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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-fifth Meeting
Montreal, 4-8 April 2005

2005 WORK PROGRAMME OF THE WORLD BANK

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COMMENTS AND RECOMMENDATIONS OF THE FUND SECRETARIAT

1. The World Bank is requesting approval from the Executive Committee of US \$372,117 for its 2005 Work Programme, plus agency support costs of US \$27,909. The activities proposed in the World Bank's Work Programme are presented in Table 1 below:

Table 1: World Bank Work Programme

Country	Activity/Project	Amount Requested US \$	Amount Recommended US \$
SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL			
A1. Project preparation			
Argentina	Project preparation of an MDI phase-out plan	50,000	50,000
Ecuador	Project preparation of a methyl bromide project that will phase-out all remaining consumption	25,000	25,000
Subtotal for project preparation		75,000	75,000
SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION			
B1. Project preparation			
Ecuador	Project preparation of a TCA phase-out project	20,000	
Subtotal for project preparation		20,000	
B2. Renewal of institutional strengthening projects			
		ODP tonnes	
Chile	Renewal of institutional strengthening project, phase VI	15.41	186,550
Philippines	Renewal of institutional strengthening project, phase IV (second year)	7.48	90,567
Subtotal for institutional strengthening			277,117
Subtotal			372,117
Agency support costs (7.5 per cent):			27,909
Total:			400,026

ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL

A1: Project preparation

Fund Secretariat's recommendation

2. The Fund Secretariat recommends blanket approval of the project preparation activities listed in Section A1 of Table 1 at the level of costs indicated.

SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION

B1: Project preparation

Ecuador, Project preparation of a TCA phase-out project

Project description

3. The World Bank has requested funding of US \$20,000 for preparation of an investment project to phase out TCA in the solvent sector in Ecuador.

Fund Secretariat's comments

4. The latest reported consumption of TCA in Ecuador (2003) is 1.22 ODP tonnes. The Secretariat expressed its concerns to the World Bank about the expenditure of US \$20,000 for project preparation for such a low level of consumption. The resulting project might have a funding level of less than US \$50,000. The Secretariat invited the World Bank to examine the option of a technical assistance programme without preparatory funding, to maximise the availability of resources for the country.

5. As a precedent, in the MB sector, Decision 39/38 requests agencies to submit technical assistance programmes for complete phase-out in countries with very low levels of MB rather than for preparation costs for an investment project. The World Bank responded that the country had requested preparation of an investment project not a technical assistance project and that it understood that the ultimate level of funding eligible depended on the project impact and cost effectiveness not on the funds spent on project preparation. No indication was provided as to whether the consumption arises from a single enterprise requiring conversion that might justify an investment project, or from multiple small users. The Secretariat also notes that the World Bank is implementing a CFC phase-out project in Ecuador that will also cover the very small residual consumption of CFC-113 in the solvent sector and would thus be expected to already have some knowledge of the pattern of solvent consumption in Ecuador.

6. While the funding requested in this case is small, the programme to address minor residual levels of solvent consumption under the Multilateral Fund is just commencing. There is a need to ensure that, in establishing operating modalities, maximum resources are directed to project activities in the country. This may not be the case when preparatory funding amounts to nearly half the possible resulting project costs. Innovative measures, such as drawing on the

knowledge and/or expertise already available through Fund projects under implementation in the country would seem to be called for.

Fund Secretariat's recommendation

7. The Executive Committee might consider whether it wishes to approve the World Bank's project preparation request and whether it wishes to provide any guidance on the issue of preparatory funding for very small levels of consumption.

B2: Renewal of institutional strengthening projects

(a) Chile (phase VI)

US \$186,550

Project description

8. The description of the institutional strengthening project for Chile presented in Annex I to this document.

Fund Secretariat's comments

9. As indicated in the country profile in Annex I to this document, Chile reported annual data for the controlled substances in Annex B, group I (other fully halogenated CFCs - CFC-112), Annex B, group III (methyl chloroform), and Annex E (methyl bromide) for 2003 which were above the Montreal Protocol's control levels for those substances. As a consequence, through Decision XVI/22 of the Sixteenth Meeting of the Parties Chile was deemed to be in non-compliance with its obligations under Articles 2C, 2E and 2H of the Montreal Protocol for 2003.

10. Decision XVI/22 requested Chile, as a matter of urgency, to submit a plan of action with time-specific benchmarks to ensure a prompt return to compliance. The decision further suggested that Chile may wish to consider including in its plan of action the establishment of import quotas to freeze imports at baseline levels and support the phase-out schedule, and policy and regulatory instruments that will ensure progress in achieving the phase-out.

