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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Eighty-sixth Meeting  
Montreal, 2-6 November 2020  
Postponed to 8-12 March 2021<sup>1</sup>

**THE WORLD BANK BUSINESS PLAN FOR 2021–2023**

1. This document presents the World Bank business plan for 2021–2023<sup>2</sup> and includes: the planned activities for the phase-out of controlled substances under the Montreal Protocol (controlled substances) during the 2021–2023 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 2021–2023 is attached to the present document.

**Planned activities during the 2021–2023 period**

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 2021–2023 as submitted (US \$000s)\***

Description	2021	2022	2023	Total (2021–2023)	Total after 2023
<b>HCFC activities</b>					
Approved HCFC phase-out management plans (HPMPs)	12,255	4,888	8,484	25,627	11,697
HCFC production project preparation (PRP) – stage I	128	0	0	128	0
HCFC production – stage I	1,070	2,140	2,140	5,350	0
HCFC production – stage II	0	23,232	0	23,232	23,232
HPMP preparation – stage III	268	214	0	482	0
<b>HCFC activities subtotal</b>	<b>13,721</b>	<b>30,474</b>	<b>10,624</b>	<b>54,819</b>	<b>34,929</b>
<b>HFC activities</b>					
HFC phase-down preparation	535	0	0	535	0
<b>HFC activities subtotal</b>	<b>535</b>	<b>0</b>	<b>0</b>	<b>535</b>	<b>0</b>

<sup>1</sup> Due to coronavirus disease (COVID-19)

<sup>2</sup> Given the constraints imposed by the COVID-19 pandemic, the Secretariat’s comments on the initial submission of the World Bank business plan for 2021–2023 were addressed through bilateral discussions and numerous exchanges of electronic messages. All issues were satisfactorily addressed.

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.

Description	2021	2022	2023	Total (2021–2023)	Total after 2023
<b>Standard activities</b>					
Core unit	1,747	1,759	1,772	5,278	0
Institutional strengthening (IS)	677	0	677	1,353	475
<b>Standard activities subtotal</b>	<b>2,424</b>	<b>1,759</b>	<b>2,448</b>	<b>6,631</b>	<b>475</b>
<b>Total</b>	<b>16,680</b>	<b>32,233</b>	<b>13,072</b>	<b>61,985</b>	<b>35,404</b>

\* Including agency support costs where applicable.

### Secretariat's comments

#### HCFC production – project preparation and stage I

3. A total of US \$128,400 for project preparation and US \$5.35 million for the period of 2021 to 2023 is included for stage I of the HCFC production phase-out management plan (HPPMP) for India. A request for a technical audit of the production sector in India has been submitted and will be considered by the Sub-group on the Production Sector in the margins of the 86<sup>th</sup> meeting.

#### HCFC production – stage II

4. A total of US \$46.46 million is included for the HPPMP for China, i.e., US \$23.23 million for 2021–2023 and US \$23.23 million for after 2023. These values correspond to the draft Agreement submitted to the 86<sup>th</sup> meeting.

5. At its 81<sup>st</sup> 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.<sup>3</sup>

6. The request for funding for stage II of the HPPMP for China has been resubmitted to the 86<sup>th</sup> meeting in accordance with decision 84/69(b).

#### HPMP stage III – project preparation

7. A total of US \$481,500 is included for project preparation for stage III of HPMPs in the 2021–2023 business plan for countries with an approved stage II of HPMPs with reduction targets below the 2025 compliance targets (decision 84/46(e)).

#### HFC-related activities

8. A total of US \$535,000 is included for HFC phase-down project preparation activities<sup>4</sup> in the 2021–2023 business plan for two countries (Thailand and Viet Nam). Of the two countries, only Viet Nam has ratified the Kigali Amendment and Thailand has submitted the required letter from its Government indicating its intent to make best efforts to ratify the Kigali Amendment.

<sup>3</sup> Decision 81/71(b) and (c).

