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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-seventh Meeting
Montreal, 28 November - 2 December 2016

THE WORLD BANK BUSINESS PLAN FOR 2017-2019

1. This document presents the World Bank business plan for 2017-2019¹ and includes: the planned activities for the phase-out of ozone-depleting substances (ODS) during the 2017-2019 period; the business plan performance indicators; and recommendations for consideration by the Executive Committee. The narrative of the World Bank's business plan for 2017-2019 is attached to the present document.

SECRETARIAT'S COMMENTS

2. Table 1 sets out, by year, the value of activities included in the World Bank's business plan.

Table 1: Resource allocation in the World Bank business plan for 2017-2019 as submitted (US \$000s)*

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Required for compliance						
Approved HCFC phase-out management plans (HPMPs)	6,680	8,795	4,701	20,176	4,196	783
HCFC production - stage II	29,306	29,306	29,306	87,917	29,306	172,777
HPMP stage II	22,816	36,422	35,197	94,435	35,291	94,169
Standard activities						
Institutional strengthening (IS)	0	677	0	677	677	0
Core unit	1,725	1,737	1,749	5,211	1,761	0
Grand total	60,526	76,937	70,953	208,416	71,232	267,729

* Including agency support cost where applicable.

¹ A draft business plan for 2017-2019 of the World Bank was discussed at the Inter-agency coordination meeting (IACM) held in Montreal from 31 August to 1 September 2016. The business plan contained in this document has addressed the issues raised at the meeting.

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.

Secretariat's observations on activities required for compliance

Stage II of the production sector

3. A total of US \$290 million is included in the business plan for the HCFC production phase-out management plan (HPPMP) for China. This amount includes US \$29.31 million per year for the period 2017-2020 for stage II and US \$172.78 million for after 2020 (with an average level of funding of US \$17.278 million per year from 2021 to 2030).

4. However, the average annual level of funding after stage I of the HPPMP starting in 2017 should be US \$21.87 million assuming the maximum amount of funding (US \$406.56 million)² including agency support costs per decision 69/28(e). Therefore, the proposed level of funding for the period 2017 to 2020 would exceed the average annual amount by 34 per cent.

5. The final tranche of stage I of the HPPMP for China of US \$25.3 million has been approved at the 75th meeting in 2015. China plans to submit annual implementation plans of the HPPMP with the request of funding for the first tranche of stage II in 2017 as indicated in decision 71/23(c).

6. The World Bank indicated that the amount of HCFCs to be eliminated in stage II of the HPPMP of 5,824.8 ODP tonnes will be much higher than that in stage I of 3,970 ODP tonnes. While the phase-out of HCFCs proposed in stages I and II in the business plan represent a reduction of 34 per cent from the baseline, the funding (US \$217.54 million)³ represents 54 per cent of the total maximum funding (US \$406.56 million).

Stage II of HPMPs

7. The total level of funding for stage II of HPMPs is US \$223.9 million (including US \$94.44 million for the period of 2017 to 2019). The sectors' breakdown is provided in Table 2.

Table 2: Funding distribution of stage II of HPMPs by sector (US \$000)

Sector	2017-2019	2020	After 2020	Total	Per cent of total
Fire fighting	31	3		34	0.0
Foam general	391	195		586	0.3
Foam rigid	75,720	27,695	91,165	194,579	86.9
Foam rigid and extruded polystyrene	5,632	1,609	805	8,046	3.6
Refrigeration air-conditioning	2,368	789	702	3,859	1.7
Refrigeration commercial	2,974	1,348	270	4,592	2.1
Refrigeration servicing	6,320	3,160	1,053	10,533	4.7
Solvent	946	473	158	1,576	0.7
Production sector monitoring	54	18	18	90	0.0
Total	94,435	35,291	94,169	223,895	100.0

² US \$385 million plus support costs of US \$21.56 million.

³ US \$100.32 million for stage I plus US \$117.22 million for stage II including agency support costs.

Secretariat's observations on standard activities

IS

8. For IS activities, US \$1.35 million has been included in the business plan of which US \$676,584 is for the period of 2017 to 2019⁴, and US \$676,584 for 2020.

