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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirtieth Meeting
Montreal, 29-31 March 2000

WORLD BANK 2000 WORK PROGRAMME

COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

1. This document presents a summary of the World Bank's work programme requests and the Secretariat's recommendations followed by discussion of the issues identified and comments on individual requests.
2. The World Bank is requesting approval from the Executive Committee for US \$1,424,000 for its 2000 work programme with agency support costs of US \$185,120. A project preparation advance for the Bank's 2000 work programme was approved at the Executive Committee's 29th Meeting in the amount of US \$403,919 (including support costs). The total amount of funds to be transferred to the Bank will be adjusted by the amount of the advance.
3. Table 1 presents the work programme requests along with the amount recommended and the issue associated with the request.

Table 1
World Bank 2000 Work Programme

Country	Activity/Project	Date of completion	Amount Requested (US\$)	Amount Recommended (US\$)	Issue
Argentina	MBr (Inv)	Dec 2001	10,000	Pending	I
Argentina	Production CFC*	Dec 2000	60,000	Pending	II
Argentina	Refrigeration Commercial	Sep 2000	10,000	Pending	I
Argentina	Rigid Polyurethane Foam	Jun 2001	7,000	Pending	I & II
Argentina	Solvent TCA	Mar 2001	7,000	Pending	I & II
Chile	MBr (Inv)	Dec 2000	10,000	10,000	
China	Flexible Polyurethane Foam	Dec 2000	20,000	Pending	VII
China	Foam Flexible	Dec 2000	30,000	Pending	VII & VIII.
China	Foam General	Dec 2000	300,000	Pending	III
China	Production CTC	Dec 2001	150,000	Pending	IV
China	Production TCA	Dec 2001	45,000	Pending	IV
China	Refrigeration Commercial	Dec 2001	60,000	Pending	II
China	Refrigeration Domestic	Dec 2000	20,000	Pending	IX
China	Rigid Polyurethane Foam	Jun 2000	30,000	Pending	VII
China	Solvent General (Process Agent)	Dec 2001	100,000	Pending	V
Colombia	MACs and Compressors	Dec 2000	25,000	Pending	VI
Colombia	Refrigeration Commercial	Dec 2001	20,000	Pending	II
India	Production Halon	Dec 2000	45,000	Pending	IV
India	Refrigeration Commercial	Dec 2001	150,000	Pending	VIII
India	Solvent General	Dec 2000	35,000	35,000	
Jordan	Aerosols	Dec 2001	10,000	10,000	
Jordan	Foam General	Dec 2000	10,000	10,000	
Jordan	Halon non-recycling	Dec 2000	15,000	15,000	
Malaysia	MACs and Compressors	Dec 2000	10,000	Pending	VII & IX
Mexico	Refrigeration Commercial	Dec 2000	20,000	20,000	
Pakistan	Foam Flexible	Dec 2000	9,000	9,000	
Pakistan	Refrigeration Railway	Dec 2000	16,000	16,000	
Pakistan	Rigid Polyurethane Foam	Dec 2000	12,000	12,000	
Thailand	Halon non-recycling	Dec 2000	8,000	8,000	
Thailand	Rigid Polyurethane	Dec 2000	20,000	Pending	VII
Thailand	Rigid Polyurethane		10,000	Pending	VII & IX

Country	Activity/Project	Date of completion	Amount Requested (US\$)	Amount Recommended (US\$)	Issue
Thailand	Solvent TCA	Dec 2000	10,000	Pending	VII & IX
Turkey	Aerosols	Dec 2000	8,000	8,000	
Turkey	Foam General	Dec 2000	15,000	Pending	IX
Turkey	Halon Recycling	Dec 2001	15,000	15,000	
Turkey	Foam Rigid Polyurethane	Dec 2000	10,000	Pending	IX
Turkey	Solvent TCA	Dec 2001	10,000	10,000	
Uruguay	Refrigeration Domestic	Dec 2001	10,000	Pending	IX
Unallocated PRP			72,000	70,000	Business plan has US \$70,000
Sub-Total:			1,424,000	Pending	
Agency Support costs:			185,120	Pending	
Total:			1,609,120	Pending	
Minus	Project preparation advance from the 29 th Meeting		403,919	403,919	
GRAND TOTAL	Amount to transfer to agency		1,205,201		