<sup>4</sup> 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)). In addition, decision 84/46(f) allowed the inclusion of HFC phase-down preparation activities in the business plan for countries that had not ratified the Kigali Amendment but had submitted a letter indicating their Government's intent to make best efforts to ratify the Kigali Amendment.

Core unit costs

9. The core unit costs<sup>5</sup> are expected to increase at an annual rate of 0.7 per cent as agreed.

**Proposed adjustments by the Secretariat**

10. The adjustments to the World Bank business plan for 2021–2023 were based on relevant decisions of the Executive Committee. Further adjustments may be required pending a decision by the Parties on the level of the replenishment of the Multilateral Fund for the 2021–2023 triennium.<sup>6</sup> In reviewing the revised World Bank business plan for 2021–2023, the Secretariat noted that the following adjustments were not included:

**Table 2. Adjustments to the World Bank business plan for 2021–2023 (US \$000)**

Adjustment	2021–2023	After 2023
HPMP values to reflect the actual amounts approved under the Agreements	(30)	0
PRP for stage III of HPMPs pursuant to decision 71/42	(55)	0
PRP for HFC phase-down pursuant to decision 56/16(c)	(173)	0
IS values after 2023 have been removed	0	(475)

11. Table 3 presents the results of the Secretariat’s proposed adjustments to the World Bank business plan for 2021–2023, which are also addressed in the context of the Consolidated business plan of the Multilateral Fund for 2021–2023.<sup>7</sup>

**Table 3. Resource allocation in the World Bank’s adjusted business plan for 2021–2023 (US \$000s)\***

Description	2021	2022	2023	Total (2021–2023)	Total after 2023
<b>HCFC activities</b>					
Approved HPMPs	12,225	4,888	8,484	25,597	11,697
HCFC production PRP – stage I	128	0	0	128	0
HCFC production – stage I	1,070	2,140	2,140	5,350	0
HCFC production – stage II	0	23,232	0	23,232	23,232
HPMP preparation – stage III	213	214	0	427	0
<b>HCFC activities subtotal</b>	<b>13,636</b>	<b>30,474</b>	<b>10,624</b>	<b>54,734</b>	<b>34,929</b>
<b>HFC activities</b>					
HFC phase-down preparation	362	0	0	362	0
<b>HFC activities subtotal</b>	<b>362</b>	<b>0</b>	<b>0</b>	<b>362</b>	<b>0</b>
<b>Standard activities</b>					
Core unit	1,747	1,759	1,772	5,278	0
IS	677		677	1,353	0
<b>Standard activities subtotal</b>	<b>2,424</b>	<b>1,759</b>	<b>2,448</b>	<b>6,631</b>	<b>0</b>
<b>Total</b>	<b>16,422</b>	<b>32,233</b>	<b>13,072</b>	<b>61,728</b>	<b>34,929</b>

\* Including agency support costs where applicable.

**Performance indicators**

12. The World Bank submitted performance indicators pursuant to decision 71/28 in its business plan

<sup>5</sup> The World Bank’s 2021 core unit cost has been approved at the intersessional approval process for the 86<sup>th</sup> meeting (UNEP/OzL.Pro/ExCom/86/37).

<sup>6</sup> In the absence of a decision by the Parties on the level of the replenishment of the Multilateral Fund for the 2021–2023 triennium, and in light of decision XXXII/1, the indicative budget for resource allocation of the business plan for 2021–2023 was assumed at the same level of the replenishment of the 2018–2020 triennium. This issue is discussed in UNEP/OzL.Pro/ExCom/86/25.

<sup>7</sup> UNEP/OzL.Pro/ExCom/86/25

narrative. The Secretariat informed the World Bank of the targets shown in Table 4.

