a efectos de aumentar la financiación del Fondo Multilateral; b) la monetización de créditos de carbono futuros para financiar la obtención de beneficios climáticos vinculados con el ozono; y c) el diseño de supuestos (piloto) de financiación elaborados específicamente para cinco países donantes (contribuyentes). La propuesta consistiría en facilitar los servicios de especialistas para crear productos financieros y supuestos de flujo de fondos y realizar consultas con los países contribuyentes. La descripción detallada del proyecto se incluye en el Anexo I del Programa de trabajo.

8. En el cuadro que sigue se desglosan los 250 000 \$EUA que solicita el Banco Mundial:

Rubro de costos	Costo (\$EUA)
Diseño de productos financieros verdes e hipótesis de flujo de fondos	130 000
Viajes para reuniones de consulta con los donantes	50 000
Diseño de mecanismos de aumento de financiación individualizados para cada país	70 000
Total	250 000
Total, incluidos gastos de apoyo	268 750

9. La solicitud presentada en la 62ª Reunión fue por idéntico nivel de financiación.

Observaciones de la Secretaría

10. La Reunión de las Partes es responsable de fijar las contribuciones al Fondo Multilateral. Conviene recordar que la cuestión del mecanismo de financiación especial se puso a consideración de las

Partes por diversos motivos, incluida la necesidad de saber si era posible establecerlo sin mediar un mandato de las Partes. Además, la solicitud del Banco Mundial de aumentar las contribuciones podría ser materia cuyo estudio y consideración compete a las Partes, en cooperación con la Secretaría del Ozono y el Tesorero, y no ya al Comité Ejecutivo, siendo que este no tiene responsabilidad por las contribuciones adicionales. El Banco Mundial señaló que la idea propuesta no trataba de contribuciones adicionales sino más bien de compromisos adelantados de contribuciones futuras. Las contribuciones efectivas podrían ser mayores o menores según los resultados de lo que se negocie entre las Partes en materia de reposición del Fondo. Además, el diálogo propuesto para avanzar en este análisis no interferiría con la función del Tesorero sino que sería un aporte a su labor, puesto que el objetivo final que persigue la propuesta es contribuir al mecanismo de financiación del Protocolo de Montreal. Los niveles exactos de contribuciones para cada trienio seguirían fijándose en la Reunión de las Partes.

11. El futuro de los créditos de carbono y los riesgos inherentes al ingreso en los mercados donde se comercian forman parte del análisis que emprendería el Banco Mundial para este aspecto de la solicitud. El Banco se propone examinar los mecanismos de financiación actuales, incluido el Mecanismo de Desarrollo Limpio (MDL) y otras metodologías distintas del MDL, para su posible utilización en la obtención de recursos adicionales para financiar la búsqueda de beneficios colaterales para el clima. El futuro del MDL debería tratarse en el marco del Protocolo de Kyoto a finales del año. Por ello, se le preguntó al Banco si consideraba oportuna su solicitud respecto a los créditos de carbono, vista la incertidumbre actual sobre el futuro del MDL. El Banco indicó que, junto con muchos otros interesados, consideraba indudable que el comercio de derechos de emisión continuaría, con o sin el MDL. También señaló que para poder satisfacer las necesidades de financiación de los países amparados por el Artículo 5 resultaba vital encontrar mecanismos novedosos de financiación.

12. El tercer elemento del estudio daría por resultado el diseño de supuestos de financiación para cinco países contribuyentes. Cada uno de los supuestos se elaboraría de forma de reflejar los ciclos presupuestarios y las limitaciones de los países contribuyentes, brindando a la vez una comparación entre los beneficios ambientales mundiales y los riesgos financieros. Se sugirió al Banco que el diseño de opciones de financiación individualizadas para los países contribuyentes podría no constituir un uso apropiado de los recursos del Fondo Multilateral que están destinados a ayudar a los países del Artículo 5. El Banco respondió que los beneficiarios directos de los fondos que se movilizarían como resultado del análisis propuesto serían justamente los países del Artículo 5. Si bien la propuesta de aumento no beneficiaría a los donantes en sí, es muy probable que sea necesario aumentar la financiación del Fondo Multilateral. El Banco cree que los países contribuyentes considerarían valioso contar con supuestos de financiación novedosos capaces de proyectar estratégicamente las necesidades y la demanda de financiación.