ISSUES

4. Nine issues were identified that have an impact on the World Bank's requests. Those issues are presented as follows:

<u>Number</u>	<u>Issue</u>
I	More phase-out funded than current consumption
II	Project preparation for projects to be submitted after year 2000
III	Inadequate cost breakdown provided
IV	Project preparation in advance of technical audit
V	Project preparation in advance of data reporting
VI	Financial viability of enterprises at project preparation stage
VII	Sector phase-out being planned or requested at the same time as a request to prepare individual projects
VIII	Potential conflicts with RMP strategies
IX	Project preparation for contingency list projects

Issue I: More phase-out funded than current consumption

5. The Twenty-third Meeting of the Executive Committee decided that requests for project preparation should be considered on a case-by-case basis if the request is for project preparation for countries for which approved projects have phased out over 80 per cent of their ODS consumption as reported in the latest available data (Decision 23/51d(i)).

6. The World Bank is requesting project preparation activities in the following countries whose approved projects have phased out over 80 per cent of its ODS consumption as reported in the latest available data: Argentina (140%), Jordan (90%), and Thailand (89%). This means that the Executive Committee has funded the phase out of more ODS than remains to be phased out in the country.

7. On a case by case basis, one might consider the amount to be phased out by ongoing projects already approved by the Fund against the current level of consumption. The data in the following table come from the total consumption figures for the latest year of consumption in the reports provided to the Ozone Secretariat under Article 7. The amount to be phased out is based on the information provided in the Inventory of Approved Projects for activities approved through the 29th Meeting.

Country	Latest Consumption	Amount to be Phased out from projects under implementation
Argentina	1,894 ODP tonnes	1,876 ODP tonnes
Jordan	1,239	614 ODP tonnes
Thailand	4,593 ODP tonnes	2,264 ODP tonnes

8. As shown in the table above, the amount of phase out to result from projects already funded that are still ongoing for Argentina (1,876 ODP tonnes) is almost as much as the current consumption level of 1,894 ODP tonnes. In the case of Jordan and Thailand, the latest consumption is almost twice the amount to be phased out from approved projects under implementation.

Issue II: Project preparation for projects to be submitted after year 2000

9. The Executive Committee may wish to recall that the World Bank indicated that it had a substantial backlog of projects that were ready for submission but because of its resource allocation over US \$60 million in projects had to wait. The Bank is including several project preparation requests for projects that are not expected to be submitted until the year 2001 at the earliest.

10. Some large scale projects may in fact take more than a year to prepare. However, the Bank is also requesting funding for projects that are to be submitted after the year 2000 for individual projects as opposed to sector approaches. For example, the Bank is proposing to prepare a methyl bromide investment project and foam and solvent sector projects in Argentina that will not be submitted until 2001. Moreover, in the case of the methyl bromide project, the demonstration project has not yet been completed.

11. The Bank is also requesting funding to prepare five projects in the commercial refrigeration sector in China (US \$60,000) and to prepare three commercial refrigeration projects in Colombia that will have a total value of US \$7 million that will not be submitted until 2001.

Issue III: Inadequate cost breakdown provided

12. The Fund Secretariat requested detailed cost breakdowns for project preparation of US \$100,000 or more. The World Bank did not provide any information for the cost breakdowns for the following projects: foam sector project preparation in China-a sub-sector phase-out project (US \$300,000) and the commercial refrigeration sub-sector strategy in India (US \$150,000). In the absence of adequate cost breakdown data for such projects, the Secretariat cannot provide a recommendation for approval.

