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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fiftieth Meeting  
New Delhi, 6-10 November 2006

**PROJECT PROPOSAL: VIET NAM**

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposal:

Fumigant

- Vietnam methyl bromide phase-out plan (first tranche)

World Bank

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS  
VIET NAM**

**PROJECT TITLE****BILATERAL/IMPLEMENTING AGENCY**

Vietnam Methyl Bromide Phase-out Plan	World Bank
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**NATIONAL CO-ORDINATING AGENCY:**

Plant Protection Department of Ministry of Agriculture and Rural Development (MARD) and International Cooperation Department of Ministry of Natural Resources and Environment (MONRE)

**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT****A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)**

Annex E, Methyl bromide	93.60		

**B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)**

ODS	Aerosol	Foam	Ref.	ODS	Solvents	Process agent	Fumigant
Methyl bromide							93.60

**CFC consumption remaining eligible for funding (ODP tonnes)****CURRENT YEAR BUSINESS PLAN: Yes**

PROJECT DATA		2006	2008	2009	2010	2011	2012	2013	2014	2015	Total
ODS #1 (ODP tonnes)	Montreal Protocol limits	109.2	109.2	109.2	109.2	109.2	109.2	109.2	109.2	0	n.a.
	Annual consumption limit	n/a	85.2	80	80	70	70	50	35	0	85.2
	Annual phase-out from ongoing projects		0	0	0	0	0			0	0
	Annual phase-out newly addressed	N/A	5.2	0	10	0	20	15	35	0	85.2
	Annual unfunded phase-out										
<b>TOTAL ODS CONSUMPTION TO BE PHASED OUT</b>											
Total ODS consumption to be phased-in (HCFCs)			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Project cost as originally submitted (US \$)											
<b>Final project costs (US \$):</b>											
Funding for World Bank		300,000	600,000	0	198,284	0	0	0	0	0	1,098,284
<b>Total project funding</b>		<b>300,000</b>	<b>600,000</b>	<b>0</b>	<b>198,284</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,098,284</b>
<b>Final support costs (US \$)</b>											
Support cost for World Bank		22,500	37,500	0	22,371	0	0	0	0	0	82,371
<b>Total support costs</b>		<b>22,500</b>	<b>45,000</b>	<b>0</b>	<b>14,871</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>82,371</b>
<b>TOTAL COST TO MULTILATERAL FUND (US \$)</b>		<b>322,500</b>	<b>637,500</b>	<b>0</b>	<b>220,655</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,180,655</b>
Final project cost effectiveness (US \$/kg)											US \$12.89/kg ODP

**FUNDING REQUEST:** Approval of funding for the first tranche (2006) as indicated above.

**SECRETARIAT'S RECOMMENDATION**

For individual consideration

## PROJECT DESCRIPTION

1. The World Bank, on behalf of the Government of Vietnam, submitted for the consideration of the Executive Committee at its 50<sup>th</sup> Meeting a technical assistance project to phase-out methyl bromide (MB) in Vietnam, at a total cost of US \$1,098,284 plus support costs of US \$82,371.
2. This technical assistance project proposes to phase-out 85.20 ODP tonnes used in the fumigation of grains and commodities and in soil application by 2015. This represents the total consumption of controlled uses of MB in Vietnam.

### MB consumption

3. The Government of Vietnam reported 93.6 ODP tonnes as its consumption for non-QPS uses of methyl bromide in 2005 to the Ozone Secretariat. This represents an increase of over 60 per cent as compared to its 2004 consumption of 57.6 ODP tonnes. The table below summarizes the data as reported to the Ozone Secretariat from 2002-2004.