**Table 4. Performance indicators for the World Bank for 2021**

Type of indicator	Short title	Calculation	2021 target
Planning--Approval	Tranches approved	Number of tranches approved vs. those planned*	6
Planning--Approval	Projects/activities approved	Number of projects/activities approved vs. those planned (including project preparation activities)**	8
Implementation	Funds disbursed	Based on estimated disbursement in progress report	US \$18,159,693
Implementation	ODS phase-out	ODS phase-out for the tranche when the next tranche is approved vs. those planned per business plans	722.42 ODP tonnes
Implementation	Project completion for activities	Project completion vs. planned in progress reports for all activities (excluding project preparation)	5
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 (13)
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 2021–2023, contained in document UNEP/OzL.Pro/ExCom/86/30; and
- (b) To approve the performance indicators for the World Bank as set out in Table 4 of document UNEP/OzL.Pro/ExCom/86/30.

# 2021-2023 BUSINESS PLAN



## **WORLD BANK GROUP**

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

Presented to the  
86<sup>th</sup> Meeting of the Executive Committee  
of the Multilateral Fund

Submitted September 4, 2020  
Resubmitted Jan 11, 2021



# 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 2021-2023.

2. The objectives of the proposed 2021-2023 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 2021 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 2021-2023 Business Plan of the World Bank includes annual work programs of sector plans and national plans, previously approved, to phase out HCFCs, a revised Stage II gradual production phase-out plan, subject to approval by the 86<sup>th</sup> ExCom, as well as the renewal of the institutional strengthening activities. The Bank’s Business Plan also includes a project preparation and a stage I HCFC production phase-out sector plan for India to meet its HCFC production obligation, and in light of the decisions 79/46(b)(iii), the Bank’s Business Plan also includes a number of preparation activities for Kigali HFC phase-down management plan (KPMP).

4. The expected impact of proposed new investment activities for the 2021-2023 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 2021-2023 (ODP tonnes)

	2021	2022	2023	Total
HCFC Production Phase-out Plan Stage II (China) <sup>1</sup>	0	5,286.57	0	5,286.57
HCFC Production Phase-out Plan (India)	13.20	26.40	26.40	66.00
Total (ODP tons)	13.20	5,312.97	26.40	5,352.57

5. Other than the ODP to be phased out from new investment activities proposed for the 2021-2023 period, additional phase-out of 1,403.96 ODP tons will be achieved by 2023 through the ongoing implementation of previously approved multi-year projects. This additional phase-out is summarized in Table I-2.

<sup>1</sup> Pending approval of stage II HPPMP for China by the 86<sup>th</sup> ExCom.

Table I-2: Expected impact of approved investment activities anticipated to be requested by the World Bank for the years 2021-2023 (ODP tonnes)

	2021	2022	2023	Total
HCFC Sector Plans Stage II	638.63	41.79	723.54	1,403.96
Total	638.63	41.79	723.54	1,403.96

## Strategic approach to HCFC phase-out and HFC-phase-down activities in the proposed 2021-2023 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. It is estimated that in 2018 China produced 81% of global production of HCFC-22, 99% of global production of HCFC-141b, and 84% of global production of HCFC-142b. While China consumes significant portion of its production, its exports accounted for 53% of global HCFC-22 consumption, 97% of global HCFC-141b, and 100% of global HCFC-142b consumption.

7. To assist China in meeting the production compliance targets in 2021, the World Bank had resubmitted stage II of the HCFC production phase-out plan for the ExCom’s consideration at its 86<sup>th</sup> Meeting. 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. In particular, the proposed stage II is planning to phase-out the production of HCFC-141b for controlled uses in 2026 in order to support the implementation of HPMPs in China and other A5 countries.

8. Support for the compliance with the Kigali Amendment: A number of Bank client countries are in the process of ratifying the Kigali Amendment to phasedown HFCs within the next few years. Findings from the implementation of HFC enabling activities indicated the needs to develop a flexible HFC quota allocation options and procedures. The traditional way of allocating quotas to ozone-depleting substance (ODS) importers in metric tons (MT) would not allow countries to apply full flexibility built into the KA. An HFC quota system is urgently needed that encourages phasedown of high-GWP HFCs without hindering development of sectors that require lower-GWP HFCs to grow, that is, sectors that may not yet have available viable technologies and alternatives. Furthermore, the impact from COVID-19 pandemic could depress the demand for HFCs and HFC-based equipment during the baseline years (2020–2022) and result in a lower HFC baseline. Countries could face earlier compliance issues and require more aggressive phasedown options if the demand is restored to normal levels after the baseline years. For the proposed activities to prepare KPMP, the Bank will update the countries’ HFC survey and HFC consumption projection for the immediate period (2024 – 2029) after the baseline years in case the demand quickly returns to pre-COVID-19 levels.

