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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL

Ninetieth Meeting
Montreal, 20-23 June 2022
Item 7(a) of the provisional agenda¹

Addendum

**STATUS REPORTS AND REPORTS ON PROJECTS
WITH SPECIFIC REPORTING REQUIREMENTS**

This document is issued to:

- **Replace** paragraphs 206, 207, and 208 as follows:

Status of the discussions

206. Subsequent to the finalization of document UNEP/OzL.Pro/ExCom/90/9, the Secretariat and the World Bank continued their discussions with the aim of finding a path forward that was agreeable to the Government of Viet Nam and consistent with Executive Committee decisions and guidelines on the outstanding issues related to the revised funding levels for the refrigeration manufacturing sector, TA, and PMU, and the conditions associated with those revised funding levels.

207. Further to those discussions, and noting that the cumulative disbursement as of 31 March 2022 for the TA and PMU was US \$499,140, which was already 68 per cent of the value proposed by the World Bank, and that at the 76th meeting the funding for the TA and PMU were based on 8 per cent of the agreed costs of stage II of the HPMP, it was agreed that any return associated with the TA and PMU in line with paragraph 203(c)(vi) of document UNEP/OzL.Pro/ExCom/90/9 would be calculated at 8 per cent of the funding to be returned for the refrigeration manufacturing sector. In addition, it was agreed that the Government of Viet Nam would have flexibility to choose at the 91st meeting whether any return to the Multilateral Fund associated with the TA and PMU would be in the form of funding or additional reductions from the country's remaining HCFC-22 consumption eligible for funding calculated at US \$4.80/kg, or some combination thereof. Table 14.bis summarizes the agreed costs for revised stage II of the HPMP.

¹ UNEP/OzL.Pro/ExCom/90/1.

Table 14.bis. Agreed funding for revised stage II of the HPMP for Viet Nam (US \$)

Sector	Approved funding	Agreed funding
AC manufacturing	2,184,867	584,612
XPS foam manufacturing	613,568	0
PU foam manufacturing	5,522,397	2,529,589*
Refrigeration manufacturing	3,636,000	1,405,292
Refrigeration servicing (Japan)	233,630	233,630
Refrigeration servicing (World Bank)	1,369,570	2,699,570*
TA	406,801	734,463**
PMU	678,002	
<i>Percentage TA + PMU (%)</i>	8.0	9.9
Total	14,644,834	8,187,156

* Level of funding may be reduced based on progress reported to the 91st meeting.

** Level of funding may be reduced based on progress reported in the refrigeration manufacturing sector to the 91st meeting. Should funding need to be returned, the Government would have flexibility to instead agree to further reduce the remaining HCFC-22 consumption eligible for funding.

Recommendation

208. The Executive Committee may wish:

- (a) To note the progress report on the implementation of stage II of the HCFC phase-out management plan (HPMP) for Viet Nam, submitted by the World Bank, and contained in document UNEP/OzL.Pro/ExCom/90/9 and Add.2;
- (b) To approve, in principle, the revised funding for stage II of the HPMP for Viet Nam of US \$8,774,275, consisting of US \$7,953,526, plus agency support costs of US \$556,747 for the World Bank, and US \$233,630, plus agency support costs of US \$30,372 for the Government of Japan;
- (c) To further approve the following changes to stage II of the HPMP for Viet Nam:
 - (i) The revised funding for the air-conditioning (AC) manufacturing sector of US \$584,612, on the understanding that the participating enterprises commit to no longer import R-410A-based AC units by the completion of the project;
 - (ii) The revised funding for the polyurethane (PU) foam manufacturing sector of US \$2,529,589, on the understanding that:
 - a. The maximum level of funding for the conversion of Darling and Tan A would be US \$600,000;
 - b. The maximum level of funding for support to up to four blending houses would be US \$1,180,000, calculated based on up to US \$312,500 per blending house to blend cyclopentane, up to US \$36,000 for technical assistance (TA) for the blending houses, and up to US \$206,500 for the blending house that wished to manufacture pre-blended (reduced) hydrofluoroolefin (HFO) systems, calculated based on the expected phase-out to be achieved from the conversion of approximately 80 small- and medium-sized enterprises (SMEs) of 35 metric tonnes (mt), noting that such funding could only be disbursed in line with decision 77/35, and that the World Bank would include in the submission referred to in sub-paragraph (d)(ii) below the number of SMEs that had signed letters of commitment to participate in the project to convert to pre-blended HFOs, and that the eligible level of funding would be determined by the consumption of eligible enterprises that had signed those letters and the agreed incremental operating costs of US \$5.90/kg;

