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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-fourth Meeting
Montreal, 16–20 December 2019

THE WORLD BANK BUSINESS PLAN FOR 2020–2022

1. This document presents the World Bank business plan for 2020–2022¹ and includes: the planned activities for the phase-out of controlled substances under the Montreal Protocol (controlled substances) during the 2020–2022 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 2020–2022 is attached to the present document.

Planned activities during 2020–2022

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 2020–2022 as submitted (US \$000s)*

	2020	2021	2022	Total (2020–2022)	Total after 2022
HCFC activities					
Approved HCFC phase-out management plans (HPMPs)	27,062	20,819	19,160	67,040	82,204
HCFC production project preparation (PRP) – stage I	80	0	0	80	0
HCFC production – stage I	0	1,070	2,140	3,210	2,140
HCFC production – stage II	26,140	26,140	25,677	77,956	181,561
HPMP preparation – stage III	0	482	0	482	0
HCFC activities subtotal	53,282	48,510	46,977	148,768	265,905
HFC activities					
HFC phase-down preparation	535	268	0	803	0
HFC activities subtotal	535	268	0	803	0
Standard activities					
Core unit	1,735	1,747	1,759	5,241	0

¹ A draft business plan for 2020–2022 of the World Bank was discussed at the Inter-agency coordination meeting (IACM) held in Montreal from 9 to 11 October 2019. 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.

	2020	2021	2022	Total (2020–2022)	Total after 2022
Institutional strengthening (IS)	677	0	677	1,353	677
Standard activities subtotal	2,412	1,747	2,436	6,594	677
Grand total	56,228	50,524	49,413	156,165	266,582

* Including agency support costs where applicable.

Secretariat's comments

HCFC production – stage I and project preparation

3. A total of US \$5.35 million (including US \$3.21 million for the period of 2020 to 2022) and US \$80,000 for project preparation are included for stage I of the HCFC production phase-out management plan (HPPMP) for India. At the 70th meeting, the World Bank was requested to provide certification of the year of establishment of the HCFC-22 production line at Hindustan Fluorocarbons Limited. The Secretariat has not yet received information confirming the production of HCFC-22 for controlled uses prior to the cut-off date of 21 September 2007.

HCFC production – stage II

4. A total of US \$259.52 million is included for the HPPMP for China, i.e., US \$77.96 million for 2020–2022 and US \$181.56 million for after 2022.

5. At its 81st meeting, the Executive Committee *inter alia* approved on an exceptional basis, US \$24.29 million (including agency support costs) for the HPPMP for China, and noted that this amount would be deducted from the funding of stage II.² Taking into account the approval at the 81st 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 2020–2022) assuming the maximum amount of funding (US \$406.56 million),³ including agency support costs per decision 69/28(e). Therefore, the proposed level of funding for 2020–2022 would exceed the average annual amount by approximately 10.6 per cent.

6. The request for funding for stage II of the HPPMP for China is being resubmitted to the 84th meeting in accordance with decision 83/72.

HPMP stage III – project preparation

7. A total of US \$481,500 is included for project preparation for stage III of HPMPs in the 2020–2022 business plan for countries for which stage II of the HPMP went beyond 2020.

HFC-related activities

8. A total of US \$802,500 is included for HFC phase-down project preparation activities in the 2020–2022 business plan for three countries (Malaysia, Thailand and Viet Nam). Funding for the preparation of national implementation plans to meet initial reduction obligations for the phase-down of HFCs could be provided, at the earliest, five years prior to those obligations, after a country had ratified the Kigali Amendment and on the basis of guidelines to be approved in the future (decision 79/46(b)(iii)). Of the three countries, only Viet Nam has ratified the Kigali Amendment. Of the two remaining countries, only Malaysia has not submitted the required letter from its Government indicating its intent to make best efforts to ratify the Kigali Amendment.

² Decision 81/71(b) and (c).

