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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Twelfth Meeting
Montreal, 28-30 March 1994

WORLD BANK PROGRESS REPORT

This document includes:

- Comments and recommendations of the Fund Secretariat
- World Bank Progress Report

COMMENTS AND RECOMMENDATIONS OF THE FUND SECRETARIAT

COMMENTS

ODS phase-out

1. Although Bank-sponsored projects have not yet resulted in ODS phase-out, the first phase-out is now scheduled for the middle of this year. This project, Venezuela's Plasticos Molanca project, was prepared by the country itself and initiated before the grant agreement was signed. Additional projections of ODS phase-out in 1994 were not provided.

Grant agreements

2. The Bank requires grant agreements with Article 5 countries before activities leading to procurement, construction, and commissioning of projects that will result in ODS phase-out can begin. Since its last progress report, three more grant agreements (China ODS I, the "umbrella" agreement for Brazil, and Ecuador ODS I) have been signed excluding the two agreements signed in October that were reported in the last progress report (Chile and Jordan).

3. While the average time for completing grant agreements approved in 1991 was over 16 months, the current average for all projects/sub-projects excluding those approved at the Eleventh Meeting is over 10 months as at the end of January 1994. Grant agreement delays have occurred in projects approved for China, Egypt, Thailand, Turkey, and Venezuela. Reasons for the delays in completion of the agreements are varied including: general processing difficulties, missing documents, appraisal delays, the negotiating of on-lending, and problems with companies accepting the terms of the agreement.

4. Implementation of institutional strengthening activities for Turkey, Tunisia, and the Philippines were delayed until grant agreements were signed. Although the Bank may use letter agreements for projects under US $1.5 million, it decided to include institutional strengthening in a grant agreement which takes longer to complete. Since institutional strengthening was approved for Tunisia and Turkey in June of 1992, this has meant that the institutional strengthening, which is intended to assist in project preparation and implementation, in these countries has been delayed by 19 months.

Project execution

5. In most cases, project execution begins when the financial intermediary begins operations leading to the purchase of equipment and materials leading to the initiation and commissioning of an alternative process that results in ODS phase-out. Project funds cannot be disbursed to the country until a grant agreement is signed and the executing entity begins operations.

6. According to Table I-6, there are ten investment projects (excluding engineering and project preparation activities) that should be entering the project execution stage since grant agreements have been signed. Since its first disbursement towards investment projects reported at the last meeting, the Bank has disbursed an additional US $744,297 for the Plasticos Molanca project. US $400,000 in Mexico, US $150,000 in Ecuador, and US $100,000 in Chile were also disbursed but the purpose for disbursements or the recipient entity were not specified. Financial intermediaries in China and Brazil have begun operations but there was no reporting on the status of these projects other than the fact that no funds have been disbursed. Other projects have not begun disbursing.

7. About US $800,000 in funds from the US $4 million Line of Grant to Mexico approved in 1991 have been allocated for execution of four projects, but there has not been any indication when the execution stage will begin although US $400,000 has been disbursed. Slow progress in the implementation of this project has been attributed to slow processing in local supervision and the submission of several sub-projects that were not acceptable.

8. A six-month delay is now projected for the completion of the Plasticos Molanca project. The project was projected to be completed by the end of 1993 in the last progress report. The reasons for the delay were not provided.

Work programme activities

9. Approximately, 75 per cent of the original 1993 work programme budget (excluding the US $668,047 expended on 1993 work programme amendments) was expended last year. US $905,000 was expended of the US $1.2 million budget for administrative costs including OORG. Project preparation expenditures led to the approval of 80 per cent of the Bank's goal for project approvals in 1993.

10. The Bank has not provided an accounting of the average overhead costs in preparing and executing projects/sub-projects under the Multilateral Fund. Information provided in the financial reporting is not precisely related to the calculation of such a cost. The Bank should provide the Executive Committee with an estimate of its average overhead cost per project.

11. It should be noted that US $40,000 was expended for the appraisal of the MCMC project in Egypt, and US $180,000 was expended for the processing of the grant agreement in Turkey.

Coordination

12. There is little mention of coordinating activities with other implementing agencies since a distribution of areas of involvement is not discussed for all of the 19 countries in which the Bank and other implementing agencies have activities. This has the potential for the duplication of effort as activities increase. For example, UNDP and UNIDO are jointly preparing a project supervision computerized monitoring system. However, the Bank is proceeding separately in

its effort. Without coordination, two different monitoring systems could be developed and the reporting will be inconsistent as is the case with the financial reporting.

Changes in previous approvals

13. Through its progress report, the Bank has informed the Committee that it is changing two approvals from the Tenth Meeting of the Committee. It is taking US $40,000 from US $240,000 Production Sector Pre-Investment Study and transferring it to the User Sector Pre-Investment Study approved amount of US $280,000 to create a project preparation advance in the amount of US $320,000 to the Government of China to prepare additional projects for presentation in 1994.

Papers

14. A copy of the Bank's operational directive is presented in Attachment B. The Bank also presented a supplemental proposal on streamlining project review in Attachment C to the Progress Report. The proposal suggests that the current procedure to consider work programme amendments at every meeting should be replaced with ex post review of an implementing agency approval for all activities or projects under US $500,000.

15. Aside from the impact on the other agencies for whom most projects are under US $500,000, the proposal does not consider the Committee's in-between meeting approval mechanism. With in-between meeting approval, activities under US $500,000 may be approved between Executive Committee meetings. Ample funds have been provided through work programmes to enable implementing agencies to conduct work programme activities between meetings; and now, with in-between meeting approval, an additional mechanism is available to address emergency requests that cannot wait until Executive Committee meetings.

Monitoring project execution

16. Implementing agencies are currently assessing the needs of monitoring project execution. The Executive Committee's monitoring is based on agency reports. Some reporting practices, such as grouping sub-projects into a large group of projects makes monitoring project execution more difficult. Without providing updates of expected completion dates, as included in the UNDP and UNIDO progress reports, it is difficult to monitor progress toward completion.

17. One suggestion for reporting project execution was to list the following dates for every sub-project: completion of contracting, initiation of construction, percentage completion of the conversion project, and project commissioning. The Bank has indicated that this would be too detailed. The implementing agencies should develop a format for reporting the status of project execution to the Executive Committee while they are in the process of designing their internal monitoring systems.

RECOMMENDATION

18. The Secretariat recommends that the Executive Committee takes note, with appreciation, of the World Bank's progress report, and requests the World Bank to report on its overhead charges in its next progress report and to cooperate with other agencies in developing a format for reporting the status of project execution to the Executive Committee.

MONTREAL PROTOCOL

PROGRESS REPORT

BANK-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS

OCTOBER 1993 - JANUARY 1994

THE WORLD BANK
GLOBAL ENVIRONMENT COORDINATION DIVISION
ENVIRONMENT DEPARTMENT

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EXECUTIVE SUMMARY

1. This Progress Report on Bank-Implemented Montreal Protocol investment operations covers the period September 28, 1993 to February 11, 1994, a period of almost five months. The fourth quarter of 1993 and beginning of 1994 have seen sustained activity in project processing and in identification and preparation of new investment operations.

2. Following the 11th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol, the Bank's portfolio of MP investment operations has grown to over US$75 million dollars and projects which have been given permission to proceed now amount to close to US$15 million. The total number of separate investment operations now stands at 23 (including Project Preparation Advances), 15 of which have been committed (through a PPA letter or grant agreement) and 8 of which are now disbursing. 7 additional commitments are expected in the first and second quarters of 1994.

3. During this last reporting period, the Bank signed its first "Umbrella" Grant Agreement with the Financiadora de Estudo e Projectos (FINEP), the government-appointed executing agency and financial intermediary for Montreal Protocol investment operations in Brazil. Also during this period a Grant Agreement with the Government of China was signed for China ODS I (US$6.92 million), bringing the total of grant agreements and project preparation advances approved to 15. Grant agreements were also signed for Chile, Ecuador, Jordan and Turkey.

4. New investment operations have been prepared for presentation to the 12th Meeting of the Multilateral Fund Executive Committee. These include projects for China and India. The list of projects also includes the first production-sector project for which permission to proceed is being requested. Projects presented to the 12th Meeting of the Executive Committee, including permission to proceed, total about US$22 million. Two additional projects were submitted in January for in-between meeting approval and several others are in the final stages of preparation.

5. There was progress in all investment operations. Appraisal missions visited China, Indonesia and Tunisia. Project identification, preparation and/or country program missions were fielded to Argentina, Brazil, China, India, Malaysia, Pakistan, Philippines, Slovenia, Thailand, Uruguay, Venezuela. Negotiations were initiated with Philippines and Tunisia. New clients since the last progress report include Algeria and Uruguay.

6. During this period, the Bank also prepared its 1994 Work Program for investment Operations funded by the Multilateral Fund for the Implementation of the Montreal Protocol. The Work Program makes provision for MP-related activities in 22 countries and for investment projects in the range US$80-105 million during 1994.

I. Montreal Protocol Operations Status Reports

A. New Investment Operations and Work Program Amendments for Consideration at 10th Meeting of the Executive Committee

1. Investment projects are being presented for China and India. There is one request for permission to proceed, for the Shanghai Chemical Works project (conversion of CFC-12 to HCFC-22 production). Adjustments (for contingency costs and financial intermediary fee) to two projects approved at the 11th Meeting are also being requested.

2. Therefore, investment projects totaling about US$22 million are being submitted to the 12th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol. The complete breakdown by country and type of decision requested is provided in Table I-2.

3. As per MP Operations guidelines, the proposed investment projects and other pipeline projects been reviewed by the Ozone Operations Resource Group (OORG). The following projects (Table I-1) were technically reviewed by members of the Ozone Operations Resource Group during the July 1993 through February 1994 period.

Table I-1: OORG Reviews of Investment Projects

Country - Project	*Bank Task Manager (TM)*	*OORG-Roster Outside Specialist(s) (actual reviews to be confirmed)*
China - ODS Investment Project (III), 12 subprojects	Helen Chan	Mike Jeffs, Harry McCain, Martien Janssen, Phil DiNenno, Mike Harris
India - ODS Investment Project (II), 7 subprojects	Naimeh Hadjitarkhani	Mike Jeffs, Lambert Kuijpers, Art Fitzgerald, Mike Harris, Phil Di Nenno, Robert Proctor

Table I-2: Summary of World Bank Investment Projects being Submitted to the 12th Meeting of the EC, March 1994				
Country	*Project Title & Subprojects by Sector*	*ODS Phase-Out per Year (MT)*	*Type of EC Decision Requested*	*Incremental Cost (US$ million)*
China	ODS III Project: 7 subprojects in Halon, refrigeration, aerosols, foams.	8,000	Final Approval	9.290
India	ODS II Project: 5 subprojects.	505	Final Approval	4.258
India	ODS II Project: Adjustment to project approved at 11th EC Meeting.		Final Approval	0.325
China	ODS III: 1 subproject in the chemical production sector.	NA	Permission to Proceed	6.369
Sub-Total			Final Approval	13.873
Sub-Total			Permission to Proceed	06.369
Sub-Total			Work Program Amendment	0
Grand Total			Total All Decisions	20.242

B. Project Processing Status of Investment Operations and Other Activities

4. Status on Country Programs. During 1993, the Bank provided assistance for country program preparation to the following countries: Argentina, Brazil, Jordan, Malaysia, Nigeria and Tunisia. Work in Jordan and Tunisia is complete and no additional request for funds have been made for 1994. Table I-3 provides a status of ongoing Country Program (CP) activities for those countries in which the Bank has requested funding in its CY94 Work Program which includes continued support to Argentina, Brazil, Malaysia (update of CP), Nigeria and a new program in Slovenia. The Bank continues to provide support, when appropriate, to country program activities as part of its continuing dialogue with most of its clients.

