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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-first Meeting  
Montreal, 2-6 December 2013

**THE WORLD BANK'S BUSINESS PLAN FOR THE YEARS 2014-2016**

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\* Reissued for technical reasons on 8 November 2013.

## COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

1. This document presents a summary of the World Bank's planned activities for the phase-out of ozone-depleting substances (ODS) during the 2014-2016 period. It also contains the World Bank's business plan performance indicators and recommendations for consideration by the Executive Committee. The World Bank's 2014-2016 business plan narrative is attached to the present document.

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 "not required for compliance".

Table 1

### RESOURCE ALLOCATION IN THE WORLD BANK'S BUSINESS PLAN AS SUBMITTED (2014-2016) (US \$000s)

Item	2014	2015	2016	Total (2014-2016)	Total (2017-2020)	Total After 2020
<b>Required for compliance</b>						
Approved multi-year agreements (MYAs)	30,100	41,609	26,540	98,249	3,529	
HCFC production - stage II			33,338	33,338	133,352	*
HCFC production PRP - stage II		496		496	0	
HPMP PRP - stage II	1,840	786		2,627	0	
HPMP stage II		4,177	31,336	35,514	134,900	
<b>Standard cost activities</b>						
Core unit	1,725	1,737	1,749	5,211	7,120	
Institutional strengthening (IS)	529		529	1,057	1,057	
<b>Grand total</b>	<b>34,194</b>	<b>48,806</b>	<b>93,492</b>	<b>176,492</b>	<b>279,958</b>	*

\* This does not include the maximum balance for the total HPPMP in China of US \$139.55 million for the period of 2021-2030.

#### **Required for compliance**

##### MYAs

3. Approved MYAs amount to US \$98.2 million including US \$23.2 million for HCFC phase-out management plan (HPMP) stage I activities, US \$75 million for the HCFC production sector and US \$43,000 for methyl bromide (MB) activities. The value for these activities from 2017 to 2020 amounts to US \$3.5 million.

##### Stage II production sector and project preparation

4. A total of US \$166.7 million is included for stage II for the HCFC production phase-out management plan (HPPMP) in China. This amounts to US \$33.3 million per year for the period 2016-2020. However, the average annual level for the period 2016-2030 amounts to US \$20.42 million assuming the maximum amount of funding (US \$406.56 million) including agency fees per decision 69/28(e). Therefore, the proposed level of stage II production sector funding exceeds the average annual amount by 63 per cent. Moreover under this plan (the HPPMP), the final tranche of stage I of US \$25.3 million would be approved in 2016 at the same time that the first tranche of stage II of the HPPMP at a level of US \$33.3 million would be approved. 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 \$13.96 million per year from 2020 to 2030. This amount of funding

would be only 68 per cent of the average annual of maximum remaining funding indicated above (US \$20.42 million) and suggests a planned front-loading of funding for the HPPMP.

5. The World Bank indicated that the amount of HCFCs to be eliminated in ODP tonnes in stage II will be much higher than in stage I.<sup>1</sup> The Bank's business plan includes 2,912 ODP tonnes for the 10 per cent reduction from the baseline for stage I and 7,280.6 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 phase-out of 35 per cent of the phase-out, the funding represents 65.7 per cent of the total maximum funding. 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 18,929.4 ODP tonnes with maximum funding of US \$139.55 million.

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

6. The project preparation associated with stage II production sector amounting to US \$496,320 would be requested in 2015. There is no proposed adjustment to the project preparation level for stage II since there are no guidelines for production sector project preparation. The World Bank indicated that it proposed stage II project preparation funding to enable it to assess the potential project closure and dismantling and retirement of facilities in China required under decision 69/28(e). The Secretariat is not certain why additional project preparation would be needed in the light of the technical audit and information collected as part of the annual monitoring and auditing of all of the production facilities. However, a stage II request will need to be submitted including *inter alia* a plan for closure and dismantling and retirement as well as a plan to accelerate the phase-out in line with the accelerated funding schedule suggested in the business plan. The Executive Committee may wish to request the World Bank to prepare a detailed request for stage II project preparation as part of the Executive Committee's consideration for funding it in the absence of any specific decision on guidelines for project preparation in the production sector.