### B. Resource Allocation in 2021

9. The proposed 2021 Business Plan includes deliverables of six investment activities in the following six countries: China, India, Indonesia, Jordan, Thailand and Vietnam. The total amount of funding requested for ongoing and new investment activities in the proposed 2021 Business Plan is US\$13.3 million.



10. The funding distribution for ongoing and new investment activities included in the proposed 2021 Business Plan is summarized below.

Table I-3: Summary of funding distribution for investment activities in the proposed 2021 World Bank Business Plan

	Total amount of funds requested in 2021 (US\$ 000s)*	Percent of total	Estimated impact in 2021 (ODP tonnes)	Percent of total
HCFC Sector Plans Stage II	12,255.00	91.97%	638.63	97.97%
HCFC Production Phase-out Plan Stage I (India)	1,070	8.03%	13.20	2.03%
Total	13,325.00	100.00%	651.83	100.00%

\* Figures include agency support costs

11. The total deliverables contained in the proposed 2021 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 2021 World Bank Business Plan

Type of activity included in the proposed 2021 Business Plan	Number of activities	Amount requested (US\$ 000s)*
HCFC Sector Plans Stage II	5	12,255.00
Preparation of stage I HPPMP (India)	1	128.40
HCFC Gradual Production Phase-out Plan Stage I (India)	1	1,070
Institutional Strengthening Project	2	676.58
Preparation of stage III HPMPs	2	267.50
Preparation of Kigali HFC Phase-down Management Plan	2	535.00
Core Unit Cost	1	1,747.15
Total	13	16,679.63

\* Figures include agency support costs

### C. Resource Allocation Beyond 2021

12. The breakdown of the resource allocation beyond 2021 in the 2021-2023 Business Planning is summarized below.

Table I-5: World Bank's proposed resource allocation plan for 2022-2023

Type of activity	Total amount of funds requested in 2022 (US\$ 000s)	Estimated impact in 2022 (ODP tonnes)	Total amount of funds requested in 2023 (US\$ 000s)	Estimated impact in 2023 (ODP tonnes)
HCFC Sector Plan Stage II	4,887.76	41.76	8,484.00	723.54
HCFC Gradual Production Phase-out Plan Stage II (China and India)	25,372.00	5,312.97	2,140.00	26.40
Kigali HFC Phasedown Management Plan	TBD		TBD	
Preparation of stage III HPMP	214.00			
Institutional Strengthening	0.00	N/A	676.58	N/A
Core Unit Cost	1,759.38	N/A	1,771.69	N/A
Total	32,233.13	5,354.76	13,072.27	749.94

## **II. PLANNED BUSINESS ACTIVITIES**

### **A. Ongoing Approved Activities**

13. Investment projects for which funding is requested in the 2021-2023 BP: As of August 2020, the World Bank's Montreal Protocol portfolio consists of five ongoing multi-year projects for which funding will be solicited in 2021-2023: HCFC phase-out management and sector plans in China, Indonesia, Jordan, Thailand, and Vietnam. China stage II HPPMP has been submitted for consideration by the 86<sup>th</sup> ExCom, if approved, there would be six multi-year projects.

14. Non-investment projects and activities: As of October 2020, the World Bank's portfolio includes 2 ongoing institutional strengthening projects (Thailand and Jordan) that will be completed by the end of 2021 with the expected requests for renewal in 2021. Two activities: one (1) preparation of stage I HPPMP for India and one (1) preparation activity for stage I KPMP have been submitted for consideration by the 86<sup>th</sup> ExCom.

