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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

PROJECT PROPOSAL: VIET NAM

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

Phase-out

- HCFC phase-out management plan (stage I, second tranche)

World Bank

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**Viet Nam**

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (stage I, second tranche)	World Bank (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2012	199.93 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2012	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0.1				0.1
HCFC-124									
HCFC-141b		37.6							37.6
HCFC-141b in imported pre-blended polyol		216.9							216.9
HCFC-142b									
HCFC-22				87.8	73.5				161.3
HCFC-225				0.9					0.9

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	221.2	Starting point for sustained aggregate reductions:	385.8
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	140.1	Remaining:	245.67

(V) BUSINESS PLAN		2013	2014	2015	Total
IBRD	ODS phase-out (ODP tonnes)	81.3		15.0	96.3
	Funding (US \$)	6,087,742		1,124,860	7,212,602

(VI) PROJECT DATA			2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits			n/a	n/a	221.2	221.2	199.08	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	221.21	221.21	199.08	n/a
Agreed Funding (US \$)	World Bank	Project costs	3,054,423	0	5,663,016	0	1,046,381	9,763,820
		Support costs	229,082	0	424,726	0	78,479	732,287
Funds approved by ExCom (US \$)		Project costs	3,054,423	0	0	0	0	3,054,423
		Support costs	229,082	0	0	0	0	229,082
Total funds requested for approval at this meeting (US \$)		Project costs	0	0	5,663,016	0	0	5,663,016
		Support costs	0	0	424,726	0	0	424,726

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Viet Nam the World Bank, as the designated implementing agency, has submitted to the 71st meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP)¹ at the amount of US \$5,663,016 plus agency support costs of US \$424,726. The submission includes the progress report on the implementation of the first two years of the HPMP and annual implementation plans for 2014 and 2015.

Progress report on the implementation of the first tranche of the HPMP

2. The HPMP stage I includes a combination of policies and regulatory measures, technical assistance activities and financial incentives for 12 foam enterprises and project management.

3. The grant agreement between the Government of Viet Nam and the World Bank is in force since November 2012, and a Project Management Unit (PMU) was established in August of that year. Since 2012 a licensing/quota system for HCFCs has been established, and import quotas have been issued in accordance with the Montreal Protocol phase-out schedule. A number of inter-ministerial memoranda of understanding have been signed by the Ministry of Natural Resources and Environment, where the PMU is located.

4. The HPMP as originally approved did not include activities in the servicing sector. However, using the flexibility provided for the implementation of the HPMP, technical assistance activities have been implemented including the development of a management information system for import, export and reporting of HCFCs and pre-blended polyols (completed), outreach activities towards owners of cold storage, and activities related to good practice in handling HCFCs for servicing (the latter two activities will continue in future years). Implementation commenced at eight of the 12 foam enterprises, with one shoe sales enterprise already converted to water-blown technology with a total phase-out of 40.0 metric tonnes (mt) (4.4 ODP tonnes) of bulk HCFC-141b and 51.0 mt (5.61 ODP tonnes) of HCFC-141b contained in imported pre-blended polyols. Verification and payment of incremental operating costs are still outstanding.

Annual implementation plans for 2014 and 2015

5. The World Bank advised on the targets for the licensing system for the years 2013 to 2015, which foresees a phase down of HCFC-141b from 300 mt (33 ODP tonnes) in 2013 to 150 mt (16.5 ODP tonnes) for 2014 to zero tonne in 2015. The production lines under the foam sector plan will phase-out all consumption of HCFC-141b and all use of HCFC-141b contained in imported pre-blended polyols by 1 January 2015. In order to achieve these objectives, conversion of the remaining 11 foam enterprises will be completed by the end of 2014. The technical assistance activities include assistance by experts to foam enterprises, training on the use of pentane foam technology, and training for customs officers. Activities related to the refrigeration sector and service sector include a ban of new installation and expansion of HCFC-based refrigeration equipment in the fishery industry and cold stores, raising awareness on alternative refrigerants for use in the air conditioning sector, and energy efficiency, preparing a training manual on good service practice in the refrigeration servicing sector. The verification of consumption for 2013 and 2014 will be carried out under this work programme.

¹ The HPMP for Viet Nam was approved by the Executive Committee at its 63rd meeting to reduce HCFC consumption by 10 per cent by 1 January 2015.