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

7. The total level of funding for project preparation for stage II HPMPs<sup>2</sup> is US \$2.6 million for the period of 2014-2016 and no funding after 2016<sup>3</sup>.

#### Stage II HPMP in non-low-volume-consuming (LVC) countries

8. The total level of funding for stage II HPMP for non-LVC countries is US \$170.4 million for a total phase-out of 1,945 ODP tonnes of HCFCs (including US \$35.5 million for a total phase-out of 1,543 ODP tonnes for the period of 2014 to 2016). The sectors' breakdown is provided in Table 2.

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<sup>1</sup>The Bank provided this information for planning purposes but emphasized that as a whole, China had not endorsed the stage II entries in the business plan because it has not had an opportunity to consult with its industry and relevant stakeholders.

<sup>2</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)).

<sup>3</sup> The guidelines for stage I HPMP project preparation that were applied to stage II preparation requests were based on 2007 HCFC consumption. The guidelines have not been updated to replace 2007 HCFC consumption with the established HCFC baselines.

Table 2

**STAGE II HPMP BY SECTOR (US \$000)**

<b>Sector</b>	<b>Total (2014-2016)</b>	<b>Total (2017-2020)</b>	<b>Total</b>	<b>Per cent of Total</b>
Foam general	1,686	6,178	7,864	4.6%
Rigid foam	28,760	104,898	133,658	78.4%
Halon	17	70	87	0.1%
Refrigeration air-conditioning	1,515	5,869	7,383	4.3%
Refrigeration (manufacturing, commercial and industrial)	3,181	6,055	9,236	5.4%
Refrigeration servicing	39	10,569	10,607	6.2%
Solvent	315	1,261	1,577	0.9%
<b>Total</b>	<b>35,514</b>	<b>134,900</b>	<b>170,413</b>	<b>100.0%</b>

**Standard cost activities**

9. The core unit costs are expected to be maintained at the rates of increases that have been agreed to-date. However, the World Bank indicated that based on the 2014 core unit budget exercise, there is no increase in core unit budget for 2014 envisioned.

10. For IS activities, US \$2.1 million has been included in the business plan of which US \$1.06 million is for the period of 2014 to 2016<sup>4</sup>. The funding levels for IS have been agreed until 2015<sup>5</sup>. The funding level for IS for the period of 2017 to 2020 amounts to US \$1.06 million.

**Adjustments based on existing Executive Committee decisions on business plans as submitted**

11. In line with relevant decisions by the Executive Committee, the Secretariat proposed the following adjustments to the World Bank's 2014-2016 business plans:

- (a) To reduce the level of funding for stage II project preparation for HPMPs pursuant to decisions 55/13 and 56/16 by US \$253,967 for the period of 2014 to 2016 with no adjustment after 2016; and
- (b) To adjust projects for the solvent sector in the business plans with a cost-effectiveness value that exceeds the relevant threshold of US \$4.50/kg, resulting in the reduction of US \$610 for the period of 2014 to 2020 (including US \$120 for the period of 2014 to 2016).

12. Table 3 presents the results of the Secretariat's proposed adjustments to the World Bank's 2014-2016 business plan.

<sup>4</sup> In line with decision 63/5(b), current levels of funding for IS for business planning purposes for 2014-2016 business plans is maintained up to 2020 in the absence of a decision on funding levels until that time

<sup>5</sup> According to decision 61/43(b).

