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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eighty-second Meeting  
Montreal, 3-7 December 2018

**THE WORLD BANK BUSINESS PLAN FOR 2019–2021**

1. This document presents the World Bank business plan for 2019–2021<sup>1</sup> and includes: the planned activities for the phase-out of controlled substances under the Montreal Protocol (controlled substances) during the 2019–2021 period; the business plan performance indicators; and a recommendation for consideration by the Executive Committee. The narrative of the World Bank’s business plan for 2019–2021 is attached to the present document.

**Planned activities during 2019–2021**

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 2019-2021 as submitted (US \$000s)\***

	2019	2020	2021	Total (2019–2021)	Total after 2021
<b>Required for compliance</b>					
Approved HCFC phase-out management plans (HPMPs)	29,650	29,556	24,128	83,335	63,986
HCFC production - stage II	29,145	29,145	29,145	87,434	142,059
HPMP stage II		2,140	495	2,635	0
<b>Required for compliance subtotal</b>	<b>58,795</b>	<b>60,841</b>	<b>53,768</b>	<b>173,403</b>	<b>206,045</b>
<b>HFC activities</b>					
HFC - demonstration	10,180	0	0	10,180	0
<b>HFC activities subtotal</b>	<b>10,180</b>	<b>0</b>	<b>0</b>	<b>10,180</b>	<b>0</b>
<b>Standard activities</b>					
Core unit	1,735	1,735	1,735	5,205	0
Institutional strengthening (IS)		677		677	677

<sup>1</sup> A draft business plan for 2019–2021 of the World Bank was discussed at the Inter-agency coordination meeting (IACM) held in Montreal from 4 to 6 September 2018. 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.

	2019	2020	2021	Total (2019–2021)	Total after 2021
<b>Standard activities subtotal</b>	1,735	2,412	1,735	5,882	677
<b>Grand total</b>	<b>70,710</b>	<b>63,252</b>	<b>55,503</b>	<b>189,465</b>	<b>206,722</b>

\* Including agency support cost where applicable.

## Secretariat's comments on activities required for compliance

### HCFC production – stage II

3. A total of US \$229.49 million is included for the HCFC production phase-out management plan (HPPMP) for China, i.e., US \$87.43 million for 2019–2021 and US \$142.06 million for after 2021.

4. At the 81<sup>st</sup> meeting, the Executive Committee *inter alia* approved on an exceptional basis, US \$24.29 million (including support costs), and noted that this amount would be deducted from the funding of stage II of the HPPMP.<sup>2</sup> Taking into account the approval at the 81<sup>st</sup> meeting, the average annual level of funding after stage I of the HPPMP starting in 2019 should be US \$23.50 million (or US \$70.49 million for 2019–2021) assuming the maximum amount of funding (US \$406.56 million),<sup>3</sup> including agency support costs per decision 69/28(e). Therefore, the proposed level of funding for 2019–2021 would exceed the average annual amount by approximately 24 per cent.

5. The request for funding for stage II of the HPPMP for China will be resubmitted to the 83<sup>rd</sup> meeting in accordance with decision 81/71(d).

### Stage II of HPMPs

6. The funding distribution of stage II of HPMPs by sector is provided in Table 2. The World Bank only included stage II of the HPMP for Thailand<sup>4</sup> in the 2019–2021 business plan.

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

Sector	2019–2021	After 2021	Total	Per cent of total (%)
Rigid foam and refrigeration commercial/servicing	2,635	0	2,635	100
<b>Total</b>	<b>2,635</b>	<b>0</b>	<b>2,635</b>	<b>100</b>

### HFC-related activities

7. HFC activities include technology demonstration of HFC-23 by-product conversion for two countries amounting to US \$10.18 million in 2019 (US \$5.09 million each for China and India). Only the activity in China was submitted with the required letter from the Government indicating its intent to make best efforts to ratify the Kigali Amendment as early as possible, in line with decision 79/46(d)(i).

### Core unit costs

8. The World Bank has not increased the core unit budget for 2019<sup>5</sup>.

<sup>2</sup> Decision 81/71(b) and (c)

<sup>3</sup> US \$385 million plus agency support costs of US \$21.56 million (calculated at 5.6 per cent of the project cost).

<sup>4</sup> Stage II of the HPMP for Thailand has been submitted to the 82<sup>nd</sup> meeting (UNEP/OzL.Pro/ExCom/82/59).

<sup>5</sup> The World Bank's 2019 core unit cost request has been submitted to the 82<sup>nd</sup> meeting (UNEP/OzL.Pro/ExCom/82/38).