Core unit costs

9. The World Bank has not increased the core unit budget for 2017⁵.

Adjustments to the World Bank business plan for 2017-2019

10. During the IACM, adjustments to the business plans of bilateral and implementing agencies were agreed based on relevant decisions of the Executive Committee. In reviewing the revised World Bank business plan for 2017-2019, the Secretariat noted that the following adjustments were not included:

Table 3: Adjustments to the World Bank business plan for 2017-2019

Adjustment	2017-2019 (US \$000)	2020 and after 2020 (US \$000)
Stage II of HPPMP starting in 2017 as per decision 71/23(c)	-22,295	38,535
New HPMP activities (stage II) with submissions to the 77 th meeting to match the proposed funding level as originally submitted	1,176	-317

11. Table 4 presents the results of the Secretariat's proposed adjustments to the World Bank business plan for 2017-2019, which are also addressed in the context of the Consolidated business plan of the Multilateral Fund for 2017-2019⁶.

Table 4: Resource allocation in the World Bank's adjusted business plan for 2017-2019 (US \$000s)

Item	2017	2018	2019	Total (2017-2019)	2020	Total after 2020
Required for compliance						
Approved HPMPs	6,680	8,795	4,701	20,176	3,134	1,846
HCFC production - stage II	21,874	21,874	21,874	65,623	21,874	218,743
HPMP stage II	22,219	38,194	35,197	95,611	34,974	94,169
Standard activities						
IS	0	676,584	0	677	676,584	0
Core unit	1,725	1,737	1,749	5,211	1,761	0
Grand total	52,498	71,278	63,522	187,298	62,421	314,758

Performance indicators

12. The World Bank submitted performance indicators pursuant to decision 71/28 in its business plan narrative. After several discussions, the World Bank and the Secretariat agreed on the targets as shown in Table 5.

⁴ In line with decision 74/51(c), to approve all IS projects and renewals at a level 28 per cent higher than the historically agreed level, with a minimum level of IS funding of US \$42,500 per year.

⁵ The World Bank's 2017 core unit cost request has been submitted to the 77th meeting (UNEP/OzL.Pro/ExCom/77/33).

⁶ UNEP/OzL.Pro/ExCom/77/20.

Table 5: Performance indicators for the World Bank

Type of indicator	Short title	Calculation	2017 target
Planning— Approval	Tranches approved	Number of tranches approved vs. those planned*	7
Planning— Approval	Projects/activities approved	Number of projects/activities approved vs. those planned (including project preparation activities)**	1
Implementation	Funds disbursed	Based on estimated disbursement in progress report	US \$54 million
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	1,979.4 ODP tonnes
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	13
Administrative	Speed of financial completion	The extent to which projects are financially completed 12 months after project completion	90%
Administrative	Timely submission of project completion reports	Timely submission of project completion reports vs. those agreed	On time
Administrative	Timely submission of progress reports	Timely submission of progress reports and business plans and responses unless otherwise agreed	On time

* The target of an agency would be reduced if it could not submit a tranche owing to another cooperating or lead agency, if agreed by that agency.

** Project preparation should not be assessed if the Executive Committee has not taken a decision on its funding.

RECOMMENDATIONS

13. The Executive Committee may wish:

- (a) To note the World Bank business plan for 2017-2019 contained in document UNEP/OzL.Pro/ExCom/77/25; and
- (b) To approve the performance indicators for the World Bank as set out in Table 5 in document UNEP/OzL.Pro/ExCom/77/25.