Issue IV: Project preparation in advance of technical audit

13. In the case of production sector projects, the Executive Committee has set certain pre-requisites that should precede the preparation of projects. For example, a technical audit needs to be conducted before a project can be submitted for consideration. The Bank is requesting project preparation funds for Argentina's production sector in advance of a technical audit. The commissioning of a technical audit of Argentina's production sector will be considered by the production sector sub-group at the Executive Committee's 30th Meeting. Similarly, the Bank is requesting project preparation for the CTC and TCA production sector projects in China. It should be noted that the China Solvent Sector Strategy (29 December 1999) indicated a 1999 level of production of TCA of 128 ODP tonnes (1,282 metric tonnes). The Plan indicates that 25 per cent of TCA consumption will be phased out in 2005 and 100% by 2010.

Issue V: Project preparation in advance of data reporting

14. Process agent data is not required until September 2000 according to Decision X/14 of the 10th Meeting of the Parties. The World Bank is requesting US \$100,000 for project preparation for the solvent sector for process agents in China. However, China's country programme update does not provide consumption information for process agents. The World Bank indicated that China had until September 2000 to provide its first report to the Ozone Secretariat. In the absence of official data on the extent of the consumption of process agents, the Secretariat is not in a position to give a positive recommendation for such requests.

Issue VI: Financial viability of enterprises at project preparation stage

15. The Executive Committee's consideration of project implementation delays and project cancellations indicates that often a reason for the slow implementation of projects and then their ultimate cancellation is the financial viability of the enterprise and in some cases enterprise bankruptcy.

16. The Executive Committee considered the issue of bankruptcy at its 25th Meeting. The Committee requested implementing agencies to carry out some preliminary screening of the financial viability of companies when preparing project proposals (Decision 25/3, para. a (i)). The Committee will be considering the extent to which the financial viability of enterprises is assessed during project preparation in the paper on Financial intermediaries and administrative costs (UNEP/OzL.Pro/ExCom/30/18) at its 30th Meeting.

17. In the case of project preparation for MAC compressors in Colombia. The Committee has been informed of one company in Colombia going bankrupt due to strong competition. The Secretariat asked the Bank to comment on the impact of this strong competition on the viability of additional project preparation for such companies in Colombia, but the Bank did not comment.

Issue VII: Sector phase-out being planned or requested at the same time as a request to prepare individual projects

18. The Executive Committee has also approved project preparation for the development of

sector strategies for polyurethane/polyethylene foam for UNIDO in China and the World Bank is requesting funding for a general foam strategy for China. Despite these requests for project preparation for entire sector phase-out projects, agencies continue to request project preparation to develop individual projects. In the case of the World Bank, in addition to a request to provide a sector approach and the UNIDO work in China, the Bank is also requesting funding to prepare individual projects in the foam sector in China. In some cases, it would appear that projects would be submitted that might be contained in one of the overall strategies.

19. Similarly, the Bank is requesting US \$20,000 for project preparation to prepare rigid foam projects in Thailand that will be submitted to the 31st Meeting, when the Bank is planning to submit a terminal CFC phase-out project in Thailand to the 32nd Meeting at the latest.

20. The Bank has also included requests for project preparation for contingency list projects in Thailand and Malaysia, where the Bank is planning to submit CFC phase out projects this year.

Issue VIII: Potential conflicts with RMP strategies

21. UNDP is requesting funding to develop an integrated RMP in India encompassing inter alia, end user projects. The World Bank is requesting funding to prepare a comprehensive strategy for the commercial refrigeration sector including a profile of the chiller sector in India.

Issue IX: Project preparation for contingency list projects

22. The Executive Committee affords implementing agencies several attempts at achieving their investment project shares. It allows agencies to submit 15 per cent above their allocation through over-programming. If agencies do not fully utilise their allocation through the 3rd Meeting of the year, the Committee allows them to submit projects to the 1st meeting of the year following the year of the business plan. The Committee also allows agencies to have contingency lists in their business plans up to a value of the value of projects that might raise policy issues. These projects are expected to be ready to be submitted if the Committee does not address the policy issue. Agencies often have pipelines of projects that have already been prepared, generally due to the use of project preparation funds approved for other activities. Contingency projects should be those that have already been prepared from other sources that do not require additional project preparation funds.

23. The World Bank's work programme includes requests for project preparation for projects that are in their contingency lists for the following activities: foam (general and rigid) in Turkey, MACs and compressors in Malaysia, domestic refrigeration in China, solvent TCA in Thailand, and domestic refrigeration in Uruguay.