6. The Government will implement the licensing system; prepare a policy preventing establishment of new or expansion of existing production facilities using HCFCs for all sectors; issue an import ban of pure HCFC-141b; and carry out an awareness campaign. The PMU will implement technical assistance activities; produce video on good practice in installation, maintenance and repair of air conditioners; and conduct a financial audit of project expenditures.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Licensing and quota system

7. The Government of Viet Nam had submitted a letter providing confirmation that the country has established an enforceable national system of licensing and quota for HCFC imports and export. A licensing and quota system which was in place and full operation on 1 January 2012 is capable of ensuring the country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of 2013 to 2019. The import quota for 2013 has been established at 220 ODP tonnes.

8. Upon a request by the Secretariat, the World Bank advised that import controls of HCFC-141b contained in imported pre-blended polyols had been included in the licensing system, and the importation requires an import permit. Currently, imported polyols are not subject to a quota. The World Bank further indicated that the sub-grant agreements signed between the Government and the beneficiary enterprises have clauses that commit enterprises to ceasing the use of HCFC-141b both in bulk as well as contained in pre-blended polyols.

Baseline

9. At the 63rd meeting, the HPMP for Viet Nam was approved on the basis of an estimated baseline of 221.2 ODP tonnes, which turned out to be the same as the baseline reported under Article 7 to the Montreal Protocol. However a new draft agreement has to be prepared to disaggregate consumption of HCFC-141b (in bulk) from that in imported pre-blended polyols, as shown in Annex I to this document.

Consumption

10. Table 1 shows the HCFC consumption in Viet Nam.

Table 1: Consumption in the years 2009 to 2012 and comparison to the baseline (A7 data)

Year	2009	2010	2011	2012	Baseline	Difference between 2012 and baseline	Change (%)
Metric tonnes							
HCFC-22	2,816.0	3,262.0	3,120.0	2,933.0	3,039.0	-106.0	-3.5
HCFC-123	1.0	15.0	8.7	2.7	8.0	-5.3	-66.3
HCFC-141b	478.0	502.0	468.0	342.0	490.0	-148.0	-30.2
HCFC-225	0.0	0.0	0.2	13.4	0.0	13.4	n/a

Year	2009	2010	2011	2012	Baseline	Difference between 2012 and baseline	Change (%)
ODP tonnes							
HCFC-22	154.88	179.41	171.60	161.32	167.15	-5.83	-3.5
HCFC-123	0.02	0.30	0.17	0.05	0.16	-0.11	-68.8
HCFC-141b	52.58	55.22	51.48	37.62	53.90	-16.28	-30.2
HCFC-225	0.00	0.00	0.01	0.94	0.00	0.94	n/a
Total	207.48	234.93	223.26	199.93	221.21	-21.28	-9.6

11. In 2012 HCFC-141b consumption was reduced by 30 per cent as compared to the baseline, continuing a trend already observable in 2011. Consumption of HCFC-22 was also reduced albeit only by 3.5 per cent so far. In 2012, the ODP-weighted HCFC consumption of Viet Nam was 9.6 per cent lower than the baseline.

Level of implementation of activities and rate of disbursement

12. The Secretariat requested a status report on milestones achieved for the conversion of the 12 foam enterprises covered by the HPMP. Table 2 demonstrates the progress so far achieved in the implementation of activities and their relevance for the total phase-out foreseen for stage I of the HPMP.

Table 2: Progress in the implementation

Milestone	Unit	Bulk HCFC-141b	HCFC-141b in imp. pre-blended polyols	Total HCFC-141b use
Special grant agreement signed	mt	288.0	481.1	769.1
	ODP tonnes	31.68	52.92	84.60
	Share of stage I phase-out	62.4%	59.3%	60.4%
Equipment contract signed	mt	115.0	109.8	224.8
	ODP tonnes	12.65	12.08	24.73
	Share of stage I phase-out	24.9%	13.5%	17.7%
Conversion completed	mt	40.0	51.0	91.0
	ODP tonnes	4.40	5.61	10.01
	Share of stage I phase-out	8.7%	6.3%	7.1%

13. At the time of submission of the project proposal to the Secretariat (20 August 2013), the level of disbursement represented 14.2 per cent of the total amount approved. However, as of 11 October 2013, the level of disbursement was 20.8 per cent of the total amount approved, as shown in Table 3.