2017-2019 BUSINESS PLAN



WORLD BANK GROUP

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

Presented to the
77th Meeting of the Executive Committee
of the Multilateral Fund

3 October 2016

I. MULTILATERAL FUND TARGETS

A. Meeting the Objectives of the Multilateral Fund

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 2017-2019.
2. The objectives of the proposed 2017-2019 Business Plan for the World Bank are to:
 - a) Assist Article 5 countries in sustaining and meeting the two obligations pertaining to HCFC consumption and production phase-out – the 10% reduction post 2015 and the 35% reduction in 2020 and also to meet the extended HCFC phase-out commitment under each country's Agreement with the Executive Committee.
 - b) Ensure Article 5 partner countries' implementation of institutional strengthening (IS) activities.
3. The proposed 2017-2019 Business Plan of the World Bank includes annual work programs of sector plans and national plans, previously approved, to phase out HCFCs, as well as the renewal of the institutional strengthening activities. In light of the decisions taken at the ExCom, the Bank's Business Plan includes a number of stage II HCFC phase-out sector plans and a Stage II gradual production phase-out plan.
4. The expected impact of proposed new investment activities for the 2017-2019 period are 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 2017-2019 (ODP tonnes)

	2017	2018	2019	Total
HCFC Sector Plans Stage II	470.21	692.09	680.32	1,842.61
HCFC Production Phase-out Plan Stage II (China)	1,456.20	1,456.20	1,456.20	4,368.60
Total	1,926.41	2,148.29	2,136.52	6,211.21

5. Other than the ODP to be phased out from new investment activities proposed for the 2017-2019 period, additional phase-out of 175 ODP tons will be achieved by 2019 through the ongoing implementation of previously approved multi-year projects. This additional phase-out is summarized in Table I-2.

Table I-2: Expected impact of approved investment activities anticipated to be requested by the World Bank for the years 2017-2019 (ODP tonnes)

	2017	2018	2019	Total
HCFC Sector Plans Stage I	39.21	30.51	0.00	69.72
HCFC Sector Plans Stage II	19.43	46.68	39.17	105.28
Total	58.64	77.19	39.17	175.00

Strategic approach to HCFC phase-out in the proposed 2017-2019 Business Plan

6. Balancing supply and demand of HCFC Production and Consumption: China is the world's largest producer, consumer of HCFCs for ODS use. Based on preliminary 2015 information, China consumed 62% of its production for ODS use and export the rest. The closure of 5 HCFC producers at the beginning of 2015 will have implications on the supply of HCFCs to both the domestic and export markets. Additional reduction in HCFC production capacity required by China to meet the compliance target in 2020 will further complicate the supply and demand balance.

7. To assist China in meeting the consumption and production compliance targets in 2020, it is necessary to carry out detailed analysis and study to ensure that phase-out by chemical matches the situation in the consumption sectors in both China and export markets. The World Bank had already delivered stage II HCFC PU foam sector phase-out plan for the ExCom's consideration in 2016 and proposes to submit Stage II HCFC gradual production phase out plan to the ExCom in 2017. In preparing these plans, close consultations with other implementing agencies during their preparation of other Stage II sector plans for China and with other Article 5 countries with high HCFC consumption had been carried out.

8. Support for the introduction of flammable refrigerant in refrigeration and air-conditioning sector: In reviewing potential alternatives to replace HCFC and HFC refrigerants being developed, many candidates are classified as A2L - mildly flammable refrigerants or A3 – flammable refrigerants. Safety concern is a significant barrier to overcome before the market could widely adopt A2L refrigerants. Based on the World Bank experience in Thailand, there are significant barriers to overcome before RAC equipment using these new refrigerants could be safely introduced into the market. Regulations, building codes, and national standards need to be modified to ensure these products could be safely manufactured, installed, and serviced. The same approach will be undertaken in Viet Nam stage II HPMP implementation where both A2L and A3 refrigerants will be introduced into the market.

9. For many Article 5 countries, RAC servicing sector is considered informal and most service technicians do not have formal technical training and learn their skills on the job. Attempts to improve technical capacity of service technicians for the refrigeration sector have been done previously during the phase-out of CFCs. However, due to easy entry into this trade and high turnover rate of service technicians, most technicians trained during the CFC phase-out period have already moved on to other professions. Given that training is not a mandatory requirement in most countries, very few service technicians active in the market today have undergone any training.