## Proposed adjustments by the Secretariat

9. 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 2019–2021, the Secretariat noted that the following adjustments were not included:

**Table 3: Adjustments to the World Bank business plan for 2019–2021 (US \$000)**

Adjustment	2019–2021	After 2021
HPMP values to reflect the actual amounts approved under the agreements including tranches of HPMP that were not submitted to the 82 <sup>nd</sup> meeting	1,085	0
HPMP values to reflect the revised agreement submitted to the 82 <sup>nd</sup> meeting	0	15,008
Stage II of HPPMP starting in 2019 as per decision 69/28(e)	(16,946)	69,405
Technology demonstration of HFC-23 by-product conversion activities have been removed in line with decision 79/47(g)	(10,180)	0
IS with values after 2021 have been removed	0	-677

10. Table 4 presents the results of the Secretariat’s proposed adjustments to the World Bank business plan for 2019–2021, which are also addressed in the context of the Consolidated business plan of the Multilateral Fund for 2019–2021<sup>6</sup>.

**Table 4: Resource allocation in the World Bank’s adjusted business plan for 2019–2021 (US \$000s)\***

	2019	2020	2021	Total (2019–2021)	Total after 2021
<b>Required for compliance</b>					
Approved HPMPs	30,735	29,556	24,128	84,419	78,994
HCFC production - stage II	23,496	23,496	23,496	70,488	211,464
HPMP stage II		2,140	495	2,635	0
<b>Required for compliance subtotal</b>	<b>54,231</b>	<b>55,192</b>	<b>48,119</b>	<b>157,542</b>	<b>290,458</b>
<b>HFC activities</b>					
HFC - demonstration	0	0	0	0	0
<b>HFC activities subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Standard activities</b>					
Core unit	1,735	1,735	1,735	5,205	0
IS		677		677	0
<b>Standard activities subtotal</b>	<b>1,735</b>	<b>2,412</b>	<b>1,735</b>	<b>5,882</b>	<b>0</b>
<b>Grand total</b>	<b>55,966</b>	<b>57,604</b>	<b>49,854</b>	<b>163,423</b>	<b>290,458</b>

\* Including agency support cost where applicable.

## Performance indicators

11. The World Bank submitted performance indicators pursuant to decision 71/28 in its business plan narrative. The Secretariat informed the World Bank of the targets shown in Table 5.

<sup>6</sup> UNEP/OzL.Pro/ExCom/82/25.

**Table 5: Performance indicators for the World Bank for 2019**

Type of indicator	Short title	Calculation	2019 target
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned*	5
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 \$13,741,402
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	2,305.5 ODP tonnes
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	10
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	27
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.

## RECOMMENDATION

12. The Executive Committee may wish:

- (a) To note the World Bank business plan for 2019–2021 contained in document UNEP/OzL.Pro/ExCom/82/30; and
- (b) To approve the performance indicators for the World Bank as set out in Table 5 of document UNEP/OzL.Pro/ExCom/82/30.

# 2019-2021 BUSINESS PLAN



## **WORLD BANK GROUP**

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

Presented to the  
82<sup>nd</sup> Meeting of the Executive Committee  
of the Multilateral Fund

October 2018



## 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 2019-2021.
2. The objectives of the proposed 2019-2021 Business Plan for the World Bank are to:
  - a) Assist Article 5 countries in sustaining and meeting the obligation pertaining to HCFC consumption and production phase-out – 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) Support Article 5 countries with HFC by-product production in response to Kigali Amendment
  - c) Assist Article 5 countries in implementing activities for HFC-related projects in response to decisions undertaken at the 79th Meeting of the Executive Committee.
  - d) Ensure Article 5 partner countries’ implementation of institutional strengthening (IS) activities.
3. The proposed 2019-2021 Business Plan of the World Bank includes annual work programs of sector plans and national plans, previously approved, to phase out HCFCs, a Stage II gradual production phase-out plan, subject to consideration by the 80<sup>th</sup> ExCom, as well as the renewal of the institutional strengthening activities. The Bank’s Business Plan also includes additional stage II HCFC phase-out sector plans for Thailand, and in light of the decisions 79/45, 79/46, and 79/47, the Bank’s Business Plan also includes a number of HFC investment projects, and HFC-23 demonstration projects.
4. The expected impact of proposed new investment activities for the 2019-2021 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 2019-2021 (ODP tonnes)

	2019	2020	2021	Total
HCFC Sector Plans Stage II (Philippines and Thailand)	61.90	102.71		226.51
HCFC Production Phase-out Plan Stage II (China)	0.00	5,076.00		6,264.00
Total (ODP tons)	61.90	5,178.71.60		6,490.51
HFC-23 demonstration project (MT)		1,000.00		500.00
Total (MT)		40.00	500.00	540.00

5. Other than the ODP to be phased out from new investment activities proposed for the 2019-2021 period, additional phase-out of 1,588.25 ODP tons will be achieved by 2020 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 2019-2021 (ODP tonnes)