Table 3

**RESOURCE ALLOCATION IN THE WORLD BANK'S BUSINESS PLAN  
AS ADJUSTED BY EXISTING EXECUTIVE COMMITTEE DECISIONS  
(2014-2016) (US \$000s)**

Item	2014	2015	2016	Total (2014-2016)	Total (2017-2020)	Total After 2020
<b>Required for compliance</b>						
Approved MYAs	30,100	41,609	26,540	98,249	3,529	
HCFC production - stage II			33,338	33,338	133,352	
HCFC production preparation - stage II		496		496	0	
HPMP preparation - stage II	1,736	637		2,373	0	
HPMP stage II		4,177	31,336	35,514	134,899	
<b>Standard cost activities</b>						
Core unit	1,725	1,737	1,749	5,211	7,120	
IS	529		529	1,057	1,057	
<b>Grand total</b>	<b>34,090</b>	<b>48,657</b>	<b>93,492</b>	<b>176,238</b>	<b>279,958</b>	<b>0</b>

### Performance indicators

13. A summary of the World Bank's performance indicators pursuant to decisions 41/93, 47/51 and 49/4(d) is provided below in Table 4.

Table 4

### PERFORMANCE INDICATORS

Item	2014 Targets
Number of annual programmes of multi-year agreements approved versus those planned (new plus tranches of ongoing MYAs)	5
Number of individual projects/activities (investment and demonstration projects, technical assistance, institutional strengthening) approved versus those planned	3
Milestone activities completed/ODS levels achieved for approved multi-year annual tranches versus those planned	5
ODS phased-out for individual projects versus those planned per progress reports	118.2
Project completion (pursuant to decision 28/2 for investment projects) and as defined for non-investment projects versus those planned in progress reports	4
Number of policy/regulatory assistance completed versus that planned	100%
Speed of financial completion versus that required per progress report completion dates	30 months
Timely submission of project completion reports versus those agreed	On time
Timely submission of progress reports and responses unless otherwise agreed	On time

14. As per the 2012 progress report, excluding MYA projects, the phase-out target should be 111.4 ODP tonnes. The World Bank's target for project completion should be 3 including 1 investment and 2 IS projects, but excluding MYAs and project preparation.

### **Policy issues**

15. The World Bank raised three policy issues in its business plan narrative: 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 HPMPs in the business plans.

16. 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(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.

17. The other policy issues raised by the World Bank are addressed in the context of the Consolidated 2014-2016 business plan document (UNEP/OzL.Pro/ExCom/71/7).

### **Countries for which HPMPs were not included in business plans**

18. The World Bank indicated that it was not involved in any country that required stage I or stage II activities that had not been included in the business plans submitted to the 71<sup>st</sup> meeting.

### **RECOMMENDATIONS**

19. The Executive Committee may wish to consider:

- (a) Noting the 2014-2016 business plan of the World Bank as contained in document UNEP/OzL.Pro/ExCom/71/12;
- (b) Requesting the World Bank to prepare a detailed request for stage II project preparation as part of the Executive Committee's consideration for funding project preparation in the production sector in the absence of any specific decision on guidelines; and
- (c) Approving the performance indicators for the World Bank set out in Table 4 as contained in document UNEP/OzL.Pro/ExCom/71/12 while setting a target of 111.4 ODP tonnes for ODS phased out for individual projects, and 3 for project completion.

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# **2014-2016 BUSINESS PLAN**

The WORLD BANK

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



Presented to the  
71<sup>st</sup> Meeting of the Executive Committee  
of the Multilateral Fund

7 October 2013

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# I. MULTILATERAL FUND TARGETS

## A. Context and Expected Impact

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 2014-2016.
2. The objectives of the proposed 2014-2016 Business Plan for the World Bank are to:
  - a) assist Article 5 country clients in meeting the two obligations pertaining to HCFC consumption and production phase-out – the 10% consumption reduction by 2015 and the 35% consumption reduction by 2020. The Business Plan provides indicative figures for meeting the 35% consumption reduction by 2020 - in a sustainable manner.
  - b) ensure Article 5 partner countries' sustainable phase-out of the remaining Methyl Bromide (MB) and the implementation of institutional strengthening activities.
3. The proposed 2014-2016 Business Plan of the World Bank includes a number of Stage II HCFC phase-out sector plans and a Stage II gradual production phase-out plan. In addition, it includes ongoing work associated with the implementation of annual work programs of sector and national plans, previously approved, to phase out HCFCs and methyl bromide (MB), as well as renewal of institutional strengthening (IS) activities.
4. The expected impact of proposed new investment activities for the 2014-2016 period is 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 2014-2016 (ODP tonnes)

	2014	2015	2016	Total
HCFC Sector Plans Stage II	0	42.52	359.28	401.8
HCFC Production Phaseout Plan Stage II (China)	0	0	1456.11	1456.11
Total	0	42.52	1815.39	1857.91

5. Other than the ODP to be phased out from new investment activities proposed for the 2014-2016 period, an additional phase-out of 3218.52 ODP tons will be achieved by 2016 through the ongoing implementation of previously approved multi-year projects.