10. The World Bank proposes a number of preparation activities for Thailand's Stage II HCFC Phase-out Management Plans in the 2017-2019 World Bank Business Plan. The sectors to be targeted by Thailand's Stage II HPMP will include conversion of commercial refrigeration manufactures and HCFC phase-out in the servicing sector. Service technician certification system will ensure that RAC service technicians can safely perform their service and equipment will be properly installed which minimize the risk of accident during operations. This would help promote the adoption of low-GWP alternatives. Moreover, proper installation will ensure that equipment operates at the optimal design points where energy consumption performance will be at its best. The Bank will consider activities to set up service technician certification system wherever feasible in these countries.

B. Resource Allocation in 2017

11. The proposed 2017 Business Plan includes deliverables of ten investment activities in the following six countries: Argentina, China, Indonesia, Philippines, Thailand and Vietnam. The total amount of funding requested for ongoing and new investment activities in the proposed 2017 Business Plan is US\$58.9 million.

12. The funding distribution for ongoing and new investment activities included in the proposed 2017 Business Plan is summarized below.

Table I-3: Summary of funding distribution for investment activities in the proposed 2017 World Bank Business Plan

	Total amount of funds requested in 2017 (US\$ 000s)*	Percent of total	Estimated impact in 2017 (ODP tonnes)	Percent of total
HCFC Sector Plans Stage I	4,347.99	7.4%	39.21	2.0%
HCFC Sector Plans Stage II	25,147.53	42.8%	489.64	24.7%
HCFC Production Phase-out Plan Stage I (China)	29,305.80	49.8%	1,456.20	73.4%
Total	58,801.32	100%	1,985.05	100%

* Figures include agency support costs

13. The total deliverables contained in the proposed 2017 World Bank Business Plan, including investment, non-investment and preparatory activities amounts to US\$58.9 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 2017 World Bank Business Plan

Type of activity included in the proposed 2016 Business Plan	Number of activities	Amount requested (US\$ 000s)*
HCFC Sector Plans Stage I	1	4,347.99
HCFC Sector Plans Stage II	8	25,147.53
HCFC Gradual Production Phase-out Plan Stage II (China)	1	29,305.80
Institutional Strengthening	0	0.00
Core Unit Cost	1	1,725.00
Total	11	60,526.32

* Figures include agency support costs

C. Resource Allocation Beyond 2017

14. The breakdown of the resource allocation beyond 2017 in the 2017-2019 Business Planning is summarized below.

Table I-5: World Bank's proposed resource allocation plan for 2018-2019 (in US\$ 000s)

Type of activity	Total amount of funds requested in 2017 (US\$)	Estimated impact in 2017 (ODP tonnes)	Total amount of funds requested in 2018 (US\$)	Estimated impact in 2018 (ODP tonnes)
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	000s)		000s)	
HCFC Sector Plans Stage I	3,383.57	30.51	0.00	0.00
HCFC Sector Plan Stage II	41,833.59	738.76	39,898.27	719.49
HCFC Gradual Production Phase-out Plan Stage II (China)	29,305.80	1,456.20	29,305.80	1,456.20
HCFC Sector Plans Stage II Preparation	0	N/A	0	N/A
Institutional Strengthening	676.58	N/A	0.00	N/A
Core Unit Cost	1,737.08	N/A	1,749.23	N/A
Total	76,936.61	2,225.47	70,953.31	2,175.69

II. PLANNED BUSINESS ACTIVITIES

A. Ongoing Approved Activities

15. Investment projects for which funding is requested in the 2017-2019 BP: As of September 2016, the World Bank's Montreal Protocol portfolio consists of three ongoing multi-year projects for which funding will be solicited in 2017-2019: HCFC phase-out management and sector plans in Indonesia, Thailand, and Vietnam.

16. Non-investment projects and activities: As of September 2016, the World Bank's portfolio includes 2 ongoing institutional strengthening projects (Thailand and Jordan) that will be completed by the end of 2016.

B. Program Expansion in 2017 and Beyond

17. A list of detailed new and approved activities to be implemented during 2017-2019, their associated levels of funding, projected ODP impact and country specific remarks is submitted as a separate table.

New submissions

18. HCFC consumption phase-out Stage II: As part of the World Bank 2017-2019 Business Plan, the World Bank plans to submit stage II HPMP proposals and HCFC sector plans for Argentina, China, the Philippines, and Thailand.