Recomendación de la Secretaría

13. Se invita al Comité Ejecutivo a considerar si corresponde que el aumento de las contribuciones futuras, la monetización de los créditos de carbono futuros y los supuestos de aumento de la financiación para cinco Partes contribuyentes se financien en calidad de movilización de recursos.

2011 WORK PROGRAM

PRESENTED TO THE 63rd MEETING
of the EXECUTIVE COMMITTEE

WORLD BANK IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS

7 February, 2011

WORK PROGRAM FOR WORLD BANK-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS

1. This proposed work program for Bank-Implemented Montreal Protocol Operations is prepared on the basis of the 2011 World Bank Business Plan, also being submitted for the consideration of the Executive Committee at its 63rd meeting.
2. The proposed 2011-2014 World Bank Business Plan consists of investment and non-investment activities to assist Article 5 partner 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 for HCFC co-benefits.
3. The value of deliverables contained in the proposed 2011 World Bank Business Plan, including investment and non investment activities, totals US \$54,345 million, including agency support costs. Funds will be used to support both new and previously approved activities.
4. The proposed 2011 Business Plan includes deliverables of 9 investment activities in 6 countries, totaling US \$51,659 million. These include submission of annual work programs for 2 previously approved multi-year projects and 7 new HCFC sector phase-out plans.
5. The proposed 2011 Business Plan allocates US \$50,235 million (97% of total investment deliverables for the year) to support national and sectoral HCFC phase-out work in China, Indonesia, Jordan, Thailand and Vietnam. The Business Plan also allocates US \$1,424 million (2% of the total investment deliverables for the year) to support previously approved MYA activities in India and Vietnam.
6. The proposed 2011 Business Plan also includes requests to extend support for implementation of two existing institutional strengthening projects in the Philippines and Thailand, totaling US \$0,568 million.
7. With regard to the proposed global study on resource mobilization to maximize HCFC co-benefits, with Decision 62/23, the Executive Committee decided to defer consideration of the request to its 63rd Meeting. As a result, the World Bank is resubmitting this request as part of its 2011 Work Program Amendment for the consideration of the 63rd Meeting of the Executive Committee. An updated concept note for this proposed activity, along with an associated breakdown of projected costs, is included in Annex I.

8. The proposed 2011 Work Program, which is being submitted for consideration at the 63rd Meeting of the Executive Committee, includes 2 funding requests, outlined below and in Table 1:

- i. one (1) funding request for project preparation in the refrigeration A/C sector in Jordan; and,
- ii. one (1) for a global resource mobilization initiative, which proposes initiation of a comprehensive analytical and feasibility work on scaling up financing for meeting Montreal Protocol obligations and beyond.

Table 1: Funding Requests Submitted for Consideration of the 63rd Meeting of the Executive Committee

Country	Request (US\$)*	Duration	Description
Jordan	30,000	January 2011 – December 2011	Project preparation in the refrigeration A/C sector
Global	250,000	January 2011 – December 2011	Resource Mobilization for HCFC Phase-out Co-benefits Study, a concept note for which is included in the Work Program under Annex I.
Support Costs	21,000		
Total	301,000		

Annex I**CONCEPT NOTE****SCALING UP FINANCING FOR MEETING
MONTREAL PROTOCOL OBLIGATIONS AND BEYOND****Background**

The decision of the Parties to the Montreal Protocol to accelerate HCFC phase-out in 2007 held much promise for the environment; not only in terms of moving an impressive record of ozone protection measures to an earlier completion but by recognizing the relationship of these measures to the climate. Part of Decision XIX/6 also assured countries operating under Article 5 that full incremental costs for accelerated HCFC phase-out would be covered. It is only now, three years later, as Article 5 countries complete their HCFC Phase-out Management Plans under the Multilateral Fund (MLF) and the Executive Committee's HCFC policies evolve, that the actual funding requirements are better understood.