Table I-3: Status of Country Program Activities		
Country Program	*Transmittal Date from Bank to Govt.*	*Comments/Explanations*
Argentina	Final draft presented to the GOA in January 1994.	The GOA is now considering the draft final Country Program and will present it to the Multilateral Fund when its has been finalized and that the internal review is complete.
Brazil	In progress. Data collection activities are underway.	The Bank and GTO (local coordinating body for ozone issues) have agreed to transfer the funds for the Country Program preparation through the umbrella Grant Agreement which is now being prepared. In the mean time, data collection activities have been undertaken.
Malaysia	In progress	GOM requested Bank support for CP update. US$25,000 approved at 10th EC Meeting. Contracting of local firm underway.
Nigeria		Discussions with FEPA are continuing. The Country Program for ODS Phaseout will form part of a comprehensive national environmental plan which FEPA is undertaking with Bank assistance.
Slovenia	In Progress	The Bank is contracting the Slovenian Chamber of Economy to prepare the Country Program. Data collection activities are complete. Presentation to the Fund EC is tentatively scheduled for the second meeting of 1994.

5. Status of Project Preparation and Processing. A country-by-country update on status of project implementation and other activities is provided in Attachment A. A brief summary of progress for each country is provided in the next paragraphs.

(a) Argentina. Work in Argentina is proceeding well. A Bank mission visited Argentina in November and in January to finalize the draft Country Program for the Phaseout of Ozone Depleting Substances. The draft Country Program was presented to the GOA in January 1994 and the document is now being reviewed internally by the various ministries involved. Presentation to the Fund Executive Committee is expected shortly. Over 40 different investment projects were identified by the Bank during the preparation of the Country Program. The Bank is now awaiting the go-ahead from the Government on sectoral priorities and projects which should be prepared for funding by the Multilateral Fund.

(b) Brazil. On December 17, 1993, the Bank and FINEP (the government-appointed financial intermediary) signed a grant for an amount of about US$10.8 million. This Umbrella Agreement will now allow the faster processing of investment operations. Project identification and preparation has picked up significantly over the last three months and FINEP is actively pursuing project identification. Several projects are now under consideration by FINEP. Work on the Country Program which is to be funded through the Umbrella Grant Agreement is also proceeding. A Bank mission visited Brazil in January to kick-off project implementation. Two projects were finalized during this mission and are being finalized for presentation to the EC.

(c) Chile. The Project was approved by Bank management on June 1, 1993. A Bank mission visited Chile in December 1993 to supervise the Project. Implementation is now in progress and disbursements have begun. Additional projects are being identified, including a demonstration project for the phaseout of methyl bromide.

(d) China. The Grant Agreement for China ODS I (US$6.82 million) was signed by H.E. the Ambassador of the People's Republic of China at World Bank Headquarters on November 30, 1993. As reported earlier, the Bank agreed with the Government of China to process the 50 percent CFC foams project as the China ODS II. China has recently devaluated its currency and the impact of this on the China ODS II is presently being evaluated. Negotiations for China ODS II are expected to be initiated shortly. Several subprojects that are part of China ODS III have been prepared and are being presented to the 12th meeting of the EC. Furthermore, the Bank has agreed to provide China with a project preparation advance in the amount of US$320,000, to prepare additional projects for presentation in 1994. During the appraisal mission for China ODS II (December 1993), the Bank discussed with GOC the work program for 1994 and agreed on an aggressive program which could result in a significant increase in the number of operations presented for funding during 1994. Activities of the Financial Intermediary (China Investment Bank) have been initiated.

(e) Ecuador. The Grant Agreement for Ecuador ODS I was signed by the Bank and GOE on October 18, 1993. A project kick-off mission was held shortly thereafter to initiate project implementation. Project-related disbursements are anticipated to be initiated shortly. No other significant issues to report.

(f) Egypt. Activities in Egypt in 1993 focused essentially on the MCMC compressor project. The Bank received a letter from the Egyptian Environmental Affairs Agency which indicated that the Bank would be asked to implement projects in the industrial and commercial refrigeration sectors. Following this, the Bank will be initiating discussions with GOE to clearly outline the Bank's efforts in this sector in order not to duplicate efforts of other implementing agencies. The MCMC compressor project was successfully appraised in June and final project is almost complete. Disbursements on the Project is expected to be initiated shortly after the agreement is signed with MCMC.

(g) Guatemala. The Bank's activities in Guatemala were completed earlier this year when the Country Program was finalized and the other agencies were requested to undertake project preparation. The Government of Guatemala recently requested the Bank's assistance to identify and prepare projects and the Bank is coordinating its efforts with other agencies to initiate this activity.

(h) India. During the 5th Meeting of the parties in Bangkok, the Bank and India's Ministry of Environment and Forest (MOEF) held discussions on preparation of the work program for 1994 and agreed on a course of action which forms the basis of the Bank's 1994 Work Program for India. During the period July-December 1993, several ODS phaseout projects were identified and prepared. A total of 26 subprojects totalling over US$11.2 million were finalized, technically reviewed by the OORG and cleared by the Bank for presentation to the Fund EC. Several of these projects were cleared and presented to the 11th Meeting of the EC while additional projects were cleared for presentation to the 12th Meeting to be held in March 1994. Projects approved at the 10th Meeting will form India ODS I while projects approved at the 11th and subsequent Meetings will form ODS India II.

(i) Indonesia. Projects totalling over US$4.5 million were approved at the 11th EC Meeting. Appraisal of the Project was carried out in January 1994 and project processing is scheduled to be completed in May 1994. The pipeline of identified projects now consists of over US$10 million and will be channeled through an umbrella agreement of US$17 million.

(j) Jordan. The Grant Agreement was signed on September 17, 1993. The use of the line-of-grant subproject (US$800,000) resulted in a revised distribution of resources to projects in the aerosol and foam sectors, which provided for much improved cost effectiveness. The first supervision mission took place in February 1994. The Project cost of the LPG purification subproject is being revised to reflect small changes in project design. The local coordination unit (Ozone Project Implementation Unit) has been established.

(k) Malaysia. The Bank is negotiating with a local firm to lead the review of the Malaysia Country Program and to support the preparation of subprojects for presentation to the Multilateral Fund. An international consulting firm will also be retained to support the project preparation efforts. A project preparation workshop is tentatively scheduled for May/June or about 3 months after the contract is signed with the local firm. Progress is also being made on the halon recycling project. Assistance is being provided in preparing the bidding documents and the USEPA will provide training to the Fire Services Department.

(l) Mexico. The US$4 million line of grant has become effective and 4 subprojects (none over US$500,000) have been approved for a total value of about US$0.8 million. The approved projects are as follows:

(i) Climas Jimenez - US$30,690 - Recovery/Recycling

(ii) Termodinamica Mexicana - US$61,325 - Recovery/Recycling

(iii) Instituto Mexicana del Seguro Social - US$494,600 - Recovery/Recycling

(iv) Refrigeracion Ojeda - US$225,000 - Refrigeration

A supervision mission visited Mexico the week of February 7 to supervise the implementation of ODS I and II. Additional projects have been reviewed and are in final stages of preparation. Projects over US$500,000 will be submitted to the

Fund Executive Committee for final approval. The project pipeline is finally taking shape and no additional delays in utilizing the line-of-grant are anticipated.

(m) Morocco. The Bank and GOM are discussing the modalities of their cooperation on ozone layer protection activities.

(n) Nigeria. Nigeria's Department of the Environment and the Bank agreed on a short list of consulting firms to prepare bids for the preparation of Nigeria's Country Program. Request for proposals were received by the consulting firms in early September and proposals submitted by November. The Bank has ongoing discussions on the initiation of these activities with GON. ODS work in Nigeria will form part of broader discussions on the national environmental action plan.

(o) Pakistan. Following a request from the Government of Pakistan for assistance in the identification and preparation of investment operations to be funded by the Multilateral Fund, the Bank obtained a Work Program amendment at the 11th EC meeting to initiate work. A reconnaissance mission visited Pakistan in November to discuss and establish the modalities of the Bank's assistance on MP-related issues. The Bank is cooperating closely with other agencies.

(p) Philippines. Project and legal documents were sent to the Government of the Philippines in July 1993. Following a comprehensive review, the GOP recently provided the Bank with feedback on the legal document pertaining to the ODS I Project. A Bank mission visited the Philippines in January to finalize discussions on the Grant Agreement.

(q) Thailand. Project preparation for the Thailand ODS II Project has been agreed to with the Government of Thailand. The Bank is to initiate activities in the near future. A draft report on the Thai Airways Project has been prepared and is being reviewed. Processing of the first project (prepared as an Umbrella Grant Agreement) has begun and is expected to be completed by April 1994. This project will also include the MAC recycling project which was approved by the EC in 1992. Discussions are ongoing with UNIDO, who has expressed interest in implementing the project locally.

(r) Tunisia. GOT is reviewing the Country Program which was recently translated into French. The Tunisia ODS I Project was appraised in October and the legal documents were forwarded soon thereafter. In order to accelerate the establishment of the local coordinating body, the Bank has prepared a Project Preparation Advance which it forwarded to the Government of Tunisia for approval.

(s) Turkey. The final project and legal documents were cleared for signature on December 27, 1993 and the Grant Agreement signed on January 24, 1994. The GOT has requested the Bank to consider a second refrigeration-sector project with Profilo. Discussions have been initiated. A reconnaissance mission by IFC is also planned for Turkey in March 1994.

(t) Venezuela. Implementation of the Plasticos Molanca project is ongoing and is expected to be completed by the middle of the year. Disbursements are nearing 75 percent of project cost. This project will phase out over 200 tons of ODS and will be the first project to be completed by the Bank, although several others are now underway. Processing of the second approved project for Venezuela (Conversion of CFC chillers to non-CFC substitutes) is back on track after hesitations on the part of one of the project participants were successfully resolves. This situation is presently being monitored by FONDOIN with the assistance of the Bank in order to finalize the legal agreements with each of the project participants. Planning for the appraisal of the AAISA and FAACA (approved at the 11th EC Meeting) are being finalized. Project appraisal is scheduled for March/April. Project preparation is proceeding, with a second project for AAISA planned for presentation shortly.

(u) Global Solvents. An interim progress report has been issued by ICOLP, the non-profit organization charged of the implementation of the Global Aerosol Project. The final tranche of the Project will be disbursed shortly.

(v) Global Refrigeration. Projects prepared under the Global Refrigeration (for Thailand and India) effort were approved at the 10th Meeting of the Executive Committee. Additional projects have since been prepared in India and these are being presented for approval at the 12th Meeting of the EC. Project preparation work has also been undertaken in China. Following the technology review which was undertaken in Japan, a similar effort was undertaken in Europe. Discussions were held with AEG, Bosch Siemans and Whirlpool. New trends were identified which had not been noticed in Japan, mainly the increased use of hydrocarbon as a foam blowing agent and the introduction of hydrocarbon as a refrigerant fluid. The long term trends are not yet clear and the regionalization of the technology is a distinct possibility. These issues are presently being looked at by the OORG and will be monitored closely.