19. HCFC production phase-out Stage II (China): The World Bank plans to submit stage II HPPMP in 2017. This stage will involve additional closure and require careful planning to ensure that phase-out by chemical matches the situation in the consumption sectors for both domestic and global markets. 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.

20. China Gradual Production Sector Stage II will start implementation in 2017, 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.

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

21. 2017 will be the first year that Stage II HPMPs and HCFC sector plans¹, including those approved in early 2016 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 phase-out 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).

22. The Bank is planning to continue the organization of East Asia regional workshops again in 2017 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. The Bank is also exploring opportunities to organize workshops in other regions such as the Middle East and Central/South America. Another workshop will also be organized in 2017 to promote synergy between climate, energy efficiency and ozone activities. This workshop will be the third of its kind that was successfully organized in 2015. 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.

23. 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 continuing efforts in 2017 to seek out concrete opportunities that allow ODS sector phase-out to be twinned with new projects aiming for green growth and improving energy efficiency in industry, energy, agriculture, infrastructure, and other sectors.

III. PERFORMANCE INDICATORS

24. As per Decision 71/28, the following performance indicators are included in the World Bank's 2017-2019 Business Plan:

A. Planning--Approval Performance Indicators

25. Number of tranches of multi-year agreements approved vs. those planned (Weighting: 10)

¹ With the exception of Thailand whose project implementation is delayed due to country situation

Table III-1: Number of annual programs of multi-year agreements planned for 2017

Item	Planned for 2017	Remarks
Tranches of previously approved multi-year agreements to be presented to ExCom in 2017	3	HCFC Phase-out Plan (Thailand: 2015 and 2016 tranches, Vietnam: 2017 tranche)

26. Number of individual projects/ activities (investment, demonstration projects, TAS, IS) approved vs. those planned. (Weighting: 10)

Table III-2: Number of individual projects/ activities planned for 2017

Item	Planned for 2017	Remarks
Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	1	TA for Argentina HCFC production monitoring

B. Implementation Performance Indicators

27. Funds disbursed (Weighting: 15). In 2017, the World Bank is targeting disbursement of the balance of \$54 million based on estimated disbursement for 2016 in the 2015 Progress Report.

28. ODP phased-out for the tranche when the next tranche is approved vs. those planned per progress reports (Weighting: 25): In 2017, the World Bank expects to phase out a total of 59 ODP tons through implementation of approved multi-year projects.

29. Project completion vs. those planned in progress reports for all activities (excluding project preparation) (Weighting: 20): In 2017, the World Bank expects to bring to completion a total of 8 individual project activities including 2 ODS alternative surveys, 5 investment activities, and 1 technical assistance project.

C. Administrative Performance Indicators

30. Speed of financial completion after project completion (Weighting: 10): The Bank has set its target for financial completion of all project activities completed in 2014 within 12 months at 90%.

31. Timely submission of project completion reports (Weighting: 5): The Bank plans to submit project completion reports as agreed with the Senior Monitoring and Evaluation Officer.

32. Timely submission of progress reports and responses unless otherwise agreed (Weighting: 5): The Bank plans to submit its 2017 Progress Report by the April deadline.

33. A summary of the World Bank's 2017 performance indicators is included in Table III-3 below.

Table III-3: Summary of World Bank's 2017 performance indicators

Category of Performance Indicator	Title	Weighting	2015 Target
Planning -- Approval	Tranches of previously approved multi-year agreements to be approved in	10	2

Category of Performance Indicator	Title	Weighting	2015 Target
	2017		
	Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	10	5
Implementation	Funds disbursed based on estimated disbursement in progress report	15	54
	ODP phase-out for the tranche vs. that planned per progress reports	25	59 ²
	Project completion vs. those planned per progress reports (excluding preparation)	20	8
Administrative	Speed of financial completion after project completion	10	90%
	Timely submission of project completion reports	5	On time
	Timely submission of progress reports	5	On time

² Based on the approved activities. This figure will be revised when the planned activities are approved in 2017.