	2019	2020	2021	Total
HCFC Sector Plans Stage I	0.00	0.00	0.00	30.51
HCFC Sector Plans Stage II	0.00	861.40	861.40	1,557.74
Total	0.00	861.40	861.40	1,588.25

### **Strategic approach to HCFC phase-out and HFC-related activities in the proposed 2019-2021 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 2016 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 have tightened 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 production compliance targets in 2020, the World Bank had already submitted stage II of the HCFC production phase-out plan for the ExCom’s consideration in 2017. In preparing these plans, close consultations with other implementing agencies and with other Article 5 countries with high HCFC consumption had been carried out. It is critical that the production of HCFCs are reduced in order to synchronize with the expected demand in China and its exports market to avoid flooding the market with cheap HCFCs that could undermine the efforts to reduce consumptions of all Article 5 countries.

8. Support for the HFC activities related to the Kigali Amendment: The adoption of the Kigali Amendment to phase-down HFCs presents a number of issues for countries to consider before ratifying the amendment. For countries manufacturing HCFC-22, the first obligation will start in 2020 requiring the destruction of HFC-23. Given the cost of reducing emissions of HFC-23 is eligible incremental cost, there is a need to find the most cost-effective options for the Multilateral Fund.

9. Based on independent technical assessment carried out by the Bank, there are comparative benefits of HFC-23 conversion to valuable substances instead of destruction. The World Bank has already submitted a proposal, for consideration by the 82<sup>nd</sup> ExCom, to build a HFC-23 conversion demonstration plant at one of the HCFC-22 producers in China but has not been reviewed due to the restriction of decision 79/47. To assist China and India, two of the world’s largest producers of HCFC-22, the Bank has included two projects to establish HFC-23 conversion demonstration plants at selected HCFC-22 producers in China and India. The proposals will include detailed incremental capital and operating costs of the demonstration plant depending on the chosen technology which could result in incremental savings based on price and market of converted chemicals.

10. For countries with large manufacturing base, they face the dilemma of choosing low or lower-GWP alternatives with tradeoffs between safety, toxicity, cost and climate impact. In the proposed HFC enabling activities for these countries, the Bank plans to analyze all alternative technologies that are currently commercially available as well as emerging technologies and expected timeframe for these technologies to become commercially available. As part of the country strategy, comprehensive analyses for technology pathway for complying with the Amendment will be undertaken.



## B. Resource Allocation in 2019

11. The proposed 2018 Business Plan includes deliverables of twelve investment activities in the following six countries: China, Indonesia, Jordan, Thailand and Vietnam. The total amount of funding requested for ongoing and new investment activities in the proposed 2018 Business Plan is US\$89.1 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 2018 (US\$ 000s)*	Percent of total	Estimated impact in 2018 (ODP tonnes)	Percent of total
HCFC Sector Plans Stage I	3,383.57	3.5%	30.51	1.5%
HCFC Sector Plans Stage II	31,414.75	32.8%	758.24	38.4%
HCFC Production Phase-out Plan Stage I (China)	54,345.84	56.7%	1,188.00	60.1%
HFC Investment Projects	6,741.00	7.0%	N/A	N/A
Total	89,144.15	100.0%	1,976.75	100.0%

\* Figures include agency support costs

13. The total deliverables contained in the proposed 2019 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 2019 World Bank Business Plan

Type of activity included in the proposed 2019 Business Plan	Number of activities	Amount requested (US\$ 000s)*
HCFC Sector Plans Stage II	3	29,650.21
HCFC Gradual Production Phase-out Plan Stage II (China)	1	29,144.54
HFC Investment Projects	2	10,180.00
Core Unit Cost	1	1,735.00
Total	16	70,709.76

\* Figures include agency support costs

## C. Resource Allocation Beyond 2019

14. The breakdown of the resource allocation beyond 2019 in the 2019-2021 Business Planning is summarized below.

Table I-5: World Bank's proposed resource allocation plan for 2020-2021 (in US\$ 000s)

Type of activity	Total amount of funds requested in 2020 (US\$ 000s)	Estimated impact in 2020 (ODP tonnes)	Total amount of funds requested in 2021 (US\$ 000s)	Estimated impact in 2021 (ODP tonnes)
HCFC Sector Plan Stage II	29,555.99	65.29	23,556.18	828.01
HCFC Gradual Production Phase-out Plan Stage II (China)	29,144.54	3,813.00	29,144.54	1,558.00

Type of activity	Total amount of funds requested in 2020 (US\$ 000s)	Estimated impact in 2020 (ODP tonnes)	Total amount of funds requested in 2021 (US\$ 000s)	Estimated impact in 2021 (ODP tonnes)
Institutional Strengthening	0.00	N/A	676.58	N/A
Core Unit Cost	1,735.00	N/A	1,735.00	N/A
Total	61,112.12	3,878.29	54,435.72	2,386.01

## II. PLANNED BUSINESS ACTIVITIES

### A. Ongoing Approved Activities

15. Investment projects for which funding is requested in the 2019-2021 BP: As of October 2018, the World Bank’s Montreal Protocol portfolio consists of six ongoing multi-year projects for which funding will be solicited in 2019-2021: HCFC phase-out management and sector plans in China, Indonesia, Jordan, Philippines, Thailand<sup>1</sup>, and Vietnam.