C. Project Implementation Status: Grant Agreements, Disbursement and Project Impacts.

6. Grant Agreements and Project Preparation Advances. The following MP projects have been approved by the Bank's Regional Vice Presidents or Directors (depending on grant amount) and grant agreements (or letters in case of Project preparation Advances) sent to the governments. The schedule for Director/RVP approval for the six months horizon is presented in Table I-5. Several project approvals are expected in the first months of 1994, including approvals for Turkey, Tunisia, Philippines and Egypt. These approvals should be followed by approvals for projects funded during the 11th EC Meeting, namely Indonesia and India.

Table I-4: World Bank Investment Project Grant Agreement Approvals, as of February 11, 1994

Country	*Project*	*Cost (US$ million)*	*RVP or Director Approval*	*Effectiveness*
Mexico	MAC Recycling and Aerosols (Mexico ODS I Project)	0.18	03/09/92	03/10/93
Philippines	Controlled Substances Engineering Project (project preparation)	0.40	01/14/92	06/03/92
Thailand	Controlled Substances Engineering Project (project preparation)	0.39	01/14/92	08/18/92
China	Project preparation advance on China ODS I and ODS II	1.50	08/10/92	08/10/92
Malaysia	Halons and MAC Recycling (Malaysia ODS I Project)	1.63	05/29/92	11/06/92
Mexico	Ozone Protection Policy and Institutional Strengthening Project (Mexico ODS II Project)	4.00	11/20/92	12/07/92
Venezuela	Plasticos Molanca (Venezuela ODS I Project)	1.30	04/30/93	05/05/93
Chile	Implementation of Country Program (Chile ODS I)	1.20	06/01/93	10/07/93
Jordan	ODS Phaseout I	1.50	09/16/93	09/17/93
China	China ODS I	6.92	11/30/93	
Brazil	Brazil ODS I (Umbrella Grant Agreement)	10.90	12/17/93	12/17/93
Turkey	Ozone Layer Protection ODS I	6.17	01/24/94	

Table I-5: Schedule for Director/RVP Approval Commitments of MP Projects for a Six Months Horizon

Country	*MP Project*	*Task Manager*	*EC Approval*	*Appraisal*	*Planned Directory RVP Appr.*
China	ODS Phase Out II	Chan	06/93	12/93	05/94
Venezuela	Chiller Retrofit (ODS II)	Rhatigan	10/92	07/93	04/94
Thailand	ODS I	von Ritter	06/93	09/93	04/94
Philippines	ODS I	von Ritter	03/93	04/93	03/94
Egypt	MCMC Compr. (IFC)	Younger	10/92	06/93	03/94
Tunisia	Ozone Layer Protection - ODS I	Steininger	10/92	09/93	03/94
India	ODS I	Hadjitarkhani	06/93		04/94
Indonesia	ODS I	Poppele	11/93	01/94	05/94
Venezuela	FAACA and AAISA	Rhatigan	11/93	03/94	06/94

7. Project-Related Disbursements. The following Montreal Protocol projects and project preparation activities have disbursed a total of US$2,757,932 as of January 31, 1994, double the amount reported in the last Progress report:

Table I-6 World Bank Investment Project Disbursements, as of 01/31/94

Project Name	*Approved Commit. Amount (US$ m)*	*Effectiveness Date*	*Disbursement (US$ m) Cumulative Total Since Inception*
MP Investment Projects			
Philippines Engineering Project	0.400	06/03/92	0.393675
Thailand Engineering Project	0.390	08/18/92	0.389960
Venezuela Plasticos Molanca	1.300	05/05/93	0.874297
Mexico MAC Recycling & Aerosols	0.180	03/10/92	0.000000
Malaysia Halons & MAC Recycling	1.630	11/06/92	0.000000
Mexico Ozone Protection Policy	4.000	12/07/92	0.400000
Chile ODS Phaseout	1.200	10/07/93	0.100000
Jordan - TA and Investment Project	1.500	09/17/93	0.000000
Ecuador - ODS Phaseout I	1.570	10/18/93	0.150000
China - ODS Phaseout I	6.970		0.000000
Brazil - ODS Phaseout I	10.900	12/17/93	0.000000
Turkey - Ozone Protection	6.190		0.000000
Subtotal MP	**36.230**		**2.307932**
PPA			
China ODS Phaseout - PPA I	1.500	08/10/92	0.350000
China ODS Phaseout - PPA II	0.300	05/28/93	0.100000
Indonesia	0.250	08/05/93	0.000000
Subtotal PPA	**2.050**		**0.450000**
TOTAL	**38.280**		**2.757932**

8. Project Impacts. As the various ODS phaseout projects move into the implementation phase, the Progress Report will provide additional details on the actual impacts (both quantitative and qualitative) of the projects on ODS phaseout and on the capacities of the institutions which are involved in the ODS phaseout activities. This section could also provide examples of how project implementation difficulties were addressed and establish what lessons have been learned.

II. Operational, Policy and Other Issues

9. Implementing Agency Coordination. The Bank met with the Fund Secretariat and implementing agencies at a coordination meeting in Montreal on January 7, 1994. The Bank and UNIDO are continuing their discussions concerning cooperation on project preparation activities in Argentina, where UNIDO has a very active resident mission. The Bank has also initiated discussions with the Government of Pakistan and the other agencies (UNEP and UNDP) on coordination of project preparation and Country Program activities. The Bank is also expected to meet with the Fund Secretariat on February 18, 1994.

10. On January 31, 1994, the Bank met with UNEP Treasurer and Secretariat Administrator at Bank headquarters in Washington, D.C., to discuss the use of promissory notes (i.e., cash management) and the standardization of financial reporting. The highlighted discussions provided the participants with a better understanding of the legal requirements of the Bank as an implementing agency of the Multilateral Fund and the conditions under which it could move to a cash management basis. The Bank is expected to review the report of the UNEP Treasurer before it is presented to the Fund EC.

11. Streamlining of Project Approval Procedures. During the 11th Meeting of the Fund Executive Committee in Bangkok, Thailand, the Bank participated in discussions pertaining to the streamlining of activities of the Fund Executive Committee. During these discussions, the paper prepared by the Secretariat and the USA/Canada paper were discussed at length. The Bank also tabled additional proposals on the streamlining of operations. The EC decided to consider the Bank's paper at the next EC meeting. The paper presented by the Bank is again presented in Attachment C. The Bank's proposal consists in the implementation of an EC-sanctioned project approval procedure, where the approval of subprojects of values of less than US$500,000 is delegated to the implementing agencies.

12. Technical Review. The Fund Secretariat prepared a draft paper on the project review which was discussed at the coordination meeting on January 7, 1994. The draft paper raised several issues of particular concern to the Bank and these points were communicated to the Secretariat in time for their consideration in the final review of the document.

13. 5th Meeting of The Parties. In November 1993, the Bank participated as an observer to the 5th Meeting of the Parties in Bangkok, Thailand. The Bank addressed the preparatory meeting of the Parties and provided a briefing on the impact of the first two of Bank operations as an implementing agency of the Multilateral Fund.

14. Bank Procedures for Investment Operations Financing by the Multilateral Fund of the Montreal Protocol (OP/BP 10.21). On December 7, 1993, Operational Policy/Bank Procedures 10.21 (OP/BP 10.21, Investment Operations Financed by the Multilateral Fund of the Montreal Protocol) was formally issued as the Bank's guidelines on procedures which are specific to MP investment operations. OP/BP document MP-specific policies such as taxability of grants and disclosure of information, and formally recognizes special provisions of MP operations such as Permission to Proceed decisions and the use of Umbrella Grant Agreement as a means of

channeling funds to eligible recipients of Multilateral Fund resources. A copy of the document is presented in Attachment B.

15. Monthly Operations Report. The Bank's MP Operations team has been issuing a Monthly Operations Report (MOR) since July 1993. The MOR outlines the progress and issues on Bank implemented MP investment operations. A tentative distribution list has been established for both in-Bank and external constituents. Members of the Fund Executive Committee, Fund Secretariat and other implementing agencies are on the distribution list. Extra copies of the Progress Report will be made available at the meetings of the Executive Committee.

16. Issues and Options in the Production Sector. The Bank has initiated discussions with China, India and Venezuela on projects in the sector of production of non-ODS as substitutes for CFCs. As agreed with the Secretariat in the July coordination meeting, the Bank has prepared project concepts which it presented at the 11th Meeting of the Executive Committee. The Bank has also undertaken a review of the issues concerning the determination of incremental costs in the chemical production sector. This effort will also lead to a proposal on considerations on how best to calculate incremental costs under different scenarios.

17. Upcoming Events. MP meetings and other events of importance to Bank operations are provided below for a 6 month horizon:

Table II-1: Montreal Protocol Activities - 6 Month Horizon

Meeting/Event	*Place and Date*
5th Meeting of the Ozone Operations Resource Group and Orientation Workshop for OORG and New Consultants	Washington, DC, February 16-17, 1994
12th Meeting of the Fund Executive Committee	Montreal, March 28-30, 1994

III. Financial Data and Status

18. The tables listed below and presented in the following pages present the status of the World Bank's MP work program budget, financing and commitments:

Table III-1: Fund Receipts, Uses and Balances

Table III-2: Work Program Budget Summary (Part A and B)

Table III-3: CY93 Planned Approvals/Commitments

19. Fund Receipts, Uses and Balances. Since the last Progress Report, the Bank has received transfers of US$27.71 million for project investments and work program activities from the Multilateral Fund. A discrepancy of about US$77,000 was noted and communicated to the UNEP Treasurer. The transfer of this amount is expected shortly. The planned commitments for CY94 stand at US$50 million which represent the outstanding approvals for projects approved in 1993 and 1992. The total commitments in 1993 were double that of 1992.

20. Work Program Budget Summary. The CY94 Work Program Budget Summary in Table III-2 (Part A) provides a country-by-country account of expenditures on country programs, project preparation and processing, and general administrative and coordination functions. As of December 30, 1993, the total expenditures logged to date in the Bank's administrative system is about US$3.68 million, or about 90 percent of the initial work program allocation of US$4 million, indicating a good level of activity. The table has been modified slightly to clearly outline what portion of the work program budget is being utilized for the support of the portfolio and which is directed at developing the pipeline. Also, the work program amendments are clearly identified to give the reader an indication of the cumulative work program amendments in CY93. Table III-2 (Part B) provides the proposed budget for CY94 and the carryover amounts from CY93. The proposed budget is being requested through the Bank's 1994 Work Program.

21. Planned Commitments. Table III-3 presents the status of MP project commitments by the Bank for those projects having received final approval by the Executive Committee. Additional commitments since the last Progress Report include projects for Brazil, Chile, China, Ecuador and Jordan. An additional three commitments are expected in 1Q94 and an additional eight in 2Q94, including projects approved at the 11th EC Meeting.

22. Project Financial Status. Project financing has been authorized for Brazil, Chile, China, Ecuador, Egypt, India, Jordan, Malaysia, Mexico, the Philippines, Thailand, Tunisia, Turkey and Venezuela. As of February 11, 1994, total Bank commitments stood at US$23.76 million for fourteen projects/advances. Eight of these are now disbursing, an increase of four since the last report. World Bank Montreal Protocol project disbursements for projects total US$2,757,932 as of January 31, 1994 (refer to Table I-6).