One of the most prominent aspects of Article 5 country consumption of HCFC is the rate of growth in a relatively short period. This rate of growth is directly related to economic development in emerging economies which are rapidly building a consumer-base, particularly in the refrigeration sector where the rate of growth has reached 20% in some cases. Consequently, HCFC-22 represents more than 80% of total HCFC consumption in developing countries. Moreover, the rapid growth has resulted in an actual volume of consumption of HCFCs that is double that of the volume of CFCs at their peak of use: the consumption baseline of HCFCs in metric tonnes risks to be 3-4 times that of the CFC baseline for Article 5 countries.

Decision XIX/6 also brought needed attention to the linkages between the phase-out of ozone depleting substances (ODS) with other environmental benefits, notably climate benefits. This relates to not only seeking alternatives with low global-warming potential but also taking advantage of low carbon emissions from increased energy efficient equipment and minimizing HCFC emissions during the long phase-out period. Developing countries therefore have the political and environmental impetus to go beyond a simple replacement of ODS to ensure that the alternatives also do not have climate repercussions.

As a result of concern regarding these two issues, discussion in the MP community on project funding has been increasingly linked to the possibilities and options for leveraging additional support to the MLF – if it becomes necessary for ensuring that countries can not only first and foremost meet their MP obligations, but also to assist countries that wish to include climate co-benefit considerations into their HCFC phase-out programs, in accordance with Decision XIX/6 of the Parties.

**Scaling-up MLF Funds to Address Possible Funding Gaps and Phase-out with
Climate Benefits**

The need for additional funding to complement the amount traditionally provided under the MLF can be considered as a matter directly related to compliance. In order to meet the basic, incremental costs related to the HCFC freeze and 10% reductions in developing countries, preliminary World Bank analysis shows that MLF financing would most likely have to be increased. To further incorporate climate benefits for countries wishing to do so which in some cases would involve conversions and technologies not considered eligible or considered a technology upgrade, even more financing would be needed.

Given the institutional and policy framework created through the MLF which has proven extremely effective in supporting Article 5 countries in phasing out Annex A and B substances, the most ideal starting point for increased financing is the MLF itself. While there is value in seeking other sources of financing, such as under GEF or carbon finance, augmenting available funds for programming now under the MLF would remove some uncertainty, particularly with the first HCFC phase-out obligations right around the corner. Thus one proposal to augment financing would be to take advantage of the predictability of regular contributions to the MLF and utilize market mechanisms to raise funding as required for project implementation under the MLF.

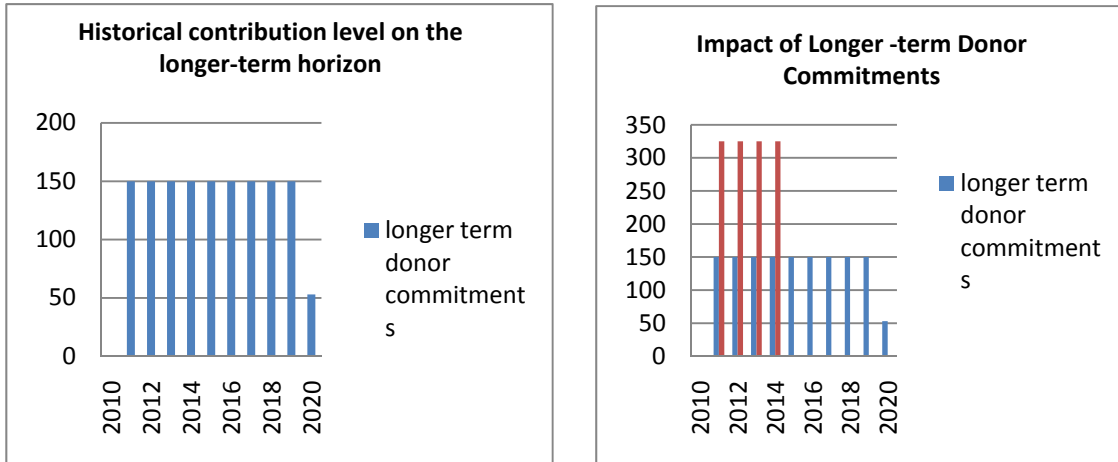
Market Mechanism Options for Raising Required Funds