Table 3: Information on disbursement of tranche 1

Status	Approved amount (US \$)	Disbursed amount (US \$)	Disbursed as share of approval	Balance (US \$)	Committed (US \$)
30 August 2013	3,054,423	434,023.74	14.2%	2,620,399.26	1,721,100
11 October 2013		635,879.00	20.8%	2,418,544.00	no update received

Servicing sector activities

14. Upon a request for additional information on the servicing sector, the World Bank advised that the existing vocational training system has been previously used during the phase-out of CFC and halon for technician training, being the sole provider for such training. The World Bank assessed the vocational training system in Viet Nam to be very good. Regarding the issue of considering standards for dealing with currently available low-global warming potential (GWP) refrigerants and their flammability, the World Bank advised that it is currently not the time to amend standards for flammable substances considering that the refrigeration and air conditioning sector, particularly the manufacturing sector, was not included in stage I of the HPMP. As of today there has been no discourse and no decision taken on the refrigerant technologies the country will select. The World Bank also pointed out that, in order to develop and agree on standards, it is not only necessary to have technical information available. It is also essential that the manufacturers, being present in the standard committees, have to be ready and possess the capacity to apply the new standards and adopt the underlying technologies.

Conclusion

15. It appears that Viet Nam will meet the 2013 consumption limits of the Montreal Protocol and, which is the same as in the Agreement between the Government and the Executive Committee. With the progress assessment in the investment component, the technical assistance activities and the activities undertaken by the PMU, the Secretariat arrived at the conclusion that the country has achieved a significant level of implementation of activities initiated during the first tranche of stage I of the HPMP.

16. In addition, Viet Nam appears to be well advanced on its progress to meeting the 2015 compliance requirements.

RECOMMENDATION

17. The Executive Committee may wish to consider:

- (a) Taking note of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in Viet Nam;
- (b) Noting that the Fund Secretariat had updated paragraph 2, Appendices 1-A and 2-A of the Agreement between the Government of Viet Nam and the Executive Committee, based on the established HCFC baseline for compliance, and that a new paragraph 15 had been added to indicate that the updated Agreement superseded that reached at the 63rd meeting, as contained in Annex I to the present document;
- (c) Further noting that the revised starting point for sustained aggregate reduction in HCFC consumption was 221.21 ODP tonnes, calculated using actual consumption of 207.5 ODP tonnes and 234.9 DP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol, plus the average consumption of pre-blended polyol in the years 2007 to 2009 of 164.6 ODP tonnes, giving a total of 385.77 ODP tonnes; and
- (d) Approving the second tranche of stage I of the HPMP for Viet Nam, and the corresponding 2014-2015 tranche implementation plan, at the amount of US \$5,663,016, plus agency support costs of US \$424,726 for the World Bank.

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF VIET NAM AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A . The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances which exceeds the level defined in row 1.2 of Appendix 2-A (“maximum allowable total consumption of Annex C, Group I Substances”; the Target) as the final reduction step under this agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of the Substances which exceed the level defined in rows 4.1.3, 4.2.3, 4.3.3 and **4.4.3** (remaining eligible consumption).

15. This updated Agreement supersedes the Agreement reached between the Government of Viet Nam and the Executive Committee at the 63rd meeting of the Executive Committee.

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	167.15
HCFC-123	C	I	0.16
HCFC-141b	C	I	53.90
Sub-total			221.21
HCFC-141b contained in imported pre-blended polyols	C	I	164.56
Total starting point			385.77

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2011	2012	2013	2014	2015	Total	
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	221.2	221.2	199.08	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	221.2	221.2	199.08	n/a	
2.1	Lead IA (World Bank) agreed funding (US \$)	3,054,423	0	5,663,016	0	1,046,381	9,763,820	
2.2	Support costs for Lead IA(US \$)	229,082	0	424,726	0	78,479	732,287	
3.1	Total agreed funding (US \$)	3,054,423	0	5,663,016	0	1,046,381	9,763,820	
3.2	Total support cost (US \$)	229,082	0	424,726	0	78,479	732,287	
3.3	Total agreed costs (US \$)	3,283,505	0	6,087,742	0	1,124,860	10,496,107	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)							0
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)							0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)							167.15
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)							0
4.2.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)							0
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)							0.16
4.3.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)							50.80
4.3.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)							0
4.3.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)							3.10
4.4.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)							89.30
4.4.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in previously approved projects (ODP tonnes)							0
4.4.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyols (ODP tonnes)							75.26