Table III-1

MULTILATERAL FUND OF THE MONTREAL PROTOCOL

World Bank Work Program

Fund Receipts, Uses and Balances

(In US$ million)

As of December 31, 1993

	CY91/92 Actuals	CY93 Actuals a/	Cumulative Actuals from Inception thru end-CY93	CALENDAR YEAR 1994 Planned CY94 Work Prog.	CALENDAR YEAR 1994 Estim.Cum.Uses thru end-CY94 b/
I. FUND RECEIPTS (through 12/31/93)					
Contributions	$42.315	$43.553	$85.868		$85.868
Investment Income	$0.747	$1.737	$2.484		$2.484
TOTAL FUND RECEIPTS	$43.062	$45.290	$88.352		$88.352
II. FUND USES					
A. Workprogram Costs					
- CPs and Studies	$1.015	$0.127	$1.142	$0.344	$1.487
- Project Preparation	$2.006	$2.650	$4.656	$4.817	$9.473
- Administrative Costs	$1.157	$0.820	$1.977	$1.119	$3.096
-OORG	$0.080	$0.085	$0.165	$0.300	$0.465
Sub-total WP Costs	$4.258	$3.682	$7.940	$6.580	$14.520
B. Project Commitments					
- Pre-inv. Activities	$2.470	$0.550	$3.020	$0.550 c/	$3.340 d/
- Project Financing	$5.630	$15.100	$20.730	$80.000 c/	$73.420 d/
Sub-total Project Costs	$8.100	$15.650	$23.750	$80.550	$76.760
TOTAL FUND USES	$12.358	$19.332	$31.690	$87.130	$91.280
III. FUND BALANCES					
EXCESS OF RECEIPTS (USES)	$30.705	$25.958	$56.662		($2.928)
FUND BALANCE AT BEGINNING OF PERIOD		$30.705	$0.000		
FUND BALANCE AT END OF PERIOD	$30.705	$56.662	$56.662		($2.928)

a/ Financial data as of December 31, 1993; includes the additional contribution of $11.14 m received on December 16, 1993.

b/ Cash requirement projected for CY94 is shown in fund balances, i.e. surplus or deficit in brackets; Additional fund transfer from the UNEP Treasurer is necessary when a deficit is indicated in this column and when a grant agreement is to be signed.

c/ Planned projects to be presented to the MP Executive Committee during CY1994.

d/ Actual workprogram costs and project commitments thru CY93 and planned project approvals/commitments by Bank Management (see Table 4: CY94 Planned Approvals/Commitments) during CY1994.

TABLE III-2 (PART A)
Multilateral Fund of the Montreal Protocol
SUMMARY OF CY1993 WORK PROGRAM BUDGET

COUNTRY	PROJECT ID	CY1993 ORIGINAL PLAN CP/ STUDIE	CY1993 ORIGINAL PLAN PROJECT PREP/SUPN	CY1993 ORIGINAL PLAN TOTAL	CY1993 AMENDMENTS CP/ STUDIE	CY1993 AMENDMENTS PROJECT PREP/SUPN	CY1993 AMENDMENTS TOTAL	CY1993 PLAN WITH AMENDMENTS CP/ STUDIE	CY1993 PLAN WITH AMENDMENTS PROJECT PREP/SUPN	CY1993 PLAN WITH AMENDMENTS TOTAL	CY1993 PRELIMINARY ACTUALS CP/ STUDIES	CY1993 PRELIMINARY ACTUALS PROJECT PREP/SUPN	CY1993 PRELIMINARY ACTUALS TOTAL	BALANCE/CARRYOVER FROM CY93 BUDGET PLUS AMENDMENTS CP/ STUDIE	BALANCE/CARRYOVER PROJECT PREP/SUPN	BALANCE/CARRYOVER TOTAL
Algeria	5ALGMT001			0			0	0	0	0	0	676	676	0	-676	-676
Argentina	6ARGMT001	85,000	63,000	148,000		100,000	100,000	85,000	163,000	248,000	85,000	199,476	284,476	0	-36,476	-36,476
Brazil	6BRAMT001	30,000	112,000	142,000			0	30,000	112,000	142,000	1,472	91,612	93,084	28,528	20,388	48,916
Chile	6CHLMT001		82,890	82,890			0	0	82,890	82,890	0	72,009	72,009	0	10,881	10,881
China	4CHAMT001		241,000	241,000			0	0	241,000	241,000	0	192,333	192,333	0	48,667	48,667
China	4CHAMT002		85,000	85,000			0	0	85,000	85,000	0	84,152	84,152	0	848	848
China	4CHAMT003			0		200,000	200,000	0	200,000	200,000	0	63,976	63,976	0	136,024	136,024
Ecuador	6ECUMT001		68,000	68,000			0	0	68,000	68,000	0	81,231	81,231	0	-13,231	-13,231
Egypt	7EGTMH120		112,200	112,200			0	0	112,200	112,200	0	42,224	42,224	0	69,976	69,976
Egypt				0			0	0	0	0	0	0	0	0	0	0
Guatemala			47,000	47,000			0	0	47,000	47,000	0	33,512	33,512	0	13,488	13,488
India	8INDMT001			0		400,000	400,000	0	400,000	400,000	0	360,958	360,958	0	39,042	39,042
India	8INDMT002			0		100,000	100,000	0	100,000	100,000	0	59,281	59,281	0	40,719	40,719
Indonesia	4INSMT001		206,000	206,000			0	0	206,000	206,000	0	207,805	207,805	0	-1,805	-1,805
Indonesia				0			0	0	0	0	0	0	0	0	0	0
Jordan	5JORMT001	8,200	123,200	131,400			0	8,200	123,200	131,400	8,200	84,553	92,753	0	38,647	38,647
Malaysia	4MAYMT001		28,200	28,200			0	0	28,200	28,200	0	29,116	29,116	0	-916	-916
Malaysia	4MAYMT002			0	25,000	75,000	100,000	25,000	75,000	100,000	0	16,657	16,657	25,000	58,343	83,343
Mexico	6MXCMT001/2		123,400	123,400			0	0	123,400	123,400	0	58,014	58,014	0	65,386	65,386
Mexico	6MXCMT003			0			0	0	0	0	0	0	0	0	0	0
Nigeria		35,100	62,500	97,600			0	35,100	62,500	97,600	24,072	0	24,072	11,028	62,500	73,528
Pakistan	ODSI			0		100,000	100,000	0	100,000	100,000	0	8,956	8,956	0	91,044	91,044
Philippines	4PHLMT001			0			0	0	0	0	0	0	0	0	0	0
Philippines	4PHLMT002		194,550	194,550			0	0	194,550	194,550	0	65,329	65,329	0	129,221	129,221
Philippines	4PHLMT003					150,000	150,000	0	150,000	150,000	0	0	0	0	150,000	150,000
Slovenia	7SLOMT001			0	50,000	100,000	150,000	50,000	100,000	150,000	0	0	0	50,000	100,000	150,000
Thailand	4THLMT001		190,000	190,000			0	0	190,000	190,000	0	179,219	179,219	0	10,781	10,781
Thailand	4THLMT002			0		150,000	150,000	0	150,000	150,000	0	45,691	45,691	0	104,309	104,309
Thailand	4THLMT003			0			0	0	0	0	0	6,760	6,760	0	-6,760	-6,760
Tunisia	5TUNMT001/2	8,200	165,800	174,000			0	8,200	165,800	174,000	8,200	161,934	170,134	0	3,866	3,866
Turkey	7TURMT001		140,400	140,400			0	0	140,400	140,400	0	183,081	183,081	0	-42,681	-42,681
Uruguay				0			0	0	0	0	0	0	0	0	0	0
Venezuela	6VENMT001/2		156,200	156,200			0	0	156,200	156,200	0	179,505	179,505	0	-23,305	-23,305
Venezuela	FAACA			0			0	0	0	0	0	0	0	0	0	0
Venezuela	AAISA			0			0	0	0	0	0	0	0	0	0	0
Venezuela	Air Conditioners			0			0	0	0	0	0	0	0	0	0	0
Solvents & Refrig.	1WLDMT001		455,000	455,000			0	0	455,000	455,000	0	141,501	141,501	0	313,499	313,499
Global Aerosol	1WLDMT002			0		350,000	350,000	0	350,000	350,000	0	69	69	0	349,931	349,931
S-T Work Program Costs		166,500	2,656,340	2,822,840	75,000	1,725,000	1,800,000	241,500	4,381,340	4,622,840	126,944	2,649,630	2,776,574	114,556	1,731,710	1,846,266
Adm/Legal/Financial Costs				1,179,100						1,179,100			905,159			273,941
GRAND TOTAL				4,001,940			1,800,000			5,801,940			3,681,733			2,120,207

CY94MP2.XLS/2/10/94

Table III-2 (PART B)
Multilateral Fund of the Montreal Protocol
SUMMARY OF CY1994 WORK PROGRAM BUDGET

COUNTRY	PROJECT ID	BALANCE/CARRYOVER FROM CY93 BUDGET PLUS AMENDMENTS			CY1994 PLAN/BUDGET			CY1994 WORK PROGRAM BUDGET REQUEST		
		CP/ STUDIE	PROJECT PREP/SUPN	TOTAL	CP/ STUDIES	PROJECT PREP/SUPN	TOTAL	CP/ STUDIES	PROJECT PREP/SUPN	TOTAL
Algeria	5ALGMT001	0	-676	-676	0	100,000	100,000	0	100,676	100,676
Argentina	6ARGMT001	0	-36,476	-36,476	30,000	192,929	222,929	30,000	229,405	259,405
Brazil	6BRAMT001	28,528	20,388	48,916	49,400	164,380	213,780	20,872	143,992	164,864
Chile	6CHLMT001	0	10,881	10,881	0	30,208	30,208	0	19,327	19,327
China	4CHAMT001	0	48,667	48,667	0	79,000	79,000	0	30,333	30,333
China	4CHAMT002	0	848	848	0	110,000	110,000	0	109,152	109,152
China	4CHAMT003	0	136,024	136,024	0	660,000	660,000	0	523,976	523,976
Ecuador	6ECUMT001	0	-13,231	-13,231	0	30,000	30,000	0	43,231	43,231
Egypt	7EGTMH120	0	69,976	69,976	0	50,000	50,000	0	-19,976	-19,976
Egypt		0	0	0	0	25,000	25,000	0	25,000	25,000
Guatemala		0	13,488	13,488	0	55,000	55,000	0	41,512	41,512
India	8INDMT001	0	39,042	39,042	0	70,837	70,837	0	31,795	31,795
India	8INDMT002	0	40,719	40,719	0	775,000	775,000	0	734,281	734,281
Indonesia	4INSMT001	0	-1,805	-1,805	0	128,899	128,899	0	130,704	130,704
Indonesia		0	0	0	0	167,312	167,312	0	167,312	167,312
Jordan	5JORMT001	0	38,647	38,647	0	72,900	72,900	0	34,253	34,253
Malaysia	4MAYMT001	0	-916	-916	0	35,815	35,815	0	36,731	36,731
Malaysia	4MAYMT002	25,000	58,343	83,343	25,000	66,610	91,610	0	8,267	8,267
Mexico	6MXCMT001/2	0	65,386	65,386	0	52,286	52,286	0	-13,100	-13,100
Mexico	6MXCMT003	0	0	0	0	100,000	100,000	0	100,000	100,000
Nigeria		11,028	62,500	73,528	150,000	100,000	250,000	138,972	37,500	176,472
Pakistan	ODSI	0	91,044	91,044	0	133,191	133,191	0	42,147	42,147
Philippines	4PHLMT001	0	0	0	0	0	0	0	0	0
Philippines	4PHLMT002	0	129,221	129,221	0	136,027	136,027	0	6,806	6,806
Philippines	4PHLMT003	0	150,000	150,000	0	94,900	94,900	0	-55,100	-55,100
Slovenia	7SLOMT001	50,000	100,000	150,000	50,000	100,000	150,000	0	0	0
Thailand	4THLMT001	0	10,781	10,781	0	0	0	0	-10,781	-10,781
Thailand	4THLMT002	0	104,309	104,309	0	129,433	129,433	0	25,124	25,124
Thailand	4THLMT003	0	-6,760	-6,760	0	81,302	81,302	0	88,062	88,062
Tunisia	5TUNMT001/2	0	3,866	3,866	0	76,296	76,296	0	72,430	72,430
Turkey	7TURMT001	0	-42,681	-42,681	0	30,000	30,000	0	72,681	72,681
Uruguay		0	0	0	0	100,000	100,000	0	100,000	100,000
Venezuela	6VENMT001/2	0	-23,305	-23,305	40,040	83,236	123,276	40,040	106,541	146,581
Venezuela	FAACA	0	0	0	0	47,190	47,190	0	47,190	47,190
Venezuela	AAISA	0	0	0	0	47,190	47,190	0	47,190	47,190
Venezuela	Air Conditioners	0	0	0	0	28,665	28,665	0	28,665	28,665
Solvents & Refrig.	1WLDMT001	0	313,499	313,499	0	313,499	313,499	0	0	0
Global Aerosol	1WLDMT002	0	349,931	349,931	0	349,931	349,931	0	0	0
S-T Work Program Costs		114,556	1,731,710	1,846,266	344,440	4,817,036	5,161,476	229,884	3,085,326	3,315,210
Adm/Legal/Financial Costs				273,941			1,418,946			1,145,005
GRAND TOTAL				2,120,207			6,580,422			4,460,215