### **B. Program Expansion in 2021 and Beyond**

15. A list of detailed new and approved activities to be implemented during 2021-2023, their associated levels of funding, projected ODP impact and country specific remarks is submitted as a separate table.

#### New submissions

16. The revised China Production Sector Stage II was submitted to the 86<sup>th</sup> ExCom in July 2020. The revised stage II HPPMP would enable China to move toward compliance with its 2025 obligations under the Montreal Protocol and include phasing out the production of HCFC-141b by 2026. All the figures included in the business plan are based on the proposed plan as submitted. The 2021-2023 Business Plan also includes a project preparation and a stage I India production sector plan to enable its compliance with the 2025 obligation.

17. A Kigali HFC phase-down management plan for Malaysia is planned for submission during this period along with two additional activities to prepare KPMP for Thailand and Vietnam.

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

18. The Bank is planning to resume the organization of East Asia regional workshops in 2021<sup>2</sup> 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 2021 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

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<sup>2</sup> The planned 2020 workshops were canceled due to COVID-19 pandemic

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.

19. 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 2021 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

20. As per Decision 71/28, the following performance indicators are included in the World Bank’s 2021-2023 Business Plan:

#### A. Planning--Approval Performance Indicators

21. 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 2021

Item	Planned for 2021	Remarks
Tranches of previously approved multi-year agreements to be presented to ExCom in 2021	5	HCFC Phase-out Plan (China, Indonesia, Jordan, Thailand, and Vietnam)

22. 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 2021

Item	Planned for 2021	Remarks
Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	3	2 Institutional Strengthening Project (Jordan and Thailand), and 1 HFC Phase-down Management Plan (Malaysia)

#### B. Implementation Performance Indicators

23. Funds disbursed (Weighting: 15). In 2021, the World Bank is targeting disbursement of \$18.16 million.
24. ODP phased-out for the tranche when the next tranche is approved vs. those planned per progress reports (Weighting: 25): In 2021, the World Bank expects to phase out a total of 166.66 ODP tons through implementation of approved multi-year projects.
25. Project completion vs. those planned in progress reports for all activities (excluding project preparation) (Weighting: 20): In 2021, the World Bank expects to bring to completion a total of two (2) individual project activity: Enabling activities for HFC phase-down in Indonesia and Thailand.

### C. Administrative Performance Indicators

26. 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%.
27. 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.
28. Timely submission of progress reports and responses unless otherwise agreed (Weighting: 5): The Bank plans to submit its 2021 Progress Report by the agreed deadline.
29. A summary of the World Bank's 2021 performance indicators is included in Table III-3 below.

Table III-3: Summary of World Bank's 2021 performance indicators

Category of Performance Indicator	Title	Weighting	2021 Target
Planning -- Approval	Tranches of previously approved multi-year agreements to be approved in 2021	10	5
	Number of projects/ activities (investment and demonstration projects, TAS, PRP, IS) approved vs. planned	10	3
Implementation	Funds disbursed based on estimated disbursement in progress report	15	18.16
	ODP phase-out for the tranche vs. that planned per progress reports	25	166.66
	Project completion vs. those planned per progress reports (excluding preparation)	20	2
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

30. As part of the World Bank implementation of the 2020-2022 Business Plan, the World Bank submitted the work program amendments for 2020 for consideration by the 86<sup>th</sup> ExCom. As noted in UNEP/OzL.Pro/ExCom/86/IAP/3, the World Bank's work programme amendments was submitted but not issued.
31. It is our understanding that the agency's work program or work program amendment is the document that allows the agency to demonstrate to the ExCom on how it would carry out its annual business plan presented to the ExCom. This document would normally contain proposed project preparation

funding, renewal of institutional strengthening, and request for the following year core unit support. While there might be potential issues associated with specific activities, it is our understanding that the Secretariat should still issue the work program along with its comments and recommendations for each activity as it has been done in the past.