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

Core unit costs

9. The World Bank has not increased the core unit budget for 2020.⁴

Proposed adjustments by the Secretariat

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 2020–2022, the Secretariat noted that the following adjustments were not included:

Table 2. Adjustments to the World Bank business plan for 2020–2022 (US \$000)

Adjustment	2020–2022	After 2022
Stage I of HPPMP and PRP	(3,290)	(2,140)
Stage II of HPPMP as per decision 69/28(e)	(7,468)	6,407
PRP for stage III of HPMPs pursuant to decision 71/42	(43)	0
PRP for HFC phase-down pursuant to decision 56/16(c) or countries that have not ratified the Kigali Amendment	(690)	0
IS with values after 2022 have been removed	0	(677)

11. Table 3 presents the results of the Secretariat’s proposed adjustments to the World Bank business plan for 2020–2022, which are also addressed in the context of the Consolidated business plan of the Multilateral Fund for 2020–2022.⁵

Table 3. Resource allocation in the World Bank’s adjusted business plan for 2020–2022 (US \$000s)*

	2020	2021	2022	Total (2020–2022)	Total after 2022
HCFC activities					
Approved HPMPs	27,062	20,819	19,160	67,040	82,204
HCFC production PRP – stage I	0	0	0	0	0
HCFC production – stage I	0	0	0	0	0
HCFC production – stage II	23,496	23,496	23,496	70,488	187,968
HPMP preparation – stage III		439		439	
HCFC activities subtotal	50,558	44,753	42,656	137,967	270,172
HFC activities					
HFC phase-down preparation	112	0	0	112	0
HFC activities subtotal	112	0	0	112	0
Standard activities					
Core unit	1,735	1,747	1,759	5,241	0
IS	677	0	677	1,353	0
Standard activities subtotal	2,412	1,747	2,436	6,594	0
Grand total	53,082	46,500	45,092	144,674	270,172

* Including agency support costs where applicable.

⁴ The World Bank’s 2020 core unit cost request has been submitted to the 84th meeting (UNEP/OzL.Pro/ExCom/84/38).

⁵ UNEP/OzL.Pro/ExCom/84/26

Performance indicators

12. 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 4.

Table 4. Performance indicators for the World Bank for 2020

Type of indicator	Short title	Calculation	2020 target
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned*	4
Planning--Approval	Projects/activities approved	Number of projects/activities approved vs. those planned (including project preparation activities)**	5
Implementation	Funds disbursed	Based on estimated disbursement in progress report	US \$11,727,712
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	2,293.63 ODP tonnes
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	4
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.

RECOMMENDATION

13. The Executive Committee may wish:

- (a) To note the World Bank business plan for 2020–2022, contained in document UNEP/OzL.Pro/ExCom/84/31; and
- (b) To approve the performance indicators for the World Bank as set out in Table 4 of document UNEP/OzL.Pro/ExCom/84/31.

2020-2022 BUSINESS PLAN



WORLD BANK GROUP

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

Presented to the
84th Meeting of the Executive Committee
of the Multilateral Fund

December 2019

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 2020-2022.

2. The objectives of the proposed 2020-2022 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) Assist Article 5 countries in preparing strategy and implementation plan to meet initial reduction obligations for the phase-down of HFC in accordance with the Kigali Amendment.
- c) Ensure Article 5 partner countries’ implementation of institutional strengthening (IS) activities.

3. The proposed 2020-2022 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 84th ExCom, as well as the renewal of the institutional strengthening activities. The Bank’s Business Plan also includes preparing and implementing additional HCFC production phase-out sector plans for India, and in light of the decisions 79/46(b)(iii), the Bank’s Business Plan also includes a number of preparation activities for HFC phase-down management plan (HPDMP).

4. The expected impact of proposed new investment activities for the 2020-2022 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 2020-2022 (ODP tonnes)

	2020	2021	2022	Total
HCFC Production Phase-out Plan Stage II (China) ¹	2,081.07	2,081.07	2,044.21	6,206.35
HCFC Production Phase-out Plan (India)		13.20	26.40	39.60
Total (ODP tons)	2,081.07	2,094.27	2,070.61	6,245.95

5. Other than the ODP to be phased out from new investment activities proposed for the 2020-2022 period, additional phase-out of 1,727.25 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.

¹ Pending approval of stage II HPPMP for China by the 84th ExCom.