Table III-3

CY94 PLANNED APPROVALS/COMMITMENTS
(in US$ million)
As of 11 February 1993

Country	No. of Projs.	Project Type	Total Project Cost	Planned Bank Approvals/Commitments CY1994 Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL COMMIT.	CY94 ACTUAL APPROV.	ACTUAL APPROVALS CY93		CY92
I. EC AUTHORIZED/PROJECTS IN WORK PROGRAM a/												
Brazil	1	Project Financing I	2.93							2.93	c/	
Chile	1	Project Financing I	1.21							1.21		
China	1	Project Financing I	6.60							6.60		
China	1	Project Financing II	5.19		5.19			5.19				
China		Project Financing I (PPA)	1.50									1.50
China		Project Financing II (PPA)	0.30							0.30		
China		Project Financing III (PPA)	0.32	0.32				0.32				
Ecuador	1	Project Financing I	1.57							1.57		
Egypt	1	Project Financing I	2.80	2.80				2.80				
India	1	Project Financing I	1.25		1.25			1.25				
India	1	Project Financing I	2.13		2.13			2.13				
Indonesia		Project Financing I (PPA)	0.25							0.25		
Indonesia	1	Project Financing I	4.56		4.56			4.56				
Jordan	1	Project Financing I	1.50							1.50		
Malaysia	1	Project Financing I	1.63									1.63
Mexico	1	Demonstration Proj.	0.18									0.18
Mexico	1	Project Financing I	4.00									4.00
Philippines	1	Engineering Proj.	0.40									0.40
Philippines	1	Project Financing I	11.93	11.93				11.93				
Thailand	1	Engineering Proj.	0.39									0.39
Thailand	1	Project Financing I	11.67		11.67			11.67				
Tunisia	1	Project Financing I	1.79	1.79				1.79				
Turkey	1	Project Financing I	6.17						6.17			
Venezuela	1	Project Financing I	1.30							1.30		
Venezuela	1	Project Financing II	1.10		1.10			1.10				
Venezuela	1	FAACA	3.48		3.48			3.48				
Venezuela	1	AISA	0.62		0.62			0.62				
WP Sub-total	**23**		**76.76**	**16.84**	**30.00**			**46.84**	**6.17**	**15.66**		**8.10**
II. PROJECT PIPELINE b/												
Argentina	1	Project Financing I										
Brazil	1	Project Financing II										
China	1	Project Financing III										
Indonesia	1	Project Financing I										
India	1	Project Financing II										
Malaysia	1	Project Financing II										
Philippines	1	Project Financing II										
Slovenia	1	Project Financing I										
Thailand	1	Project Financing II										
Venezuela	1											
PP Sub-total	**10**											
GRAND TOTAL	**33**		**76.76**	**16.84**	**30.00**			**46.84**	**6.17**	**15.66**		**8.10**

a/ As shown in the Bank's CY93 Work Program presented to the MP Executive at its Ninth meeting held on March 8-10, 1993, adjusted for those investment projects approved at subsequent meetings.
b/ Planned projects to be presented to the MP Executive Committee. Amounts to be determined.
c/ These projects were approved in principle by the EC and will be resubmitted for final approval.

Definition of Project Types

Project Financing: Relatively large, multi-million dollar, multi-project, investment packages, meeting Montreal Protocol project criteria and implementation guidelines, which will often be disbursed through financial intermediaries on terms to be determined by country Governments, within the context of the country's Country Program, related policies and institutional arrangements.

Pre-inv. Activities: Activities preceding major project identification and design which are effectively engineering design projects, demonstration or pilot projects or research and development.

SUMMARY PROGRESS REPORT - PART I: ACTIVITIES UNDERWAY

has been included in the

Consolidated Progress Report UNEP/OzL.Pro/ExCom/12/7

Attachment B

OP/BP 10.21: INVESTMENT OPERATIONS FINANCED BY THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF MONTREAL PROTOCOL

Global Environment Coordination Division, Environment Department

THE WORLD BANK

Investment Operations Financed by the Multilateral Fund for the Implementation of the Montreal Protocol

Eligibility

Countries

1. Developing countries are eligible to receive grants from the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP) if they have ratified the Montreal Protocol (MP), their annual per capita consumption of the ozone-depleting substances controlled by the Protocol is less than 0.3 kg, and they meet any other criteria established by the MFMP (see OP 10.21, Annex A, *The Montreal Protocol*). Agencies and companies within such eligible countries may receive MFMP grants if they have the explicit support of the government.

Activities

2. Activities that are eligible for funding from the MFMP conform to the criteria established by the Parties[1] (see OP 10.21, Annex B, *Eligible Activities*) and to the policies established by the Executive Committee of the MFMP. The MFMP funds only the agreed incremental costs[2] of such eligible activities.

Ozone Projects Trust Fund

3. Funding for implementation of the Bank's[3] participation in the MP is channeled to recipients through the Ozone Projects Trust Fund (OTF), which the Bank established and administers and which is constituted by funds approved by the MFMP Executive Committee for transfer from the MFMP.

Taxability

4. MFMP grants are not subject to taxation in the recipient/host country; that is, grants are not considered as income for the purpose of taxation. In case of doubt, the recipient/host government is requested to certify that fact, in terms satisfactory to the Bank, prior to the disbursement of the grant. Furthermore, the proceeds of the grant may not be used to pay for import tariffs, duties, or value-added taxes, except for locally supplied goods that can be obtained off the shelf.

Disclosure of Information

5. The Parties have indicated that activities under the MP should be carried out in a transparent manner, with full information available promptly on activities funded under the MFMP. As an implementing agency of the MFMP, the Bank is accountable to the Parties, and its policy of openness about projects and other MP-related activity is consistent with their wishes.[4] The principles of Bank policy on and procedures for disclosing operational information on activities

1. The Parties are defined in OP 10.21, Annex A, *The Montreal Protocol.*
2. An indicative list of incremental costs is provided in OP 10.21, Annex B, *Eligible Activities*.
3. "Bank" includes IDA.
4. The Bank's operational policies are set out in OP 17.50, *Disclosure of Operational Information* (forthcoming); procedures are set out in BP 17.50, *Disclosure of Operational Information*.

Note: Questions may be addressed to the Chief, Global Environment Coordination Division.

funded under the Global Environment Facility (see BP 17.50, Annex A, *Application of the Bank's Disclosure Policy to Projects under the Global Environment Facility*) apply to projects financed under the MFMP. The procedures for the release of specific documents for MP operations are detailed in BP 10.21. Procedures for the release of any documents not referred to in this statement are provided for in *Directive on Disclosure of Information* (Washington, D.C.: World Bank and International Finance Corporation, 1993, forthcoming).[5]

Effectiveness

6. Procedures relating to the disclosure of information on projects financed under the MP took effect on October 1, 1993. Requests for MP project documents produced before that date are handled individually by the Global Environment Coordination Division.

Project Approval Authority

7. Projects smaller than $500,000 are preappraised and approved by Bank management and then incorporated into the Bank's work programs for review by the MFMP Executive Committee.

8. Projects and subprojects larger than $500,000 are prepared, preappraised, and reviewed by the Bank and, once approved by the Bank, are submitted for approval to the MFMP Executive Committee. Such operations are then appraised by Bank staff, reviewed by Bank management, and processed according to the procedures set out in BP 10.21.

9. Normally, MP operations are freestanding investment operations; however, if they are components of Bank-financed projects, they are approved by Bank management subject to Board approval of the associated Bank-financed project.

Project Preparation Advances

10. To assist prospective recipients in preparing substantial investment operations to be financed by grants from the OTF, a project preparation window has been established under the OTF. OTF Project Preparation Advances (PPAs) are limited to a maximum of US$1.5 million per proposed project. The eligibility criteria that apply to regular MP proposed projects apply to OTF-PPAs.

Special Provisions

Permission to Proceed

11. When subprojects are not yet well enough defined to allow final approval by the MFMP Executive Committee, the Bank may ask for "permission to proceed" with further preparation. Permission to proceed allows the Bank to include the subprojects provisionally in its overall operation for a particular country, thus facilitating processing of larger projects at lower administrative cost. Legal documents for operations that include subprojects with permission-to-proceed status must condition disbursements for such subprojects on review/approval by the MFMP Executive Committee (see paras. 7-8) before funds may be withdrawn from the OTF.

Umbrella Agreement

12. The Bank may establish with an eligible party an umbrella agreement for channeling assistance from the MFMP for a period of two to three years. The umbrella agreement provides a line of grants through which individual subprojects may be funded. Such agreements do not require the approval of the MFMP Executive Committee; however, the Executive Committee reviews (projects below $500,00; see para. 7) or approves (projects above $500,000; see para. 8) all projects

5. Also available as AMS 1.10, *Directive on Disclosure of Information* (forthcoming).

and subprojects funded through such agreements. Umbrella agreements may be established before any subprojects are approved by the Executive Committee. Legal documents for subprojects under umbrella agreements must condition disbursements for such subprojects on review/approval by the MFMP Executive Committee before funds may be withdrawn from the OTF.

The Montreal Protocol

1. The Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer (the Parties) are developed and developing countries that have ratified the Montreal Protocol (MP) and the Vienna Convention to phase out substances that deplete the ozone layer. They have established an Executive Committee to develop and monitor the implementation of administrative arrangements for the Multilateral Fund (MFMP) for the implementation of the Montreal Protocol.

2. Implementing agencies for the MFMP are the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO), and the Bank.[1] The general responsibilities of the implementing agencies are as follows: (a) UNDP assists eligible developing countries with preinvestment studies and other technical assistance measures; (b) UNEP administers the MFMP; functions as treasurer; assists in promoting the objectives of the Protocol; carries out research, data-gathering, and clearinghouse functions such as distribution of relevant scientific and technical information to the Parties; and conducts regional workshops; (c) UNIDO develops and executes technical assistance and small-scale investment projects; and (d) the Bank is responsible for investment operations financed under the MFMP and administers and manages the program to finance the eligible incremental costs[2] of phasing out controlled ozone-depleting substances. All four agencies have agreed to cooperate closely in every aspect of MP implementation, including preparing studies and country programs, with leadership agreed among the agencies and beneficiary Parties.