Table I-2: Expected impact of approved investment activities anticipated to be requested by the World Bank for the years 2014-2016 (ODP tonnes)

	2014	2015	2016	Total
MB Phaseout Plan (Vietnam)	15	35	0	50
HCFC Sector Plans Stage I	61.33	185.01	10.18	256.52
HCFC Production Phaseout Plan Stage I (China)	0	2912	0	2912
Total	76.33	3132.01	10.18	3218.52

**B. Resource Allocation in 2014**

6. The proposed 2014 Business Plan includes deliverables of five investment activities in the following four countries: China, Jordan, Thailand and Vietnam. The total amount of funding requested for ongoing and new investment activities in the proposed 2014 Business Plan is US\$30.1 million.
7. The funding distribution for ongoing and new investment activities included in the proposed 2014 Business Plan is summarized below.

Table I-3: Summary of funding distribution for investment activities in the proposed 2014 World Bank Business Plan

	<b>Total amount of funds requested in 2014 (US\$ 000s)</b>	<b>Percent of total</b>	<b>Estimated impact in 2014 (ODP tonnes)</b>	<b>Percent of total</b>
MB Phaseout Plan (Vietnam)	43	0.14%	15	19.09%
HCFC Sector Plans Stage I	5769.11	19.17%	63.56	80.91%
HCFC Production Phaseout Plan Stage I (China)	24288	80.69%	0	0%
<b>Total</b>	<b>30100.11</b>	<b>100%</b>	<b>78.56</b>	<b>100%</b>

\* Figures include agency support costs

8. The total deliverables contained in the proposed 2014 World Bank Business Plan, including investment, non-investment and preparatory activities amounts to US\$34.2 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 2014 World Bank Business Plan

<b>Type of activity included in the proposed 2014 Business Plan</b>	<b>Number of activities</b>	<b>Amount requested (US\$ 000s)</b>
MB Phaseout Plan (Vietnam)	1	43
HCFC Sector Plans Stage I	3	5769.11
HCFC Production Phaseout Plan Stage I (China)	1	24288
HCFC Sector Plans Stage II Preparation	11	1840.4
Institutional Strengthening	2	528.59
Core Unit Cost	1	1725
<b>Total</b>	<b>19</b>	<b>34194.1</b>

\* Figures include agency support costs

### C. Resource Allocation Beyond 2014

9. The breakdown of the resource allocation beyond 2014 in the 2014-2016 Business Planning is summarized below.

Table I-5: World Bank's proposed resource allocation plan for 2015-2016 (in US\$ 000s)

Type of activity	Total amount of funds requested in 2015 (US\$ 000s)	Estimated impact in 2015 (ODP tonnes)	Total amount of funds requested in 2016 (US\$ 000s)	Estimated impact in 2016 (ODP tonnes)
MB Phaseout Plan (Vietnam)		35		
HCFC Sector Plans Stage I	16265.24	185.01	1195.84	11.02
HCFC Production Phaseout Plan Stage I (China)	25344	2912	25344	
HCFC Production Phaseout Plan Stage II Preparation (China)	496.32			
HCFC Production Phaseout Plan Stage II (China)			33337.92	1456.11
HCFC Sector Plans Stage II Preparation	786.45			
HCFC Sector Plans Stage II	4177.34	42.52	31336.32	359.28
Institutional Strengthening			528.59	
Core Unit Cost	1737.08		1749.23	
Total	48806.43	3174.53	93491.9	1826.41

## II. PLANNED BUSINESS ACTIVITIES

### A. Ongoing Approved Activities

10. Investment projects for which funding is requested in the 2014-2016 BP: As of October 2013, the World Bank's Montreal Protocol portfolio consists of 7 ongoing multi-year projects for which funding will be solicited in 2014-2016: HCFC phaseout management and sector plans in China, Indonesia, Jordan, Thailand and Vietnam, HCFC production phaseout plan in China, and MB National phaseout plan in Vietnam.
11. Non-investment projects and activities: As of October 2013, the World Bank's portfolio includes 2 ongoing institutional strengthening projects (Thailand and Jordan).