Scaling-up the current available levels of MLF funding can be approached in two complementary ways.

1. Monetization of donor commitments to scale-up MLF funding. In order to address a possible funding deficit by 2015 and any additional gaps in future years, one possible approach would be to take advantage of the donors' ongoing support to the MP and its programs and monetize *future* donor commitments, which have historically been stable and consistent in value in the twenty year history of the MLF. This approach would imply using market instruments that would allow the MLF to borrow against future commitments in order that funds are available as needed for MLF project financing requirements. Following a long-term trajectory, repayment of the borrowing made by the MLF would stem from future donor commitments. This approach would build on the successful pilot of the International Finance Facility for Immunization (IFFIm) that used capital markets to monetize long-term legally-binding donor commitments for promoting accelerated immunization of children worldwide.

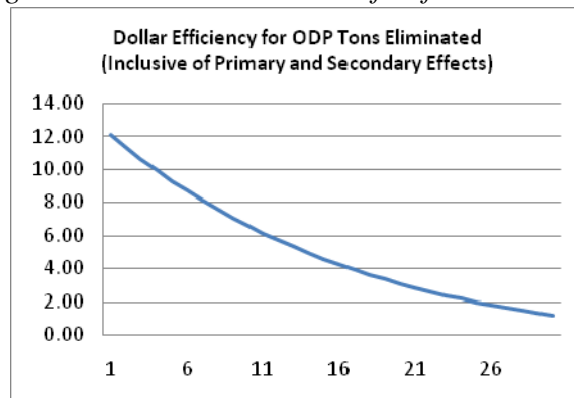
The frontloading mechanism that would be designed to meet the objectives of the MP would take into account the specific nature of the MP and MLF. The design of the potential financial structure would depend on the nature of the MP donors' future commitments, their willingness to extend their commitment periods, ability to scale up immediate contributions, the need to provide credit enhancement to the future flows, and other policy and institutional considerations.

Figures 3 and 4. Long-term MLF contribution levels based on historical data versus the impact of donor commitments



Using market mechanisms to frontload the MLF’s future cash flow contributions stream would involve paying financial returns to the market participants (capital markets, financial organizations, etc), resulting in an additional cost to the MLF. While increasing the overall costs to the MLF to implement its agreed target reduction, the borrowing costs would be more than offset by the environmental “return” of such frontloading. MLF projects clearly demonstrate significant environmental benefits when making funds available earlier. More immediate financing would also support CO₂ reductions from more energy efficient technologies, avoidance of HCFC leakage over time and reduction of HCFC banks and servicing needs. The diagram below quantifies the environmental benefit of borrowing against future commitments: US\$1 spent in year 1 buys 12 times the environmental benefit than US\$1 spent in year 30¹.