1. "Bank" includes IDA.
2. Incremental costs are defined in OP 10.21, Annex B, *Eligible Activities*.

Eligible Activities

Activities that are eligible for funding by the Multilateral Fund of the Montreal Protocol (MFMP) conform to the following specifications, adopted by the Parties in June 1990.[1] *These specifications are reprinted verbatim from* Report of the Second Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer, *London, June 27-29, 1990 (UNEP/OzL. Pro. 2/3, Annex IV), pp. 42-44.*

Indicative List of Categories of Incremental Costs[2]

1. The evaluation of requests for financing incremental costs of a given project shall take into account the following general principles:

(a) The most cost-effective and efficient option should be chosen, taking into account the national industrial strategy of the recipient party. It should be considered carefully to what extent the infrastructure at present used for production of the controlled substances could be put to alternative uses, thus resulting in decreased capital abandonment, and how to avoid deindustrialization and loss of export revenues;

(b) Consideration of project proposals for funding should involve the careful scrutiny of cost items listed in an effort to ensure that there is no double-counting;

(c) Savings or benefits that will be gained at both the strategic and project levels during the transition process should be taken into account on a case-by-case basis, according to criteria decided by the Parties and as elaborated in the guidelines of the Executive Committee;

(d) The funding of incremental costs is intended as an incentive for early adoption of ozone protecting technologies. In this respect the Executive Committee shall agree which time scales for payment of incremental costs are appropriate in each sector.

2. Incremental costs that once agreed are to be met by the financial mechanism include those listed below. If incremental costs other than those mentioned below are identified and quantified, a decision as to whether they are to be met by the financial mechanism shall be taken by the Executive Committee consistent with any criteria decided by the Parties and elaborated in the guidelines of the Executive Committee. The incremental recurring costs apply only for a transition period to be defined. The following list is indicative:

(a) *Supply of substitutes*

(i) Cost of conversion of existing production facilities:

- cost of patents and designs and incremental cost of royalties;

1. In addition to the definition adopted by the Parties, it is important to note that MP funds contributed for incremental costs should not be subject to any form of national or local taxation.
2. In addition to the types of expenditures indicated, the MFMP has funded projects supporting the development of institutional capacity to support local initiatives and coordination functions.

- capital cost of conversion;
- cost of retraining of personnel, as well as the cost of research to adapt technology to local circumstances;

(ii) Costs arising from premature retirement or enforced idleness, taking into account any guidance of the Executive Committee on appropriate cut-off dates:

- of productive capacity previously used to produce substances controlled by existing and/or amended or adjusted Protocol provisions; and
- where such capacity is not replaced by converted or new capacity to produce alternatives;

(iii) Cost of establishing new production facilities for substitutes of capacity equivalent to capacity lost when plants are converted or scrapped, including:

- cost of patents and designs and incremental cost of royalties;
- capital cost;
- cost of training, as well as the cost of research to adapt technology to local circumstances;

(iv) Net operational cost, including the cost of raw materials;

(v) Cost of import of substitutes;

(b) *Use in manufacturing as an intermediate good*

(i) Cost of conversion of existing equipment and product manufacturing facilities;

(ii) Cost of patents and designs and incremental cost of royalties;

(iii) Capital cost;

(iv) Cost of retraining;

(v) Cost of research and development;

(vi) Operational cost, including the cost of raw materials except where otherwise provided for;

(c) *End use*

(i) Cost of premature modification or replacement of user equipment;

(ii) Cost of collection, management, recycling, and, if cost effective, destruction of ozone-depleting substances;

(iii) Cost of providing technical assistance to reduce consumption and unintended emission of ozone-depleting substances.

Investment Operations Financed by the Multilateral Fund for the Implementation of the Montreal Protocol

Processing of Freestanding MP Operations

1. The processing of operations under the Ozone Projects Trust Fund (OTF) of the Montreal Protocol (MP) follows the general procedures set out in OD 9.00, *Processing of Investment Lending*. The public disclosure of information on projects funded under the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP) is governed by the provisions of OP/BP 17.50, *Disclosure of Operational Information*. This section explains variations and additional procedures that are specific to MP operations.

Identification

2. MP project ideas may be generated by governments, the implementing agencies for the MFMP,[1] nongovernmental organizations, or the private sector. The government in whose territory any operation is to be undertaken must explicitly support the operation before the Bank[2] can present it for approval by the MFMP Executive Committee.

3. *Project Preparation Advance*. Bank staff determine the recipient's need and eligibility for a project preparation advance (PPA) from the OTF.[3]

Project Preparation Documents

4. *Project Information Document*. A Project Information Document (PID) is prepared for MP operations (see Annex B). The MP-PID refers to the proposed technical review arrangements and notes whether an environmental review[4] is necessary.

5. *Project Documents*. The MFMP Executive Committee requires that each project or subproject within an operation be described in a separate Project Document (see Annex C) that includes a Project Cover Sheet and Summary (see Annex C1). The prospective recipient prepares the Project Documents (with assistance from the Bank, if necessary). The task manager summarizes each Project Document in a paragraph; together, these summaries constitute a technical annex to the PID.

6. *Technical Review*. To ensure quality, each project or subproject covered by the MP-PID is subjected to an independent technical review that is based on the Project Document. This technical

1. The implementing agencies are listed in OP 10.21, Annex A.
2. "Bank" includes IDA, and "loans" includes credits.
3. Annex A of this document provides further information about OTF-PPAs.
4. MP projects are subject to the same environmental review process as Bank projects; see OD 4.01, *Environmental Assessment*.

Note: Questions may be addressed to the Chief, Global Environment Coordination Division.

review, which is additional to the internal peer review required by OD 9.00, *Processing of Investment Lending* (see paras. 9-10 of that directive), is carried out by an outside specialist selected from the Ozone Operations Resource Group[5] or from a roster approved by that group and available from the Global Environment Coordination Division (ENVGC). A signed opinion from the outside specialist on the technical merits of the proposed phase-out technology and level of funding for each subproject or single-component project is circulated with the MP-PID for the MP-PID review meeting. Subprojects that have not yet been preappraised at the MP-PID review stage and are being processed under an umbrella agreement (see para. 8) are subject to the same technical review requirements.

7. *MP-PID Review Meeting.* The MP-PID review meeting is considered to be the pre-appraisal review meeting. ENVGC is represented at this meeting. Any questions on the interpretation of the MP or local legislation are referred to the Legal Department. If necessary, the MP-PID is revised after review. A copy of the MP-PID, with the technical annex and any other annexes attached, is sent to the Bank's Public Information Center (PIC), from which interested parties may obtain it.

8. *Subprojects under Umbrella Agreements.* When subprojects are defined following Bank approval of an umbrella agreement, they are reviewed (see para. 6) and approved by the division chief before being submitted through ENVGC for approval by the MFMP Executive Committee. Review/approval by the MFMP Executive Committee is a condition of disbursement for these subprojects.

9. *Project Review and Approval.* The MP-PID is submitted, with the Project Documents and any annexes, through ENVGC to the MFMP Secretariat; the Secretariat reviews the package and forwards the Project Documents to the MFMP Executive Committee. Taking into account any recommendation of the MFMP Secretariat, the MFMP Executive Committee reviews the Project Documents for each project or subproject. Projects smaller than $500,000 are reviewed by the MFMP Executive Committee and incorporated into the Bank's work programs; projects or subprojects larger than $500,000 (including those that are part of an approved project) are approved separately by the MFMP Executive Committee. Following the action of the MFMP Executive Committee, the Bank appraises the project.

Memorandum and Recommendation of the Director

10. Following appraisal, Bank staff update and revise the MP-PID and the technical annex as required to convert the MP-PID into an MP Memorandum and Recommendation of the Director (MOD) of the country department (CD) concerned. The MOD contains (a) a statement on the government's policies for implementing the MP and, in particular, the status of the country program for implementing the MP (or its principal policy and strategy recommendations, if they are finalized); and (b) a full description of the operation. Attached to the MOD are the technical annex that summarizes the Project Documents, and any other annexes necessary to give expanded descriptions of special technology, policy, or other features of the operation's design and its implementation arrangements, discuss the level and rate at which the operation is expected to phase out the use of ozone-depleting substances, and identify the key performance indicators and monitoring and evaluation arrangements for the project. (For the format of an MOD, see Annex D.) Any annexes to the MOD are sent to

5. The Bank established the Ozone Operations Resource Group to provide advice on designing and implementing projects to phase out ozone-depleting substances. The group is made up of engineers and scientists who are recognized internationally as leaders in the particular subsector using ozone-depleting substances. Its members are appointed by the Director, Environment Department.

the PIC, through which interested parties may obtain them.

Appraisal

11. Procedures for appraisal are described in OD 9.00, *Processing of Investment Lending*.

Yellow Cover Review Meeting

12. The draft yellow cover MOD for the MP project, with its annexes, serves as the basis for the yellow cover review meeting. The cover memorandum notes (as required in OD 9.00, *Processing of Investment Lending*, para. 36) the changes made in all documents. The Chief, ENVGC, is represented in the yellow cover review meeting. Following the review meeting, the MOD may be revised.

Legal Documents

13. Within 10 working days after the revised MOD is issued, the lawyer issues the legal documents for the MP project. These legal documents specify grant amounts and conditionalities. Conditionality, if it is important for successful implementation, may be associated with an MP operation. The Grant Agreement incorporates by reference the relevant information disclosure provisions.

Negotiations

14. The Invitation to Negotiate includes a statement that it is the Bank's policy to release the MOD after the project is approved. The Invitation to Negotiate also requests that the prospective MP grant recipient be prepared to indicate, during negotiations, any sections of the MOD that may be confidential or sensitive, or that could adversely affect relations with the prospective recipient.[6] The Bank and the prospective recipient discuss these sections during negotiations.

15. Procedures during negotiations are the same as for normal Bank projects, with three exceptions to expedite procedures: (a) the authority to negotiate rests with the CD director (however, for projects larger than $2.5 million, clearance to negotiate is obtained from the Regional vice president [RVP]); (b) negotiations are normally by correspondence; and (c) after negotiations, documents are signed by the CD director (see paras. 18-19) and sent to the grant recipient for signature.

16. Following negotiations, Bank staff prepare the final (blue cover) MOD, taking into account the comments made by the prospective recipient during negotiations.

17. *Minutes of Negotiations*. These minutes refer to the outcome of negotiations of the MP project. They specifically reflect the MFMP grant recipient's agreement to allow public access to the MOD. A copy of the minutes is sent to the Chief, ENVGC.

Project Approval

18. If negotiations are successful, Bank staff assemble the following documentation:

(a) the MOD;

(b) the legal documents;

(c) a memorandum from ENVGC indicating that the proposed operation is consistent with the operation approved by the MFMP Executive Committee; and

(d) a transmittal memorandum noting the outcome of negotiations and seeking approval for a grant from the OTF for the MP project. For a project of less than $2.5 million, the transmittal memorandum is addressed to the CD director by the

6. Annex E contains sample language for the Invitation to Negotiate.

country or sector operations division chief; for a project costing $2.5 million or more, it is addressed to the RVP by the CD director.

A project of less than $2.5 million is approved by the CD director. For a project costing $2.5 million or more, the RVP approves the project and returns the documentation to the CD director, authorizing the CD director to sign the legal documents. A copy of all documentation is sent to ENVGC. The MOD is circulated by the Secretary's Department for information to the executive directors whose countries are Parties to the MP and by ENVGC to the members of the MFMP Executive Committee and to the MFMP Secretariat for distribution to the Parties. The final blue cover MOD is sent to the PIC, through which interested parties may obtain it.