## **B. Program Expansion in 2014 and Beyond**

12. A list of detailed new and approved activities to be implemented during 2014-2016, their associated levels of funding, projected ODP impact and country specific remarks is submitted as a separate table.

### New submissions

13. HCFC consumption phase-out Stage II: As part of the World Bank 2014-2016 Business Plan, the World Bank plans to submit new preparation fund requests for HCFC sector plans Stage II for Argentina, China, Indonesia, Jordan, the Philippines, Thailand and Vietnam, and project proposals for Argentina, China, Indonesia, Jordan, the Philippines, Thailand and Vietnam. As the Stage II HPMP preparation and project guidelines are still under development, the cost information for preparation and projects are based on Stage I guidelines and use the cost-effectiveness thresholds for each sector agreed under Stage I and suggested by the Secretariat. In particular, the Bank would like to point out that project preparation funding for the second Stage foam sector in China is included at similar level as approved for Stage I because preparation is expected to be more difficult as a greater percentage of enterprises will be smaller, requiring more identification and site visits to confirm eligibility.
14. HCFC production phase-out Stage II (China): The World Bank also plans to submit the preparation fund request for China production phase out plan Stage II in 2015. This stage will involve 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. Therefore, the preparation funding is requested at the similar level of Stage I as more work needs to be conducted.
15. China 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.

### Renewal of institutional strengthening

1. Requests for renewal of institutional strengthening projects will be submitted for Jordan and Thailand during 2014.

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

2. 2014 will be the first year that all Stage I HPMPs and HCFC sector plans, 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 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 phaseout 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).

3. A now recurrent East Asia regional workshop will be held again in 2014 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. As was the case in previous years, 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.
4. 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 efforts in 2014 to seek out concrete opportunities that allow ODS sector phaseout to be twinned with new projects aiming for green growth in industry, energy, agriculture, infrastructure, and other sectors.

### III. PERFORMANCE INDICATORS

5. As per Decision 41/93, the following performance indicators are included in the World Bank's 2014-2016 Business Plan:

#### A. Approval Performance Indicators

6. Number of annual programs of multi-year agreements approved vs. those planned (Weighting: 20)

Table III-1: Number of annual programs of multi-year agreements planned for 2014

Item	Planned for 2014
Annual work plan of previously approved multi-year agreements to be presented to ExCom in 2014	5
Planned multi-year agreements for which no annual work plan will be submitted to ExCom in 2014	2 (Indonesia foam sector, Vietnam HPMP)

7. Number of individual projects/ activities (investment and demonstration projects, TAS, IS) approved vs. those planned. (Weighting: 20)

Table III-2: Number of individual projects/ activities planned for 2013

Item	Planned for 2014
Individual projects to be presented to ExCom	3

## **B. Implementation Performance Indicators**

8. Milestone activities completed/ ODS levels achieved for approved multi-year annual tranches vs. those planned. (Weighting: 20): In 2014, the World Bank expects to complete every milestone associated with its 5 ongoing multi-year agreements for which funding is being requested.
9. ODP phased-out for individual projects vs. that planned per progress reports (Weighting: 5): In 2014, the World Bank expects to phase out a total of 118.2 ODP tons through implementation and completion of individual projects.
10. Project completion (pursuant to Decision 28/2 for investment projects) and as defined for non-investment projects vs. those planned in progress reports (Weighting: 5): In 2014, the World Bank expects to bring to completion a total of 4 individual project activities including 1 investment projects, 1 demonstration projects and 2 institutional strengthening projects.
11. Percentage of policy/ regulatory assistance completed vs. those planned (Weighting: 10): In 2014, the World Bank will continue to assist all countries where multi-year agreements are being implemented, or may be approved, in meeting their policy/ regulatory milestones, as indicated by each individual agreement. Efforts will include enactment of licensing quota systems, inspection requirements, etc. This type of policy-level assistance supports countries in complying, in a sustainable manner, with milestones previously agreed to under multi-year agreements. There are 5 ongoing multi-year plans for which the Bank plans to provide policy support in 2014.