11. With regard to non-compliance with the control measures for CFC-112 and methyl chloroform Chile explained in its progress report that the main reason for exceeding the maximum allowed imported levels under the Montreal Protocol was the lack of an import quota system, for which a national law could be submitted to Congress during 2005. It added that the NOU was assessing the CFC-112 imports to confirm whether they were misreported by Customs or if they really corresponded to this chemical.

12. With regard to non-compliance with the control measures for methyl bromide, the report indicated that the Government of Chile has developed a strategy and an action plan for a prompt return to compliance, combining efforts dealing with information management, technology transfer, regulations and investments. For this purpose, the Government has requested support from the World Bank to develop a project proposal to be submitted to the 45th Meeting of the Executive Committee to assist the country to meet its obligations.

Fund Secretariat's recommendations

13. The Fund Secretariat and the World Bank have agreed on the level of funding for the renewal of the institutional strengthening project for Chile (phase V) at US \$186,550 and agency support cost of US \$13,191. The request from Chile is submitted for individual consideration on account of the Secretariat's comments above. The Executive Committee may wish to express to the Government of Chile the comments which appear in Annex II to this document, following approval of the project.

(b) Philippines (phase IV) (second year) US \$90,567

Philippines: Renewal of institutional strengthening

Summary of the Project and Country Profile	
Implementing Agency:	World Bank
Amounts previously approved for institutional strengthening (US \$):	
Phase I: July 1995	209,000
Phase II: July 1999	139,333
Phase III: March 2002	181,133
Phase IV April 2004 (1 st year)	90,566
Total	620,032
Amount requested for renewal (Phase IV) (2 nd Year) (US \$):	90,567
Amount recommended for approval (US \$)	90,567*
Agency support costs (US \$)	6,793*
Total cost of institutional strengthening Phase IV (2 nd Year) to the Multilateral Fund	97,360*
Date of approval of country programme	February 1992
Date of approval of country programme update (if applicable)	
Total ODS consumption reported in country programme (1991), (ODP tonnes)	636.1
Latest reported total ODS consumption (2003) (ODP tonnes)	1,622.5
Baseline consumption of controlled substances (ODP tonnes):	
(a) Annex A Group I (CFCs) (Average 1995-1997)	3,055.9
(b) Annex A Group II (Halons) (Average 1995-1997)	103.9
(c) Annex B Group II (Carbon tetrachloride) (Average 1998-2000)	0
(d) Annex B Group III (Methyl chloroform) (Average 1998-2000)	0
(e) Annex E (Methyl bromide) (Average 1995-1998)	10.3
Latest consumption of controlled substances (2003) (ODP tonnes):	
(a) Annex A Group I (CFCs)	1,422.4
(b) Annex A Group II (Halons)	0
(c) Annex B Group II (Carbon tetrachloride)	0
(d) Annex B Group III (Methyl chloroform)	0
(e) Annex C Group I (HCFCs)	191.1
(f) Annex E (Methyl bromide)	9.0
Amount approved for projects (US \$)	28,236,550
Amount disbursed (as at September 2004) (US \$):	19,966,592
ODS to be phased out (ODP tonnes)	2,144.6
ODS phased out (as at September 2004) (ODP tonnes)	1,638.1

* Total cost of the renewal of phase II of the institutional strengthening project for two years will amount to US \$181,133 plus US \$13,586 agency support cost.

Background Information

14. The request for approval of the renewal of Phase II of the institutional strengthening project for the Philippines was first considered at the 42nd Meeting of the Executive Committee. At the time of consideration the Philippines was in non-compliance with the freeze in consumption of Annex E substance (methyl bromide) in accordance with Decision XV/25 of the Fifteenth Meeting of the Parties to the Montreal Protocol. Consequently the Executive Committee decided to approve the renewal of the institutional strengthening project for the Philippines for one year only, on the understanding that the approval was without prejudice to the operation of the Montreal Protocol's mechanism for dealing with non-compliance.

Fund Secretariat's Comments

15. The Philippines reported 2003 consumption of methyl bromide of 9 ODP tonnes. However, the Sixteenth Meeting of the Parties decided through Decision XVI/31 3(b) to change the Philippines' baseline consumption data for the controlled substance in Annex E (methyl bromide) from 8.0 to 10.3 ODP tonnes. Furthermore the Executive Committee approved, at the 44th Meeting the amount of US \$330,000 for the World Bank for technical assistance for a national methyl bromide phase-out strategy on the understanding that the project would phase out all remaining controlled uses of methyl bromide.

16. The World Bank stated in a letter to the Fund Secretariat that the combination of the change in the baseline data and implementation of the phase-out strategy would enable the Philippines to meet its 20% reduction target in 2005.

17. The Fund Secretariat and the World Bank have agreed on the level of funding for the second year of Phase IV of the institutional strengthening project for the Philippines as indicated in Table 1 above.