Signing

19. The CD director signs the legal documents for the MP operation on behalf of the Bank. After the recipient signs the documents, the lawyer sends copies of the signed legal documents to the Official Documents File; the Trust Funds Administrator; the Chief, Trust Funds Accounting Division; the disbursement officer; and the Chief, ENVGC.

Press Release for MP Operation

20. If appropriate, the Information and Public Affairs Division prepares a press release after consulting with the project task manager and the Chief, ENVGC. ENVGC determines jointly with the sector operations division chief whether and when to issue the press release.

Procurement

21. MP procurement is governed by *Guidelines: Procurement under IBRD Loans and IDA Credits* (Washington, D.C.: World Bank, 1992) and by the procedures outlined in OD 11.00, *Procurement*; OD 11.01, *Country Procurement Assessment Reports*; OD 11.02, *Procurement Arrangements for Investment Operations*; and OD 11.04, *Review of Procurement Documentation and Decisions for Lending Operations*. The use of consultants is governed by *Guidelines: Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency* (Washington, D.C.: World Bank, 1981) and by the procedures outlined in OD 11.10, *Use of Consultants*. Furthermore, because the grant proceeds may not be used to finance the tax element of the eligible activities, appropriate procurement methods must be established to implement this provision.

Effectiveness, Disbursements, and Closing Dates

22. If there are no conditions of effectiveness, MP Grant Agreements become effective upon signing. If there are conditions, Grant Agreements become effective according to the provisions of OP/BP 13.00, *Signing of Legal Documents and Effectiveness of Loans and Credits*. MP project disbursements are governed by the provisions of OD 12.00, *Disbursement*; OD 12.20, *Special Accounts*; and OP/BP 12.30, *Statements of Expenditure*. MP project closing dates are governed by the provisions of OP/BP 13.30, *Closing Dates*.

Processing of MP Operations as Components of Bank-Financed Projects

23. MP operations are processed as components of Bank-financed projects only in exceptional circumstances. When MP operations are components of Bank-financed projects, the processing differs from the processing of freestanding MP projects only in the following respects.

Project Information Document

24. There is a separate MP-PID, with a technical annex summarizing the Project Documents, for MP components of Bank-financed projects; the MP-PID and the Executive Project Summary (EPS) for the Bank-financed project are normally prepared and processed together. (Annex B provides an outline of the MP-PID; Annex C describes the content of Project Documents.) The EPS for the associated Bank-financed project notes

the existence of an MP component, and the PID for the Bank-financed portion of the project is available separately to interested parties on request through the PIC. The MFMP Executive Committee reviews/approves the MP component according to the procedures set out in para. 9.

Appraisal

25. Appraisal of MP components normally takes place simultaneously with appraisal of the other components of the proposed Bank-financed project. The MP component, like any other project component, is described in the Staff Appraisal Report (SAR) for the Bank-financed project.

26. The technical annex summarizing the Project Documents, and any other annexes used to describe the MP component in the SAR for the Bank-financed project, are attached to the MOD (for the format of an MOD, see Annex D).

Yellow Cover Review Meeting

27. If appraisal of the MP component occurs later than that of the associated Bank-financed project, a separate meeting to review the MP yellow cover documents may be required.

Negotiations

28. Unless processing schedules for the MP component and the associated Bank-financed project differ, negotiations for both occur at the same time. Conditionality, if it is important for successful implementation, may be associated with an MP component. Further, if successful MP project implementation depends on the implementation of the associated Bank-financed project, cross-effectiveness provisions may be included in the MP project legal documents. The usual cross-default clauses are used in accordance with existing Bank practices for investment operations.

Project Approval

29. RVP approval is required for all MP operations that are components of Bank-financed projects. The complete MOD is attached to the Memorandum and Recommendation of the President (MOP) of the associated Bank-financed project. The cover memorandum of the MOP indicates that the RVP has approved the MP component, subject to the Board's approval of the Bank-financed project. After the associated Bank-financed project is approved by the Board, the CD director is authorized to sign the MP legal documents (see paras. 18-19).

Project Preparation Advances from the Ozone Projects Trust Fund

1. Project Preparation Advances (PPAs) are available to assist prospective recipients in preparing substantial investment projects to be financed from the Ozone Projects Trust Fund (OTF). Such advances may be necessary because many Montreal Protocol (MP) investment operations require (a) detailed fieldwork to define end users and appropriate policies and incentives for phasing out ozone-depleting substances, and/or (b) demonstrations of techniques and technologies for substituting acceptable alternatives for ozone-depleting substances before designs can be finalized for large investment projects in the sectors that consume ozone-depleting substances. OTF-PPAs may be used for three purposes:

(a) upstream preparatory work, including studies that are essential to expedite preparation and implementation of a project proposed for OTF financing;

(b) preinvestment studies to confirm the feasibility of the proposed project; and

(c) equipment, materials, and technical assistance to demonstrate technologies and techniques in preparation for large programs to phase out ozone-depleting substances or for projects in ozone-depleting-substance sectors.

2. The same eligibility criteria that apply to the regular MP projects apply to OTF-PPAs. OTF-PPAs below $500,000 must have been reviewed by the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP) and included in approved work programs, and those greater than $500,000 must have been approved by the MFMP Executive Committee (see BP 10.21, para. 9). OTF-PPAs are limited to a maximum of US$1.5 million per proposed project. OTF-PPAs are made only when there is a strong probability that an MFMP grant will be made within two years after the Bank's letter to the potential recipient is signed. Furthermore, given that OTF-PPAs are approved by the MFMP Executive Committee in the same manner as investment projects (resources to be transferred to the recipient), they cannot be converted into administrative resources that the Bank would then use to execute project preparation. All advances are denominated in U.S. dollars.

3. Following MFMP Executive Committee review/approval, the country department concerned reviews a proposal for an OTF-PPA to determine whether it complies with the provisions of paras. 1 and 2 (relating to purposes/eligibility). The division concerned submits to the country department director a brief memorandum summarizing the results of the review, requesting approval for the advance, and indicating whether the granting of the advance has been cleared by the chief of the Global Environment Coordination Division (ENVGC). The memorandum is cleared with the Legal Department (LEG) and the disbursement officer.

4. Once the advance is approved by the country department director, the Letter of Agreement required for the OTF-PPA (see Annex A1) is processed. The text of the letter is cleared with LEG and the disbursement officer. It is also cleared by the Trust Funds Administrator, who assigns the OTF-PPA number that is shown on the letter. The Letter of Agreement is signed by an authorized officer in the Region (see Administrative Manual Statement 1.30, *Authority to Sign*

Written Instruments: Bank and Association) and countersigned by the duly authorized government official.

5. OTF-PPAs are grants. To encourage the prompt use of these funds, the Financial Provisions Applicable to OTF-PPAs provide, inter alia, that

(a) the Trustee may cancel the OTF-PPA if within 180 days of the recipient government's countersignature of the Trustee's letter the recipient government or entity concerned has not started any of the preparatory activities for which the advance was granted; and

(b) except as the Trustee may otherwise establish, any unwithdrawn amount of the advance is canceled two years after the date the Trustee signs its letter to the potential recipient, and no further withdrawals may be made.

6. Bank staff provide to the chief, ENVGC, for inclusion in the Bank's progress reports to the MFMP Executive Committee, a report on the implementation status of the activity supported by the OTF-PPA.

Sample Letter of Agreement for a Project Preparation Advance from the Ozone Projects Trust Fund

[*Date*]

[*Authorized Official of Government or Entity*]
[*Name of Country*]
[*Address*]

Re: Advance for Preparation of
[*Name*] Project
OTF-PPA [*Number*]

Dear [Sir/Madam]:

I am writing on behalf of the International Bank for Reconstruction and Development, acting as Trustee of the Ozone Projects Trust Fund (the Trustee), to indicate the Trustee's agreement to grant to [*name of country or entity*] (the Recipient) an Advance in an amount not exceeding US$ [*amount*] (the Advance). The purpose of the Advance is to finance certain expenditures required for the preparation of an operation [*brief outline of operation*] for the carrying out of which the Recipient [has requested/intends to request] the financial assistance of the Ozone Projects Trust Fund.

The Advance is granted for the purposes described, and on the terms and conditions set forth, in Attachments I-III hereto. The Recipient represents, by confirming its agreement hereunder, that it is authorized to contract and withdraw the Advance for the said purposes and on the said terms and conditions.

The grant of the Advance does not constitute or imply any commitment on the part of the Trustee, the International Bank for Reconstruction and Development in its own capacity or the International Development Association, to assist in financing the project for the preparation of which the Advance is granted.

The government of [*country*] [has acknowledged/hereby acknowledges] that the Advance is not subject to any taxes.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this letter. This agreement will become effective on the date of countersignature.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as Trustee of the
Ozone Projects Trust Fund

By ________________
[*Name*]
Country Department Director
[*Name*] Region

AGREED:

[*Name of Country*]

By ______________________
Authorized Representative

Date ____________________

Attachments

Sample Attachment I to Letter of Agreement: Purposes, Terms, and Conditions of Advance

1. The objective of the Advance is to finance the activities (the Activities) required to complete the preparation of the [*title*] project. The Activities are as follows:

[*Brief description of project activities and method of carrying them out.*]

2. Expenditures to be financed with the Advance are

[*Expenditures by category, the amount to be allocated for each category, and percentage rate of disbursement.*]

3. The Recipient shall carry out the Activities with due diligence and efficiency and in conformance with appropriate administrative, environmental, and financial practices; promptly provide the funds, facilities, services, and other resources required for the purpose; furnish to the Trustee all information on the Activities and the use of the proceeds of the Advance as the Trustee shall reasonably request; and from time to time exchange views with the Trustee's representatives on the progress and results of the Activities.

4. To assist the Recipient in carrying out the Activities, the Recipient [shall/may] employ consultants whose qualifications, experience, and terms and conditions of employment are satisfactory to the Trustee. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Trustee and on the basis of *Guidelines: Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency* (Washington, D.C.: World Bank, 1981). No substitution of such consultants or modification of the terms and conditions of their employment shall be made except with the prior approval of the Trustee.

5. [Procurement of goods and works, if any, shall be carried out in accordance with *Guidelines: Procurement under IBRD Loans and IDA Credits* (Washington, D.C.: World Bank, 1992).] [*This paragraph specifies the procurement procedures to be followed.*]

6. Withdrawal, use, and refunding of the proceeds of the Advance shall be made in accordance with the Financial Provisions Applicable to Advances for Project Preparation (the Financial Provisions) set forth in Attachment II.

7. For purposes of this Letter of Agreement, the term "Trust Account" means the account opened by the Trustee on its books in the name of the Recipient to which the amount of the Advance is credited.

8. To facilitate carrying out the Activities, the Recipient [may/shall] open and maintain an account (the Special Account) in U.S. dollars in [*name of the bank*] on terms and conditions satisfactory to the Trustee. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Attachment III. [The depository bank of the Special Account shall confirm in a form acceptable to the Trustee that the funds in the Special Account will be segregated as a special deposit for

the specific purposes for which the Advance is granted and that the funds are not subject to claims of setoff, seizure, or attachment.][1]

9. The date two years from the date on which the Trustee signs this Letter of Agreement is hereby specified for the purposes of paragraph 9 of the Financial Provisions (Attachment II). No withdrawals of the Advance shall be made after that date, and any amount of the Advance then remaining unwithdrawn shall be canceled, unless the Trustee establishes a later date.

10. Withdrawal applications from the Trust Account for the Advance funds shall be signed on behalf of the Recipient by [*authorized official of government or entity*] or any person designated in writing by said [*authorized official of government or entity*]. Authenticated specimen signatures of the designated persons shall be provided with the first application.