- c. Only eligible enterprises with confirmed consumption of HCFC-141b contained in pre-blended polyols would be assisted and the World Bank would include the list of those enterprises in the project completion report (PCR);
 - d. The capacity converted to low-global-warming-potential (GWP) alternatives in the assisted enterprises under this project would not be eligible for further funding from the Multilateral Fund;
 - e. Based on the information on eligible costs to be submitted to the 91st meeting, the Government of Viet Nam, through the World Bank, would return to the 91st meeting the difference between the agreed maximum funding level (US \$2,529,589) and the eligible costs;
- (iii) The revised funding for the refrigeration manufacturing sector of up to US \$1,405,292 based on the phase-out of 117.11 mt of HCFC-22 at eligible refrigeration manufacturing enterprises, on the understanding that:
- a. The Government would have flexibility to use the approved funding for the sector to undertake TA activities to assist conversions in the sector as long as the overall cost-effectiveness of the sector remained within the US \$12.00/kg approved by the Executive Committee;
 - b. Only eligible enterprises with confirmed consumption of HCFC-22 in refrigeration manufacturing (and not assembly) would be assisted and the World Bank would provide the list of those enterprises in the PCR;
 - c. The enterprises assisted under this project committed to only use the converted capacity to manufacture low-GWP-based refrigeration equipment and would not import high-GWP-based refrigeration equipment;
 - d. Based on the information on eligible costs to be submitted to the 91st meeting, the Government of Viet Nam, through the World Bank, would return to the 91st meeting the difference between the agreed maximum funding level (US \$1,405,292) and the eligible costs, plus 8 per cent associated with the project management and implementation unit (PMU) and possible TA;
- (iv) The revised funding for the refrigeration servicing sector of US \$2,699,570, resulting in an additional reduction from the country's remaining HCFC-22 consumption eligible for funding of 5.84 ODP tonnes;
- (v) The revised funding for TA and the PMU of US \$734,463, on the understanding that this funding could be reduced in line with sub-paragraph (c)(iii)d. above, and that the Government of Viet Nam would have flexibility to choose at the 91st meeting whether any return to the Multilateral Fund associated with the TA and PMU would be in the form of funding or additional reductions from the country's remaining HCFC-22 consumption eligible for funding calculated at US \$4.80/kg, or some combination thereof;
- (vi) An extension of date of completion of the project to 31 December 2023;

- (d) To further note that:
- (i) The Government will issue a ban on the import of HCFC-141b contained in pre-blended polyols, and on the use of HCFC-141b contained in imported pre-blended polyols, by 1 January 2023;
 - (ii) The Government would submit, through the World Bank, 10 weeks in advance of the 91st meeting:
 - a. A progress report *inter alia* detailing the following: progress toward implementing the ban on HCFC-141b contained in pre-blended polyols; the number of blending houses, PU foam and refrigeration manufacturing enterprises that have signed sub-grant agreements, including their cost and HCFC phase-out; and a detailed implementation plan for the servicing sector in line with the revised level of funding specified in sub-paragraph (c)(iv) above; and
 - b. A draft revised Agreement *inter alia* reflecting the revised level of funding, including a possible final tranche in 2022, additional reductions in consumption of HCFC-22 eligible for funding, and revised date of completion of the project.
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