## **C. Administrative Performance Indicators**

12. Speed of financial completion vs. that required per progress report completion dates (Weighting: 10): The Bank expects to achieve financial completion of its projects within 30 months.
13. Timely submission of project completion reports (Weighting: 5): The Bank plans to submit project completion reports as agreed with the SMEO.
14. Timely submission of progress reports and responses unless otherwise agreed (Weighting: 5): The Bank plans to submit its 2013 Progress Report on May 1, 2014 or at least eight weeks before the 72<sup>nd</sup> meeting of the Executive Committee.

15. A summary of the World Bank's 2014 performance indicators is included in Table III-3 below.

Table III-3: Summary of World Bank's 2014 performance indicators

Category of Performance Indicator	Item	Weighting	2014 Target	Remarks
Approval	Number of annual programs of multi-year agreements (new plus tranches of ongoing MYAs) approved vs. those planned	20	5	HCFC Foam Sector Plan (China); HCFC AC Sector Plan (Jordan); HCFC Phaseout Plan (Thailand); National Phaseout Plan of MB (Vietnam).  HCFC Gradual Production Phaseout Plan Stage I (China).
	Number of individual projects/ activities (investment and demonstration projects, TAS, IS) approved vs. planned	20	3	Institutional Strengthening (Jordan, Thailand); Agency Core Unit Fee.
Implementation	Milestone activities completed/ ODS levels achieved for approved multi-year annual tranches vs. those planned	20	5	Five MYA projects in the "Number of annual programs of multi-year agreements approved vs. those planned" approval indicator.
	ODP phase-out for individual projects vs. that planned per progress reports	5	118.2	Phase-out of CFC consumption in the manufacture of aerosol MDIs (Argentina) Conversion demonstration from HCFC-141b-based to cyclopentane-based pre-blended polyol in the manufacture of rigid polyurethane foam at Guangdong Wanhua Rongwei Polyurethane Co. Ltd (China)
	Project completion (pursuant to Decision 28/2 for investment projects) and as defined for non-investment projects vs. those planned in the progress reports	5	4	The above two and two institutional strengthening projects (Jordan and Thailand)
	Percentage of policy/regulatory assistance completed vs. those planned	10	100%	
Administrative	Speed of financial completion vs. that required per progress report completion dates	10	30 months	The Bank does not regard tranches as stand alone projects; instead they are part of an overall national or sector plan. Therefore tranches were only declared financially completed until the entire project was financially closed. As a result, we set the target as 30 months to reflect how these MYA project tranches had been addressed by the Bank.
	Timely submission of project completion reports	5	On time	
	Timely submission of progress reports and responses unless otherwise agreed	5	On time	

## **IV. POLICY ISSUES**

### **A. Swing Plants**

16. The World Bank had intended to include in its 2014-2016 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. Upon 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 removed the concerned project preparation requests from the current business plan.
17. 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 Phaseout**

18. The World Bank 2014-2016 Business Plan table of activities has been completed in accordance with the Fund Secretariat's guidance to the Implementing Agencies in 2013. 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 phaseout required in Stage II HPMPs.
19. Agencies were instructed to insert for every dollar amount of a given year, an ODP phaseout 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 Phaseout 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**

20. More critically, for Article 5 countries, is how the adjusted consolidated business plan determines the remaining eligible phaseout amount for meeting the 2020 obligations, i.e. for achieving phaseout equivalent to 35% of the baseline. The general approach taken is to simply calculate the difference between total phaseout 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 phaseout 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 phaseout funded. The consolidated business plan may for some countries therefore underestimate the remaining eligible consumption phaseout amount for Stage II.