Fund Secretariat's recommendation

18. In light of the information provided in the Secretariat's comments above, the Executive Committee may wish to approve the request for release of funding for the second year of phase IV of the institutional strengthening project for the Philippines at level of funding indicated in Table 1.

Annex I

INSTITUTIONAL STRENGTHENING PROJECT PROPOSALS

Chile: Renewal of institutional strengthening

Summary of the Project and Country Profile	
Implementing Agency:	World Bank
Amounts previously approved for institutional strengthening (US \$):	
Phase I: November 1995	210,907
Phase II: October 1996	113,500
Phase III: July 1998	143,500
Phase IV: December 2000	143,500
Phase V: November 2002	186,550
Total (US \$)	797,757
Amount requested for renewal (Phase VI) (US \$):	186,550
Amount recommended for approval (US \$)	186,550
Agency support cost (US \$)	13,991
Total cost of institutional strengthening Phase VI to the Multilateral Fund	200,541
Date of approval of country programme	June 1992
Date of approval of country programme update (if applicable)	
Total ODS consumption reported in country programme (1989), (ODP tonnes)	1055.1
Latest reported total ODS consumption (2003) (ODP tonnes)	706.6
Baseline consumption of controlled substances (ODP tonnes):	
(a) Annex A Group I (CFCs) (Average 1995-1997)	828.73
(b) Annex A Group II (Halons) (Average 1995-1997)	8.5
(c) Annex B Group II (Carbon tetrachloride) (Average 1998-2000)	0.605
(d) Annex B Group III (Methyl chloroform) (Average 1998-2000)	6
(e) Annex E (Methyl bromide) (Average 1995-1998)	212.5
Latest consumption of controlled substances (2003) (ODP tonnes):	
(a) Annex A Group I (CFCs)	424.5
(b) Annex A Group II (Halons)	0
(c) Annex B Group II (Carbon tetrachloride)	0.84
(d) Annex B Group III (Methyl chloroform)	7.0
(e) Annex C Group I (HCFCs)	37.87
(f) Annex E (Methyl bromide)	274.3
Amount approved for projects (US \$)	9,544,599
Amount disbursed (as at September 2004) (US \$):	6,615,231
ODS to be phased out (ODP tonnes)	698.1
ODS phased out (as at September 2004) (ODP tonnes)	142.1

Progress Report

19. During the reporting period, support was provided to the National Ozone Unit (NOU) to consolidate the institutional capacity it had gained in the execution of Chile's Montreal Protocol programme, and to support the implementation of the Country Programme. In this sense, actions were undertaken in order to identify the remaining ODS consuming sectors, and to implement actions related to the freeze of ODS substances. To this end, the Government submitted two new activities, namely a halon management project and a technical assistance in the solvent sector. In

addition, the NOU followed up on the ongoing approved projects. By 2003, Chile had reduced its consumption of Annex A Group I substances to about 427 ODP tonnes which is well below its freeze target of 828.70 ODP tonnes. The country, however, did not meet its freeze level for methyl bromide since consumption reached 274 ODP tonnes versus the 212.5 ODP tonne baseline. Chile was also in non-compliance with control measures of Annex B Groups I and III substances (CFC-112 and TCA). The main reason for exceeding the maximum allowed imported levels under the Montreal Protocol was the lack of an import quota system, for which a national law will be submitted to Congress during 2005.

20. With regard to methyl bromide, the Government has developed a strategy and an action plan for a prompt return to compliance, combining efforts dealing with information management, technology transfer, regulations and investments, in the understanding that the competitiveness of Chilean agriculture is at stake and hence, actions must be in line with the market context and the opportunities of competitor countries in the use of methyl bromide.

Plan of Action

21. The period 2005 – 2006 will be very important for Chile to ensure that the regulatory framework for compliance with the Montreal Protocol control measures is enacted and enforced, and ensure that reductions in the consumption are sustainable and permanent. In addition, the NOU will continue with the implementation of the investment and non-investment activities to gradually phase out the use of ODS in the country, monitor imports/exports, improve national capacities, increase awareness and continue with the implementation of approved projects. The support for these two years (April 2005 – 31 March 2007) is essential for Chile to be able to continue with its programme in order to comply and even accelerate, in the case of approved agreements between the Government and Executive Committee, the elimination of its ODS uses.