Table 1

#### QPS and Non-QPS Use of MB from 2002 – 2004 as Reported to the Ozone Secretariat

	<b>Art. 7 Data of MB Consumption (ODP tonnes)</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
Total Import*	297.6	258	375.6
QPS	246.6	201.6	318
Non-QPS	51	56.4	57.6

\*Statistics from the General Department of Customs

4. During the preparation of the MB project, a data collection survey was carried out in 2005 and completed in early 2006. Import data was verified by cross-checking the statistical data maintained by the General Department of Customs and the Plant Protection Department (PPD). The MB use for QPS applications was determined on the basis of the quantities declared in the phytosanitary certificates issued by the Regional Plant Quarantine Sub-Departments during the respective period. Based on this analysis, it was found that there was a discrepancy between the data submitted under Article 7 and the data gathered during this exercise. The findings of the survey are summarized below:

Table 2

MB Imports, QPS and Non-QPS use from 2002 – 2004 as per 2005 Survey

	<b>Methyl Bromide Consumption as per the 2005 Survey (ODP tonnes)*</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
Total Import	287.4	364.2	380.4
QPS	238.8	289.2	295.2
Non-QPS	48.6	75	85.2

\*Actual Import based on the Plant Protection Department (PPD) Statistics

5. The Government of Vietnam will be submitting to the Implementation Committee through the Ozone Secretariat a request to revise the MB figures reported between 2002-2004 to reflect this new data. They will, however maintain their baseline for compliance.

6. The main uses of MB in 2002-2004 are shown in the table below:

Table 3

<b>Fumigation Application</b>	<b>2002</b>		<b>2003</b>		<b>2004</b>	
	<b>QPS</b>	<b>Non-QPS</b>	<b>QPS</b>	<b>Non-QPS</b>	<b>QPS</b>	<b>Non-QPS</b>
Rice	148.8				176.4	
Coffee	28.8		28.8		29.4	
Cassava	33		38.4		33.6	
ISPM 15	28.2		45.6		56.4	
Soil Fumigation		4.2		7.2		19.2
Structural Fumigation		2.4		1.8		2.4
Stored Commodity		42		46.2		36.6
Unaccounted				19.8		27
Sub-Total	238.8	48.6	289.2	75	295.2	85.2
<b>Total</b>	<b>287.4</b>		<b>364.2</b>		<b>380.4</b>	

### MB regulations

7. In 1998, a circular was issued between the former Hydrometeorological Services (HMS) of Vietnam and the Ministry of Agriculture and Rural Development (MARD) and made them jointly responsible for the management of import and control of use of methyl bromide. In 2002, a government restructuring annexed HMS to the Ministry of Natural Resources and Environment (MONRE) who took over this responsibility. This reorganisation dissolved the joint circular between HMS and MARD.

8. Under the current regulatory framework, the PPD is responsible for the issuance of import licenses for methyl bromide. Monitoring the actual use of methyl bromide is jointly carried out by PPD and the Regional Plant Quarantine Sub-Departments. Given that consumption of methyl bromide as per the Protocol is only related to the use of methyl bromide for non-quarantine and non-preshipment applications, accurate reporting from the Regional Plant Quarantine Sub-Departments to the Plant Protection Department is crucial in determining the correct consumption levels.

9. The project mentions that the existing regulatory framework is adequate for Vietnam to meet obligations under the Montreal Protocol pertaining to methyl bromide control. However, to strengthen the import control system, formal cooperation between MONRE and MARD/PPD has to be re-established.

#### MB plan

10. The Government of Vietnam has developed a national MB phase-out plan that will aim at achieving progressive reductions of MB consumption until a complete phase-out in 2015. The Plant Protection Department of the Ministry of Agriculture and Rural Development (PPD/MARD) will be responsible for the implementation of the MB Plan.

11. There are regulations in place in Vietnam on pesticide management, and import/export controls are in place for methyl bromide. The MB Plan proposes to strengthen the operational procedures and the capacity of the agencies to monitor and enforce these regulations, and will also review how these can be further improved to enable the country to meet its MB phase-out targets. Specifically:

- (a) Establishment of a methyl bromide import quota system for non-QPS applications by MARD in 2007. The quota system will include an import schedule based on a gradual reduction from 2008 to 2015;
- (b) Strengthening the existing regulation and procedures granting fumigation practice licenses and stipulating the responsibilities of fumigation organizations to report periodically to the plant quarantine bodies for training;
- (c) Re-establishing the joint circular between MONRE and MARD to further tighten monitoring of MB imports;
- (d) Training of inspectors and regulators of the Department of Agriculture on new procedures and alternatives to MB; and
- (e) Monitoring MB consumption.