COMMENTS ON INDIVIDUAL REQUESTS

China—domestic refrigeration (US \$60,000)

24. This request is for a project that is included in the World Bank's contingency list. The Executive Committee has approved 60 projects valued at US \$64.96 million that when completed, will phase out 9,732 ODP tonnes in China in the domestic refrigeration sub-sector. The amount to be phased out from projects currently under implementation exceeds the remaining ODP consumption in the sector as calculated in the updated country programme prepared and submitted by UNDP to the 30th Meeting.

China—production TCA (US \$45,000) and CTC (US \$150,000):

25. Decision 19/36 must be complied with in regard to all production sector projects. In the absence of the pre-requisites set out in Decision 19/36, project preparation for these activities at this time may be premature.

China—solvent, process agents (US \$100,000):

26. Neither the solvent sector plan which will be considered by the Executive Committee at the 30th Meeting, nor China's country programme update contains data on the use of process agents in China. The Bank pointed out that China has until September 2000 to provide its first report to the Ozone Secretariat on this matter.

27. China's country programme update indicates that China will seek technical assistance to minimise emissions and plans to develop a strategy for process agents. In the absence of any data on the level of consumption in this sub-sector, project preparation may be premature.

China—flexible foam (US \$20,000), rigid foam (US \$30,000), and foam general (US \$300,000):

28. According to its business plan, the World Bank will be submitting a foam sector plan. UNIDO is working on a foam strategy for Polystyrene/Polyethylene that will be submitted to the 30th Meeting. The Secretariat asked if the foam sector plan address all foam except EPS/EPE. Only CFC blown polyurethane foam will be addressed under the proposed foam sector plan. The foam sector plan is included in the Bank's Business Plan as a project under the general foam sub-sector as it will entail conversion of flexible and rigid polyurethane foam production processes.

29. The Secretariat asked for the major cost components of the US \$300,000, but as of this writing, a response has not been received. The cost of this sector approach might be compared with the cost of the solvent sector approach. The funding approved for the solvent sector approach for about 3,000 enterprises was US \$200,000.

30. China is submitting its country programme update to the 30th Meeting. Based on the work performed for the update, the overall costs of a sector strategy for the foam sector should be less since the information from the update is available and current. The Bank indicated that the findings from the country programme update are being used as a starting point for the preparation of this sector plan. The Bank believes that considering the large number of foam

enterprises (>1000) and their geographical distribution, the preparation of this sector plan will require significant efforts and the preparation of this sector will entail not only tremendous effort in carrying out a comprehensive survey but also significant time and resources for developing a funding mechanism and implementation modality.

Colombia—MACs and compressors (US \$25,000):

31. The Executive Committee has already approved the compressor project in Colombia at the 13th Meeting. That company, Andinos, went bankrupt due to, inter alia, strong competition with Embraco of Brazil. The Bank indicated that this project would involve all companies participating in the production of MAC units and would phase out 60 ODP tonnes. The Bank did not comment on the potential competition that may have an impact on the financial viability of this proposal.

Colombia—commercial refrigeration (US \$20,000):

32. This project preparation is for three projects that are to be submitted after the year 2000. The Bank indicated that the three commercial refrigeration manufacturers have already been identified, and the enterprises owners already agreed to move quickly towards CFC-free goals. As the Bank is proposing to submit one MAC project in 2000, starting preparation of these three commercial refrigeration projects in 2000 would enable the Bank to increase its effective utilization of its consultant which will result in increasing cost effectiveness of its project preparation activity.

India—halon production (US \$45,000):

33. The cost of project preparation is high for a retroactive project taken into consideration that the technical audits of the two halon facilities (already closed) was US \$25,000. The Bank indicated that it believed that the preparation of retroactive projects may be much more difficult, as expenditures already incurred may not have followed the proper procedures. The Bank also stated that the cost of the project can not be simply calculated on the basis of the reported expenditure.