Annex II

**VIEWS EXPRESSED BY THE EXECUTIVE COMMITTEE ON RENEWALS
OF INSTITUTIONAL STRENGTHENING PROJECTS
SUBMITTED TO THE 45TH MEETING**

Chile

1. The Executive Committee has reviewed the report presented with the institutional strengthening project renewal request for Chile. The Committee notes with appreciation that Chile has more than successfully complied with its consumption freeze targets of Annex A Group I substances. Nevertheless the Committee views with concern the fact that Chile in 2003 was in non-compliance with the control measures for CFC-112, TCA and methyl bromide. The Committee, however, also acknowledges the efforts made by Chile to return to compliance with respect to methyl bromide and hopes that the country is able to meet its phase-out targets for both Methyl Bromide and Annex B Groups I and III substances promptly. The Executive Committee is supportive of the steps that have been taken by the Government to reduce its ODS consumption and is hopeful that, in the next two years, Chile will continue its strategic approach to ODS phase-out, including the implementation of ongoing projects and the enactment of supporting legislative measures to achieve sustainable reduction in its ODS consumption.

2005 WORK PROGRAM

**PRESENTED TO THE 45th MEETING
OF THE EXECUTIVE COMMITTEE**

**BANK-IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS**

February 7, 2005

WORK PROGRAM FOR THE WORLD BANK-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS

1. This proposed work program for Bank-Implemented Montreal Protocol Operations is prepared on the basis of the World Bank 2005 Business Plan, which will be submitted to the 45th meeting of the Executive Committee in April 2005. The proposed 2005 Business Plan consists of investment and non-investment activities to assist Article 5 countries in adhering to their freeze obligations, and meeting their 50% and 85% reduction targets. The proposed Business Plan was developed taking into account results of the revised model three-year phase-out plan prepared by the Multilateral Fund Secretariat, which includes all approved activities through 2004.
2. The total amount of deliverables of the proposed 2005 World Bank Business Plan is US\$92.4 million. Funds will be used towards new and previously approved activities, which combined will capture an estimated 71,520 ODP tonnes in 2005.
3. The proposed 2005 Business Plan includes deliverables of 29 investment activities in 15 countries, totaling US\$91 million. Of these: i) sixteen activities are multi-year projects that were previously approved by the Executive Committee; ii) four activities are new multi-year projects that will be submitted to the Executive Committee for the first time; and iii) nine new investment projects.
4. The proposed Business Plan allocates approximately 53% of the total investment deliverables to support annual work programs of the Argentina, China, India and Venezuela CFC production closure projects, the China Halon Sector Project and the CTC production closure projects in India and China.
5. In 2005, requests to support implementation of previously approved phase-out and sector plans will include subsequent funds for: i) approved CFC phase-out plans in Malaysia, Philippines, Thailand, Bahamas, and Ecuador; foam phase-out plan for China; ii) MAC refrigeration sector plan for Indonesia and commercial refrigeration sector plan for Turkey; iii) CTC phase-out plans for India, Malaysia and Thailand; and iv) the approved process agent phase-out plan for China.
6. Other than deliverables for ongoing multi-year agreements, the 2005 Business Plan includes one new national CFC phase-out plan in Viet Nam, two Methyl Bromide phase-out plans in Chile and Viet Nam, and the second phase of the process agent phaseout plan in China. In addition, a CFC phaseout plan for Tunisia and a pharmaceutical aerosol phaseout plan for China are included, both of which will be presented as individual projects.
7. Seven new project preparation activities are included in the proposed 2005 Business Plan: 1) funds for the development of an MDI phaseout project in Argentina; 2) resources for the development of Methyl Bromide and TCA projects in Ecuador; and 3) funds for the development of chiller replacement demonstration projects in China, India, Jordan and Venezuela. Seven individual projects, resulting from these preparation activities, are

expected to be submitted to the Executive Committee in 2005. A summary of project preparation fund requests that will be presented to the 45th Executive Committee meeting is shown in Table 1.

8. The 2005 Business Plan includes requests to extend support for implementation of five existing institutional strengthening projects in Chile, Jordan, the Philippines, Thailand and Tunisia, which total US\$1.1 million. Table 2 summarizes requests for institutional strengthening renewals that will be submitted to the 45th meeting of the Executive Committee.

Table 1: Project Preparation requests to be presented to the 45th Executive Committee Meeting

Country	Funding Request (US\$)	Duration	Description
Argentina	50,000	April - December 2005	Preparation of MDI phaseout plan
Ecuador	25,000	April - December 2005	Preparation of a Methyl Bromide project that will phaseout all remaining consumption
Ecuador	20,000	April - December 2005	Preparation of a TCA phaseout project
Sub-total	95,000		
Support Cost	7,125		
Total Request	102,125		

Table 2: Institutional Strengthening renewal requests to be submitted to the 45th Executive Committee meeting

Country	Request (US\$)	Duration	Description
Chile	186,550	April 2005– April 2007	Renewal of the Chile Institutional Strengthening Project.
The Philippines	90,567	April 2005 – April 2006	Renewal of the Philippines Institutional Strengthening Project.
Sub-total	277,117		
Support Cost	20,784		
Total	297,901		