12. The MB Plan is comprised of the following four components:

- (a) Regulations and capacity building (US \$206,954), which includes the development of a management information system, training for MARD officials; and the establishment of an insect resistance control unit;
- (b) Technical assistance for post-harvest applications (US \$537,670) which includes capacity building for training centres, training of trainers, providing equipment to

the training centres, building capacity of the fumigators by providing them with equipment and material and training for MB users other than the fumigators;

- (c) Technical assistance for the pre-harvest applications (US \$252,460) which includes assessment of approaches to phase-out MB, demonstrating specific alternatives to soil fumigation, field work and training; and
- (d) Project Management Support (US \$101,200) which are costs associated with the project management unit to implement the project. This will be located within the PPD and will be responsible for, *inter alia*, implementing MB regulatory measures, and acting as a coordinator for the all elements of the project.

13. The estimated time for the implementation of the project is eight years.

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

#### Issues related to MB consumption

14. The Secretariat sought an explanation for the reasons for preparing the MB Plan on the basis of the 2004 MB consumption collected from the survey data (85.2 ODP tonnes for all non-QPS uses) and not the 2005 consumption reported under Article 7 (93.6 ODP tonnes). The World Bank indicated that the MB Plan was prepared in 2005, and that the focus of the survey conducted during the preparation of the project concentrated on obtaining the real situation of MB consumption in the country. This meant a comparison between the data available with the Department of Customs, and those available with the PPD that also monitored actual consumption. According to the World Bank, this figure is therefore a more realistic figure of consumption taking into account the official phytosanitary certificates issued for the period surveyed as the correct QPS consumption. The Government is submitting a request to the Ozone Secretariat to adjust their 2004 consumption to this new figure.

15. The Secretariat also noted that the project indicates that 27 ODP tonnes are considered to be "unaccounted for" yet included in the figure to be phased out. The World Bank clarified that these figures are used for non-QPS fumigation mostly in storage.

16. The Secretariat expressed concern about the clearly high increase in MB use anticipated in the soil fumigation sector, and requested clarification from the World Bank since historical use of MB in Vietnam was limited to the grain storage sector. In raising this issue, the Secretariat also noted that there did not seem to be any strong policy actions from the Government to curb this potential increase, but rather MB use in this sector would be allowed to grow. The Secretariat also pointed out that the proposed actions to phase-out uses in the soil sector are made up mostly of demonstration projects, which might not specifically lead to eliminating MB use. In the discussion that ensued, the World Bank clarified that the magnitude of MB use in the soil sector was confirmed only during the survey, and that the increase in agricultural production which is leading to the consequent increase in MB use is necessary for the country's economic development. The World Bank also reiterated the Government's commitment to phase-out MB use in this sector, supported by their assurance that phase-out will

be done on their own without additional cost to the Fund, once demonstration projects identify specific alternatives that will work in the country's situation.

#### Issues related to the MB phase-out plan

17. In reviewing the proposed phase-out schedule presented in the project proposal, the Secretariat pointed out that most ODS phase-out projects approved either for sector or total phase-out, commit to an accelerated schedule with interim reductions during the period of project implementation. In Vietnam's case, it is proposed that consumption be increased and capped only in 2007 without any interim reductions. The World Bank agreed and proposed a revised phase-out schedule to take this into consideration.

18. The Secretariat also pointed out that the project should be submitted as a multi-year investment project with funding approved in tranches, instead of a technical assistance project. An agreement between the Government and the Executive Committee will also form part of this project.