India—commercial refrigeration (US \$150,000):

34. According to the Bank's business plan, this request is to prepare a comprehensive strategy for the commercial refrigeration sector including the profile of the chiller sector in India. The project is not expected to be submitted until after the year 2000. UNDP is requesting funding for the development of an RMP strategy.

35. The Government of India has informed the Bank that the proposed project will complement its RMP project, which will be developed by UNDP. The Bank's proposed activity will focus, among other things, on determining the profile of the chiller sector in India including developing an inventory of existing CFC chillers. The Bank believes that the cost is justified because the survey to be carried out for the chiller sector alone will require significant resources and the costs will also cover exploring various innovative financing options that may be applicable to the India circumstances.

Malaysia—MACs and compressors (US\$10,000):

36. According to Decision 26/36, countries may request either the costs of the conversion of compressor manufacturers or the incremental operating costs for compressors. The Executive Committee has approved refrigeration projects in Malaysia's including incremental operating costs for compressors per Decision 26/36. Therefore, a separate compressor project would not be eligible for Malaysia.

Pakistan—rigid foam (US \$12,000):

37. A terminal umbrella project for the rigid foam sector in Pakistan has already been approved. The Bank indicated that the previous terminal umbrella project in the rigid foam sector dealt with thermoware, while this project will deal with spray foam and panels.

Thailand—rigid foam (US \$20,000)

38. The Bank will be submitting a total CFC phase out project this year for Thailand for which US \$100,000 was provided. This request is for additional project preparation funds to prepare individual projects for submission in 2000.

39. The Bank indicated that these projects had already been identified and will be ready for submission at the 31st meeting. The projects are for enterprises that are relatively large CFC consumers as compared to other companies in this sector. The Bank indicated that implementing these projects as individual projects could be done faster than a big group project. However, the Bank also plans to submit the "big group" of projects this year, as well. Since the projects have already been prepared, there does not appear to be a need for additional project preparation.

RECOMMENDATIONS

1. The Fund Secretariat recommends blanket approval of the projects with associated support costs at the funding level shown in Table 1 above.

2000 WORK PROGRAM

PRESENTED TO THE 30th MEETING
OF THE EXECUTIVE COMMITTEE

BANK-IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS

January 2000

**WORK PROGRAM FOR THE
WORLD BANK-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS**

1. This proposed work program for the Bank-Implemented Montreal Protocol Operations is prepared on the basis of the World Bank 2000 Business Plan, as well as the suggestions made by the Executive Committee (ExCom) when it considered the draft 2000 Business Plan at the 26th Meeting.
2. Within the context of the above paragraph, country-level work programs were prepared by the Bank's Task Managers in close consultation with the client countries. Country-level work programs were then compiled and used as a basis for the formulation of the World Bank-revised 2000 Business Plan.
3. As part of the process of country-level work program preparation, disbursement and ODP phaseout targets were set for 2000. The total disbursement target for 2000 is approximately US\$ 72 million and the total ODP phaseout target is about 16,500 ODP tons. The targets by country are presented in Table 1.
4. For new activities to be submitted within calendar year 2000, the Bank's client countries have proposed a large number of new investment projects. Due to the limited resources allocated to the Bank in 2000, priority for funding has been given to the CFC production closure projects in China and India and the China halon sector approach as funding for these projects has been agreed in principle by the ExCom in the previous years. For new activities which will be submitted for the consideration of the ExCom for the first time in 2000, priority has been given to projects from countries which have demonstrated timely implementation capability. The Bank's Work Plan includes deliverables from 14 of its 20 existing client countries.
5. The 2000 Work Program for the Bank includes preparation and delivery of projects in the consumption and production sectors. This Work Program proposes to initiate the preparation of the CFC production closure project in Argentina and a halon production phaseout plan for India for submission within this planning period. In addition, the Bank and the Government of China propose to initiate the preparation of sector plans to phase out the production of TCA and CTC in this business plan period in order to be able to submit these two projects in 2001. For the consumption sector, the 2000 Work Program proposes to initiate preparation of 55 investment activities (33 in the core list and 22 in the contingency list) which will be ready for submission in 2000. Additional 27 new activities in the consumption sector will be submitted in 2001.
6. Consumption sector projects to be submitted in 2000 will include a sector plan for phasing out ODS consumption in the polyurethane foam sub-sector in China and complete phaseout of CFC consumption in the refrigeration sector in Turkey. In addition, two national CFC phaseout strategies from Malaysia and Thailand will also be submitted within this business plan period. Pending the submission of these two strategies, the Bank will submit a work program amendment later this year in order to request new project

preparation funds of US\$ 113,000 to support the development of a similar strategy for the Philippines.