Figure 5. Environmental Benefit of Frontloading

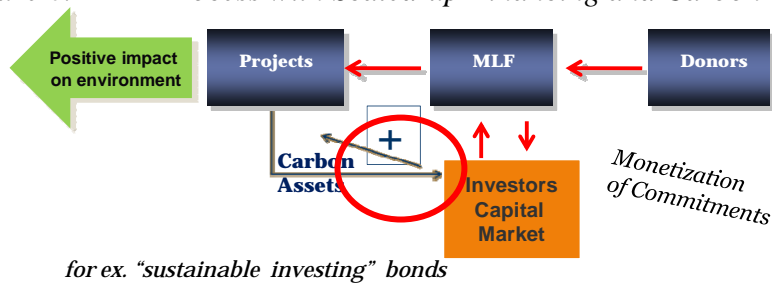


2. Monetizing future carbon credits to finance the costs of climate-ozon benefits. Carbon assets, once verified, become entitlements to the project entity, and are redeemable in the future. Various mechanisms exist to monetize these assets such as primary market carbon funds and secondary market exchanges, although these do not

¹This analysis is based on the conservative assumption of zero inflation throughout the considered period.

directly address the need to increase the amount of project finance at an early stage of the project. Carbon credits redeemable in the future could be used by the project entity to increase the financing available at an early stage of the project. It may be possible to advance financing (e.g. commercial loans, bonds) against these future carbon assets to fund projects before the assets are generated, using the future stream of carbon revenues to repay the financing, over time. As with the previous approach, the result would be an acceleration of funds available for ozone-related project finance.

Figure 6. MLF Process with Scaled-up Financing and Carbon Assets

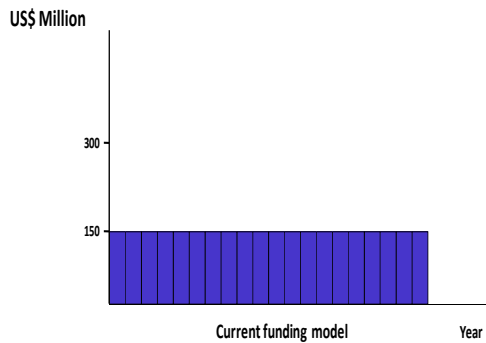


In addition, it may be possible to use carbon assets to enhance the creditworthiness of projects, which would enable financial entities (banks, investors or multilaterals) to improve the terms of financing (such as increased financing amounts, decreased cost of financing, increased loan maturity, etc.). As a credit enhancing instrument, asset titles would be transferred or posted as collateral to the benefit of financiers, to reduce the potential loss to the financier in case of a default by the borrowing entity. This approach entails the most uncertainty and would have to be more carefully evaluated to determine if it can be a viable mechanism.

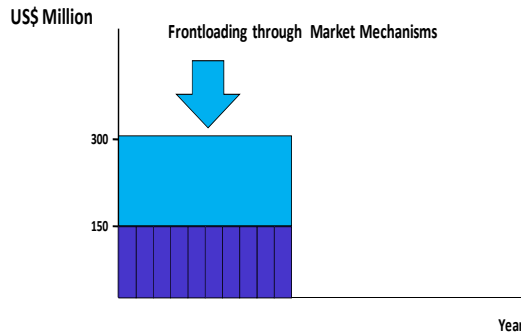
The sequence of these possible approaches for providing financing under the MLF of the Montreal Protocol, in terms of funds available for immediate disbursement, is depicted in the figures below following the baseline scenario.

Figure 7. Current MLF Funding Approach plus the three Proposed Mechanisms to Scale-up Funding

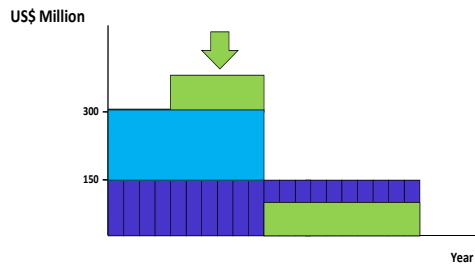
Business as Usual Market



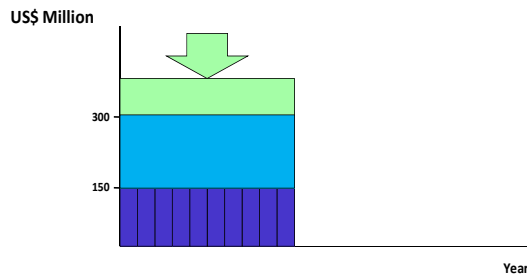
Advancing Funding through the Market



Potential Revenue from Carbon Markets



Additional Project Financing Using Future Carbon Revenue



These complementary approaches would maximize the level of upfront financing. In fact, because of the inherent link between new alternative technologies and climate and energy efficiency at the project level, it is easily foreseeable that MP projects lead to climate benefits, which in turn can generate carbon assets that would help finance MP project activities.