Table I-2: Expected impact of approved investment activities anticipated to be requested by the World Bank for the years 2020-2022 (ODP tonnes)

	2019	2020	2021	Total
HCFC Sector Plans Stage II	573.44	515.77	637.95	1,727.16
Total	573.44	515.77	637.95	1,727.16

Strategic approach to HCFC phase-out and HFC-related activities in the proposed 2020-2022 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 2017 information, China produced 81%, 99%, and 91% of HCFC-22, HCFC-141b, and HCFC-142b global production, respectively. China’s HCFC-22 export in 2017 was approximately 54% of global market and about 100% for both HCFC-141b, and HCFC-142b. 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 and consumption compliance targets in 2020, the World Bank first submitted stage II of the HCFC production phase-out plan for the ExCom’s consideration in 2017. While the 81st ExCom approved US \$23 million on an exceptional basis to assist China in moving towards compliance with its 2020 obligations. China is facing significant challenges in reducing its HCFC production to meet both production and consumption targets in 2020. 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. In addition, the World Bank is preparing to assist India in meeting its HCFC production phase-out obligation with one HCFC producer that was not covered by the CFC production phase-out agreement. This will ensure that all eligible HCFC producers in Article 5 countries will completely phase-out its production for controlled uses.

9. Support for the preparation of implementation strategy and plan to meet initial reduction obligations for the phase-down of HFC in accordance with the Kigali Amendment: While countries are planning to ratify the Kigali Amendment, the World Bank plans to assist client countries to meet all the obligations once they become Parties. As part of the country strategy, the World Bank will assist the country to develop and implement robust import and export licensing and quota system that take into account growing trend of different manufacturing sector and phasing down of high-GWP HFCs with lower GWP alternatives.

B. Resource Allocation in 2020

10. The proposed 2020 Business Plan includes deliverables of four investment activities in the following three countries: China, Thailand and Vietnam. The total amount of funding requested for ongoing and new investment activities in the proposed 2020 Business Plan is US\$53.2 million.

11. The funding distribution for ongoing and new investment activities included in the proposed 2020 Business Plan is summarized below.

Table I-3: Summary of funding distribution for investment activities in the proposed

2020 World Bank Business Plan

	Total amount of funds requested in 2020 (US\$ 000s)*	Percent of total	Estimated impact in 2020 (ODP tonnes)	Percent of total
HCFC Sector Plans Stage II	27,061.63	50.87%	573.44	21.60%
HCFC Production Phase-out Plan Stage II (China)	26,139.64	49.13%	2,081.07	78.40%
Total	53,201.27	100.00%	2,654.50	100.00%

* Figures include agency support costs

12. The total deliverables contained in the proposed 2020 World Bank Business Plan, including investment, non-investment and preparatory activities amounts to US\$56.2 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 2020 World Bank Business Plan

Type of activity included in the proposed 2020 Business Plan	Number of activities	Amount requested (US\$ 000s)*
HCFC Sector Plans Stage II	2	27,061.63
HCFC Gradual Production Phase-out Plan Stage II (China)	1	26,139.64
Institutional Strengthening Project	2	676.58
Preparation of HFC Phase-down Management Plan	2	615.25
Core Unit Cost	1	1,735.00
Total	8	56,228.10

* Figures include agency support costs

C. Resource Allocation Beyond 2020

13. The breakdown of the resource allocation beyond 2020 in the 2020-2022 Business Planning is summarized below.

Table I-5: World Bank's proposed resource allocation plan for 2021-2022 (in US\$ 000s)

Type of activity	Total amount of funds requested in 2021 (US\$ 000s)	Estimated impact in 2021 (ODP tonnes)	Total amount of funds requested in 2022 (US\$ 000s)	Estimated impact in 2022 (ODP tonnes)
HCFC Sector Plan Stage II	20,818.52	515.77	19,160.26	543.59
HCFC Gradual Production Phase-out Plan Stage II (China)	27,029.64	2,094.27	28,493.31	2,070.61
Institutional Strengthening	0.00	N/A	676.58	N/A
Preparation Activities (stage III HPMP & HDPMP)	749	N/A	0	N/A
Core Unit Cost	1,747.00	N/A	1,759.00	N/A
Total	61,112.12	2,610.04	49,412.58	2,614.20

II. PLANNED BUSINESS ACTIVITIES

A. Ongoing Approved Activities

14. Investment projects for which funding is requested in the 2020-2022 BP: As of October 2019, the World Bank's Montreal Protocol portfolio consists of five ongoing multi-year projects for which funding will be solicited in 2020-2022: HCFC phase-out management and sector plans in China, Indonesia, Jordan, Thailand, and Vietnam.