7. The breakdown of project preparation funds to support investment and non-investment activities in each client country is shown in Table 2. The timeline for undertaking all the proposed activities is shown in Table 3.

8. The 2000 Work Program proposes to include 3 non-investment activities. The total funds required are about US\$ 192,100 to undertake two country program updates in Jordan and Uruguay, and to carry out a study for developing a global strategy for CFC phaseout in the MDI sub-sector.

9. To complete the 2000 Work Program, the Bank requires additional project preparation funds of US\$ 1.64 million, excluding project preparation funds for the national CFC phaseout strategy for the Philippines, to support preparation of new investment activities (including 13 percent agency support cost), of which US\$ 403,919 was already approved as project preparation advance at the 29th Meeting. In addition, about US\$ 670,000 million will be carried over from the 1999 project preparation allocation.

Table 1

Country	Total Approvals through the Bank up to 1999 (US\$ '000s)	ODP to be Phased Out (ODP tons)	Percent of Approved Funds Disbursed (1)	Percent Phased Out	Planned Disbursement in 2000 (US\$ '000s)	Planned Phased Out in 2000 (ODP tons)
ARGENTINA	21,605	943	60%	59%	3,209	559
BRAZIL	6,807	1,451	82%	19%	-	270
CHILE	4,165	497	29%	22%	1,199	111
CHINA	161,523	68,251	56%	69%	38,000	46,966
COLOMBIA	1,223	129	0%	0%	350	-
ECUADOR	1,913	417	52%	151%	490	629
EGYPT	2,100	-	100%	0%	-	-
INDIA	39,758	5,267	39%	39%	15,000	2,056
INDONESIA	23,376	4,702	47%	56%	2,308	2,643
JORDAN	3,419	871	90%	67%	350	584
MALAYSIA	8,972	1,718	92%	88%	500	1,507
MEXICO	5,608	376	91%	84%	520	316
PAKISTAN	7,776	1,089	29%	24%	1,275	265
PHILIPPINES	11,086	856	93%	107%	349	918
THAILAND	21,713	1,653	69%	57%	1,300	950
TUNISIA	2,113	344	40%	45%	694	155
TURKEY	15,620	2,355	87%	85%	1,200	2,005
URUGUAY	702	49	97%	37%	20	18
VENEZUELA	8,968	367	100%	131%	-	480
ZIMBABWE	679	38	86%	63%	96	24
Sub-Total	349,124	91,373			66,859	60,456
Support Costs	31,480				6,017	
Total	380,604	91,373			72,876	60,456

(1) Estimates up to the end of 1999.

TURKEY		-	58						
TURKEY	Aerosols		8						
TURKEY	Foam General		15						
TURKEY	Rigid Polyurethane		10						
TURKEY	Halon Recycling		15						
TURKEY	Solvent TCA		10						
URUGUAY Total		-	10						
URUGUAY	Refrigeration Domestic		10						
VENEZUELA Total		-	-						
ZIMBABWE		-	-						
Unallocated Proj. Prep. Funds		162	72						
Sub-Total (Core)			593	1,424					
Support Costs			77	185					
Total			670	1,609					
Less	Proj. Prep. Advances			404					
New Request				1,205					

*\$400,000 is required in CY2000 for starting up the project. The total cost of the project will be determined later.

(1) A sector plan to phase out PU foam in China will be submitted in 2000. It is estimated that \$2 million be required for the first annual work program.

(2) This amount is required for initiating the preparation process.

(4) To prepare a comprehensive strategy for the commercial refrigeration sector including the profile of the chiller sector in India. Funding level and ODP to be phased out are to be determined.