#### Level of funding requested

19. The Secretariat noted that the total cost of the MB Plan as submitted (US \$1,098,284) excluding support costs, is within the range of projects approved for countries with similar consumption. The MB Plan included a comprehensive integrated pest management system, an extensive capacity building and training programme that address both pest control issues and training for the use of alternatives both in the post and pre-harvest sectors, and the establishment of a project monitoring unit. A redistribution of the budget was suggested by the Secretariat in order to accommodate activities that were identified as necessary for phase-out. Through further discussions, the Secretariat and the World Bank agreed to the following changes in each component

- (a) Regulations and capacity building (US \$206,954), with a reduction in the costs of the MIS system, and the inclusion of a new line for policy review;
- (b) Technical Assistance for Post-Harvest applications (US \$537,670) no change in the budget distribution;
- (c) Technical assistance for the pre-harvest applications (US \$252,460) with increased funding for the field demonstrations, and a consequent reduction in the assessment for integrated approaches; and
- (d) Project Management Unit costs (US \$101,200) which remain as is.

#### Agreement between the Government of Vietnam and the Executive Committee

20. A draft agreement, the preparation of which was assisted by the World Bank, between the Government of Vietnam and the Executive Committee on the modalities for implementing the MB Plan is contained in Annex I to the present document.

**RECOMMENDATION**

21. In light of the Fund Secretariat’s comments, the Executive Committee may wish to consider approval in principle of the national MB phase-out plan for Vietnam:

- (a) At a funding level of US \$1,098,284 plus support costs of US \$82,371 on the condition that the government will not seek further funding for MB projects in future;
- (b) Approving the agreement that is attached as Annex I; and
- (c) Approving the first tranche for the project in the amount of US \$300,000 plus support of costs of US \$22,500.

	<b>Project Title</b>	<b>Project Funding (US\$)</b>	<b>Support Cost (US\$)</b>	<b>Implementing Agency</b>
(a)	Vietnam methyl bromide phase out plan	1,098,284	82,371	World Bank



**Annex I**

**DRAFT**

**AGREED CONDITIONS BETWEEN VIETNAM AND THE EXECUTIVE COMMITTEE  
OF THE MULTILATERAL FUND FOR THE METHYL BROMIDE PHASE-OUT PLAN**

1. At its 50<sup>th</sup> Meeting, the Executive Committee approved in principle a total of US \$1,098,284, plus agency support costs of US \$82,371, as the total funds that will be made available to Vietnam to achieve the phased reduction and complete phase-out of all controlled use of methyl bromide (85.2 ODP tonnes).
2. Through the implementation of the methyl bromide phase-out plan, the Government of Vietnam commits to a permanent reduction in aggregate consumption of controlled uses of methyl bromide to no more than the following levels:

<b>Year</b>	<b>Maximum level of consumption of controlled uses of methyl bromide (ODP tonnes)*</b>
2008	85.20
2009	80.00
2010	80.00
2011	70.00
2012	70.00
2013	50.00
2014	35.00
2015	0.00

\*Excluding any exemptions for quarantine and pre-shipment applications and critical uses.

3. The Government of Vietnam has reviewed the consumption data identified in this project and is confident that it is correct. Accordingly, the Government of Vietnam is entering into this agreement with the Executive Committee on the understanding that, should additional methyl bromide consumption be identified at a later date, the responsibility to ensure its phase-out will lie solely with the Government.
4. Vietnam commits to permanently sustain the consumption levels indicated in the above table through the use of import restrictions and other policies that it may deem necessary. In exchange for the funding level specified below, Vietnam commits to eliminate its total national consumption of controlled uses of methyl bromide in accordance with the limits specified in the above table.

<b>Year</b>	<b>Funding (US\$)</b>	<b>Agency support costs (US\$)</b>	<b>Total (US\$)</b>
2006	300,000	22,500	322,500
2008	600,000	45,000	645,000
2010	198,284	14,871	213,155

5. The Government of Vietnam, in agreement with the World Bank, will have the flexibility to organize and implement the project components that it deems most important in order to meet the methyl bromide phase-out commitments noted above. The World Bank agrees to manage the funding for this project in a manner designed to ensure the achievement of the specific methyl bromide reductions agreed upon. The World Bank shall also report back to the Executive Committee annually on the progress in meeting the reductions required by this project.

6. The funding components of this agreement shall not be modified on the basis of future Executive Committee decisions that may affect the funding of any other consumption sector projects or any related activities in Vietnam.

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