16. Non-investment projects and activities: As of October 2018, the World Bank’s portfolio includes 2 ongoing institutional strengthening projects (Thailand and Jordan) that will be completed by the end of 2018 with the expected requests for renewal in 2020.

### B. Program Expansion in 2019 and Beyond

17. A list of detailed new and approved activities to be implemented during 2019-2021, their associated levels of funding, projected ODP impact and country specific remarks is submitted as a separate table.

#### New submissions

18. The revised China Production Sector Stage II was submitted to the 81<sup>st</sup> ExCom in July 2018. While there are still outstanding issues that need further discussions, the ExCom approved, on an exceptional basis, \$23 million ‘bridging fund’ to enable China to move toward compliance with its 2020 obligations under the Montreal Protocol. All the figures included in the business plan are based on the proposed plan as submitted with the extension to 2026 with commitment to phase-out of HCFC-141b production.

19. Pursuant to discussions of these outstanding issues at the 82<sup>nd</sup> ExCom, the Bank will submit the revised proposal to the 83<sup>rd</sup> ExCom. These issues include the calculation of lost profit, the distribution of funding across tranches, the duration of stage II and subsequent stages, including the 2030–2040 tail-end, and the funding requirements for technical assistance activities and the project management unit.

20. Stage II 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. If China

<sup>1</sup> Pending approval of HPMP Stage II at the 82<sup>nd</sup> ExCom

Gradual Production Sector Stage II is approved by the 83<sup>rd</sup> ExCom, it will start implementation in mid-2019.

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

21. While, the implementation of China HCFC PU foam sector plan stage II has not officially started due to unforeseen delay due in signing of the grant agreement between the Bank and China. Consequently, preparatory works to identify and develop sub-project proposals with beneficiary enterprises have already began and should lead to expedite disbursement of funding tranches. Furthermore, 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 2020. 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 III work.

22. The Bank is planning to continue the organization of East Asia regional workshops again in 2019 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. Another workshop will also be organized in 2019 to promote synergy between climate, energy efficiency and ozone activities. This workshop will be the fifth of its kind that was first 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 2019 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. This also include projects for Philippines, Thailand and Vietnam to improve energy efficiency in room air-conditioners with approved funding from Kigali Cooling Efficiency Program (K-CEP).

## **III. PERFORMANCE INDICATORS**

24. As per Decision 71/28, the following performance indicators are included in the World Bank's 2019-2021 Business Plan:

## A. Planning--Approval Performance Indicators

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

Table III-1: Number of annual programs of multi-year agreements planned for 2019

Item	Planned for 2019	Remarks
Tranches of previously approved multi-year agreements to be presented to ExCom in 2019	3	HCFC Phase-out Plan (China, Philippines, and Vietnam)

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 2019

Item	Planned for 2019	Remarks
Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	2	HFC-23 demonstration projects for China and India

## B. Implementation Performance Indicators

27. Funds disbursed (Weighting: 15). In 2019, the World Bank is targeting disbursement of \$19 million. This is the balance of total committed funds after deducting the \$20.3 million expected to be disbursed in 2018 based on the 2017 Progress Report plus estimated disbursement from tranches received in 2018 and 2019.

28. ODP phased-out for the tranche when the next tranche is approved vs. those planned per progress reports (Weighting: 25): In 2019, the World Bank expects to phase out a total of 224.6 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 2019, the World Bank expects to bring to completion a total of 3 individual project activities including enabling activities for Malaysia, Philippines and Thailand.

## 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 2018 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 2019 Progress Report by the agreed deadline.

33. A summary of the World Bank's 2019 performance indicators is included in Table III-3 below.

Table III-3: Summary of World Bank's 2018 performance indicators

Category of Performance Indicator	Title	Weighting	2019 Target
Planning -- Approval	Tranches of previously approved multi-year agreements to be approved in 2019	10	3
	Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	10	2
Implementation	Funds disbursed based on estimated disbursement in progress report	15	20.3
	ODP phase-out for the tranche vs. that planned per progress reports	25	224.6
	Project completion vs. those planned per progress reports (excluding preparation)	20	3
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

#### IV. POLICY ISSUES

34. There are no policy issues to raise at the time of submission.