Other sources of funding, such as GEF or carbon funds, should also be sought to complement MLF funding particularly where MP projects intersect with the climate agenda, in order to maximize ozone and climate benefits, thereby accelerating the benefits resulting from the reasons mentioned above (HCFC bank avoidance and leakage, energy efficiency, etc.).

The market mechanisms presented above entail some inherent financial and market risks. Such risks were addressed in the structure of the IFFIm vaccination program in the World Bank, upon which this concept is based. In brief, these risks could be managed through adequate financial policies, with innovative approaches to sharing or distributing the risk (depending on the structure chosen in the end).

Objective

The objective of this proposed resource mobilization activity is to further develop the concept outlined above of scaling-up funding within the existing replenishment and financing framework of the MLF.

Scope of the Work

Using the example of the IFFIm program which has successfully employed the use of commitments by a group of donors to raise upfront money for scaling up vaccination for children, the work would entail developing various donor scenarios to contribute to a program to scale up MLF financing for both the first approach, monetization of commitments and the second approach, monetization of future carbon credits. The key aspects to investigate will be donor support, scenarios of increased funding to the MLF, the costs of frontloading, the risks, and the financial mechanisms (such as bonds, IBRD balance sheet, etc) to employ.

The scenarios would give the Parties, particularly donors, concrete examples of how they might contribute to these approaches within the parameters of their governments and political systems. These examples would look at various timeframes, amounts (partial commitments, full commitment) and forms of contributions and commitments vis-à-vis front loading needs and cash flow requirements of the Fund in the short and longer term. Analysis would focus on funding required as compared to the global demand for and capacity to absorb specific project activities (financing funding gaps, accelerating HCFC phase-out and financing climate benefits). The work would identify in concrete terms the possible risks and corresponding structures and approaches to mitigate the risks, as well as the costs of the proposed scheme, and lay-out the roles of the different MLF actors in its implementation. It would consider the legal and governance implications of the financial mechanisms chosen to scale up the funds. Finally, the proposed resource mobilization study would delve into the environmental and economic benefits of frontloading for stepped up replacement of HCFCs.

Approach

The work will require analyses and a feasibility study on the level of demand as well as on the level of the markets. Thus funding scenarios will be elaborated in consultation with various types of donors (based on their political/governance systems) and 1-2 country case studies will be developed to capture demand and capacity to absorb scaled-up financing.

Timetable

Upon approval by the MLF Executive Committee of the resource mobilization study to explore approaches to scale-up funds under the MLF through monetization of donor commitments and of carbon credits, the work would unfold immediately on two tracks, consultations with donors and analysis and feasibility work. A work plan will be prepared to capture required consultations and associated locations. Every effort would be made to combine these consultations with various international or regional meetings of

concerned ministries. Consultations would be scheduled between the 63rd and 64th Executive Committee meetings.

The analytical and feasibility work would require 8-10 months from approval.

Preparation Cost Breakdown

Element	Description	US\$
Development of green financial products and cash-flow scenarios	Expert time (internal Bank and external financial engineering specialists, carbon market specialists, etc..) to develop a range of green financial products and overall cash-flow scenarios	130,000
Travel for donor consultation meetings	Travel to relevant Parties to discuss means of financing, involving review of various existing funding mechanisms, identification of potential sources of financing, and development of approaches and project models for securing such resources	50,000
Development of country-specific scaled-up financing proposals	Design and development of various tailor-made financing scenarios and proposals for scale-up, informed by in-depth consultation with interested donors	70,000
Total		250,000