15. Non-investment projects and activities: As of October 2019, the World Bank's portfolio includes 2 ongoing institutional strengthening projects (Thailand and Jordan) that will be completed by the end of 2020 with the expected requests for renewal in 2020.

B. Program Expansion in 2020 and Beyond

16. A list of detailed new and approved activities to be implemented during 2020-2022, their associated levels of funding, projected ODP impact and country specific remarks is submitted as a separate table.

New submissions

17. The revised China Production Sector Stage II has been submitted to the upcoming 84th ExCom in December 2019. All the figures included in the business plan are based on the proposed plan as submitted which took into account the approved \$23 million 'bridging fund' to enable China to move toward compliance with its 2020 obligations under the Montreal Protocol.

18. The proposal was revised pursuant to discussions of these outstanding issues at the 82nd ExCom: 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.

19. 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 Gradual Production Sector Stage II is approved by the 84th ExCom, it will need to start implementation as soon as possible given China needs to significantly reduce its HCFC production to meet both production and consumption targets in 2020.

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

20. After the grant agreement between the Bank and China became effective in March 2019, China started implementing the sub-project proposals with beneficiary enterprises and disbursing funding from the first tranche. However, China is facing significant delay and needs to accelerate the implementation in order to maintain the ambitious target of phasing out HCFC-141b in the PU foam sector in 2026. The Bank will utilize all resources at its disposal to support China and other client 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.

21. The Bank is planning to continue the organization of East Asia regional workshops in 2020 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 2020 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.

22. 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 2020 to seek out concrete opportunities that allow ODS sector phase-out to be twinned with new projects aiming for sustainable cooling and improving energy efficiency in industry, energy, agriculture, infrastructure, and other sectors.

III. PERFORMANCE INDICATORS

23. As per Decision 71/28, the following performance indicators are included in the World Bank’s 2020-2022 Business Plan:

A. Planning--Approval Performance Indicators

24. 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 2020

Item	Planned for 2020	Remarks
Tranches of previously approved multi-year agreements to be presented to ExCom in 2020	3	HCFC Phase-out Plan (China, Thailand, and Vietnam)

25. 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 2020

Item	Planned for 2020	Remarks
Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	4	2 Institutional Strengthening Project (Jordan and Thailand), and 2 HFC Phase-down Management Plan (Malaysia and Viet Nam)

B. Implementation Performance Indicators

26. Funds disbursed (Weighting: 15). In 2020, the World Bank is targeting disbursement of \$22.8 million. This is the balance of total committed funds after deducting the \$11.7 million expected to be disbursed in 2019 based on the 2018 Progress Report plus estimated disbursement from tranches received in 2019 and 2020.

27. ODP phased-out for the tranche when the next tranche is approved vs. those planned per progress reports (Weighting: 25): In 2020, the World Bank expects to phase out a total of 224.6 ODP tons through implementation of approved multi-year projects.

28. Project completion vs. those planned in progress reports for all activities (excluding project preparation) (Weighting: 20): In 2020, 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

29. Speed of financial completion after project completion (Weighting: 10): The Bank has set its target for financial completion of all project activities completed in 2019 within 12 months at 90%.

30. 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.

31. Timely submission of progress reports and responses unless otherwise agreed (Weighting: 5): The Bank plans to submit its 2020 Progress Report by the agreed deadline.

32. A summary of the World Bank's 2020 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	2020 Target
Planning -- Approval	Tranches of previously approved multi-year agreements to be approved in 2020	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	22.8
	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

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