1. This provision applies only to commercial banks, not central banks.

Sample Attachment II to Letter of Agreement: Financial Provisions Applicable to Advances from the Ozone Projects Trust Fund for Project Preparation

1. On receipt of a written application for withdrawal from the Trust Account in the form specified by the Trustee, the Trustee shall disburse to, or on the order of, the Recipient funds from the Advance to meet the expenditures specified in paragraph 2 of Attachment I to the Letter of Agreement (eligible expenditures). Each application for withdrawal shall be (a) signed by an authorized representative of the Recipient, and (b) accompanied by evidence of the expenditures made or, if the Trustee shall so agree, to be made.

2. The Advance shall be made in U.S. dollars. The amounts of the Advance shall be disbursed in various currencies equivalent to the U.S. dollar amount required to meet an eligible expenditure to be financed by the Advance.

3. Withdrawals shall be made only for expenditures for services supplied from, or goods produced in, countries eligible under *Guidelines: Procurement under IBRD Loans and IDA Credits* (Washington, D.C.: World Bank, 1992).

4. The amount of the Advance disbursed carries no interest or other charges, and it is made available on a nonreimbursable basis.

5. The Trustee may at any time, by notice to the Recipient, suspend further withdrawals of the Advance if (a) funds withdrawn have not been used for the purpose agreed between the Recipient and the Trustee, or (b) the Activities are not carried out in accordance with the standards or methods agreed between the Recipient and the Trustee.

6. At any time after withdrawals of the Advance have been suspended pursuant to these provisions, the Trustee may, by notice to the Recipient, cancel any amount of the Advance remaining unwithdrawn.

7. If the funds withdrawn have not been used for the purpose agreed between the Recipient and the Trustee, then upon suspension as provided in paragraph 5 above, the Recipient shall, promptly upon written notice from the Trustee, refund to the Trustee an amount equal to the amount so used or any portion thereof specified by the Trustee.

8. The Trustee may cancel the Advance in full by written notice to the Recipient if within 180 days after the date of the countersignature of the Trustee's letter granting the Advance the Recipient has not, in the opinion of the Trustee, effectively started any of the Activities for which the Advance was granted.

9. As specified in paragraph 9 of Attachment I to this Letter of Agreement, no application for withdrawals will be accepted by the Trustee after the date two years from the date on which the Trustee signs the Letter of Agreement. The unwithdrawn amount of the Advance will then be canceled by the Trustee.

10. The Recipient shall

(a) maintain or cause to be maintained, in accordance with sound accounting practices, separate records and separate accounts adequate to reflect the expenditures financed by the Advance;

(b) have such records and accounts (including those for the Special Account) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee; and

(c) furnish to the Trustee, not later than six months after the end of each fiscal year, a certified copy of the report of such audit by such auditors, of such scope and in such detail as the Trustee shall reasonably request.

Sample Attachment III to Letter of Agreement:
Special Deposit Account

1. For the purposes of this Attachment,

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of [goods and] services required to carry out the Activities to be financed out of the proceeds of the Advance;

(b) the term "Authorized Allocation" means an amount equivalent to [*amount*] to be withdrawn from the Advance and deposited in the Special Deposit Account (the Special Account) pursuant to paragraph 3 (a) of this Attachment; and

(c) the term "categories" means categories of items to be financed out of the proceeds of the Advance as set forth in paragraph 2 of Attachment I.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Attachment.

3. After the Trustee has received satisfactory evidence that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Trustee a request or requests for a deposit or deposits that do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests the Trustee shall, on behalf of the Recipient, deposit in the Special Account such amount out of the proceeds of the Advance as the Recipient requests.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Trustee requests for deposits into the Special Account at such intervals as the Trustee shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Trustee the documents and other evidence required pursuant to paragraph 4 of this Attachment for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Trustee shall, on behalf of the Recipient, withdraw from the Trust Account and deposit into the Special Account out of the proceeds of the Advance such amount as is requested by the Recipient and shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Attachment, the Trustee shall not be required to make further deposits into the Special Account

(a) if at any time the Trustee determines that all further withdrawals of the Advance should be made directly by the Recipient from the Trust Account in accordance with paragraph 3 of Attachment II; or

(b) once the total unwithdrawn amount of the Advance equals the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal of the Advance proceeds remaining unwithdrawn shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee has been satisfied that all such amount remaining on deposit in the Special Account as of the date of such notice shall be used in making payments for eligible expenditures.

6. (a) If the Trustee determines at any time that any payment out of the Special Account was

(i) not justified by the evidence furnished to the Trustee, or

(ii) made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Attachment,

then the Trustee shall notify the Recipient. The Recipient shall promptly

(i) provide such additional evidence as the Trustee may request, or

(ii) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not eligible or justified.

Unless the Trustee shall otherwise agree, no further deposit by the Trustee into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Trustee determines at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee such outstanding amount.

(c) The Recipient may, upon notice to the Trustee, refund to the Trustee all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Trustee made pursuant to paragraphs 6 (a), (b), and (c) of this Attachment shall be credited to the Trust Account for subsequent withdrawal or cancellation in accordance with the relevant provisions of this Letter of Agreement.

Montreal Protocol Operations: Outline for the Project Information Document

1. The Project Information Document (PID) for the Montreal Protocol (MP) operation (either a component of a Bank[1]-financed operation or a freestanding operation) is a key decision-making document for management and also serves as the information document that interested parties may obtain through the Bank's Public Information Center (PIC). The PID is generally not longer than five pages and features the sections enumerated below.

2. *Introductory Section*. Identifies in tabular form the country and operation; the associated Bank-financed project (if applicable); the recipient, beneficiary, and financing plan; and tentative dates for appraisal and signing.

3. *Country or Sector Background*. Indicates that the country has ratified the MP, gives the date of ratification, and states that the country is eligible for assistance from the Ozone Projects Trust Fund (OTF). Also states (where applicable) that the proceeds of MP grants to nongovernmental institutions are not taxable. Identifies how the proposed operation is consistent with the kinds of assistance regarded as eligible by the Parties to the MP as indicated in their London agreement of June 1990 (Article IV, reproduced as OP 10.21, Annex B). Indicates the sectoral or subsectoral context of the proposed intervention (e.g., manufacturing, commerce, and application sector, such as solvents). Outlines the government's progress in preparing or implementing an MP country program and discusses any studies conducted to assist in formulating a country program. Discusses the existence of an agenda and timetable for implementation of proposed policy reforms to facilitate MP implementation. Also discusses the institutional arrangements for administering MP implementation, as well as any related issues, and any arrangements for institutional strengthening proposed or under implementation.

4. *Objectives*. Summarizes the goals of the operation, placing the objectives in the wider context of the implementation of the MP in that country.

5. *Description*. Describes the operation: at a minimum, lists the major components, their share of total costs, and the policy and institutional reforms that are required for effective implementation.

6. *Incremental Costs*. Calculates the incremental cost of the operation in both financial and economic (i.e., net of taxes, duties, and subsidies) terms. Calculates the unit abatement cost (incremental economic cost per unit of ozone depletion abatements), and establishes the operation's priority by showing that its unit abatement cost is low in comparison to other opportunities in the sector and the country. Calculates the incremental operational savings and benefits expected to result from the operation, demonstrating that it is financially attractive once allowance is made for funding under the Multilateral Fund for the Implementation of the Montreal Protocol

1. "Bank" includes IDA, and "loans" includes credits.

(MFMP), applicable tax laws, and the noncash or uncertain nature of anticipated operational savings and benefits. Recommends the amount of MFMP grant financing on the basis of the incremental economic cost of the operation, minus the incremental economic operational savings and benefits, plus any additional amount. The additional amount must be explicitly justified on such grounds as the following:

(a) the anticipated operational savings and benefits are uncertain, external to the enterprise, or nonmonetary;

(b) the enterprise requires compensation for incremental transfer payments; or

(c) the enterprise requires additional financial compensation for the technological and commercial risks and additional management costs involved.

7. *Financing.* Summarizes the external and domestic financing arrangements for the operation, highlighting complex cofinancing arrangements.

8. *Implementation.* Summarizes the implementation plans, including management arrangements, the names and responsibilities of participating agencies, and (if applicable) onlending arrangements. Examples: for financial intermediary operations, indicates criteria for the selection of financial intermediaries and subprojects; for sector investment loans, indicates criteria for subproject selection and supervision arrangements. In general terms, describes procurement and disbursement methods, including proposed arrangements for efficient execution of key procurement packages.

9. *Sustainability.* Indicates how the design of the operation contributes to the institutional and financial sustainability of the operation. Example: indicates how disposal or recycling fees and revenue from the sale of recycled chlorofluorocarbons contribute to cost recovery.

10. *Lessons from Previous Bank or IDA Involvement.* Summarizes the lessons learned from ongoing and completed operations and from the relevant Project Completion Reports/Implementation Completion Reports and special studies prepared by the Operations Policy Department, Research Administration, External Affairs, the Operations Evaluation Department, and other Bank units that review lessons learned by the Bank or others in designing and supervising operations with similar objectives. Indicates explicitly how the proposed operation reflects those lessons. Where relevant, for a recipient with a record of noncompliance with audit requirements, notes remedial measures to ensure compliance.

11. *Rationale for Funding from the MFMP.* Indicates the contributions of the operation to (a) MP implementation consistent with the country's obligations under the MP and any country program, and (b) sectoral policy objectives, institutional development, and other goals for phasing out ozone-depleting substances that would not be achieved without Bank involvement. Where possible, estimates the cost-effectiveness of the interventions to reduce ozone-depleting substances in U.S. dollars per unit of ozone-depleting substance avoided. For financial intermediary loans, summarizes, if appropriate, the role of IFC in the sector and explains how the operation fits into the coordinated strategy of the Bank, IFC, and MIGA for financial sector development.

12. *Issues and Actions.* Discusses outstanding project issues and how they should be handled. Indicates target ranges for, and the timing of, measures required by the government to ensure effective implementation and efficient use of MFMP financing. Discusses the adequacy of the operation's management capacity and, where applicable, cost recovery arrangements. Example: for financial sector operations, addresses unresolved issues of the terms and conditions under which MFMP resources are provided to enterprises and describes supervision and regulation issues relevant to loan recovery. Indicates

proposed exceptions to procurement or cost-sharing guidelines and discusses issues related to the Bank's support for sensitive commodities or activities.

13. *Environmental Aspects*. Indicates the environmental category assigned to the operation. Where relevant, summarizes (a) major environmental and natural resource management issues; (b) the preparation status or conclusions of the environmental assessment; (c) required actions, such as consultation with affected groups and nongovernmental organizations; and (d) how major issues are to be addressed or how they have been resolved.

14. *Benefits*. Summarizes the main benefits of the operation. Where applicable, expresses these benefits in quantitative terms, including the amount and unit costs of emissions of ozone-depleting substances avoided; shows, where appropriate, the expected financial and economic rate of return. Where benefits are not quantified, provides other appropriate, preferably quantified, measures of performance to establish why this operation is better than alternative operations to implement the MP. Summarizes institution-building features and other intangible benefits.

15. *Risks*. Summarizes relevant project risks, including (a) operation-specific issues, such as institutional capacity of the implementing agency and its commitment to enforce an enabling policy reform function; and (b) broader issues, such as the conflict between incentives at the macroeconomic level and those required at the operation level. Summarizes the results of any sensitivity analysis and indicates key variables influencing the operation's success, specifically in terms of sustained reductions or elimination of the emissions of controlled substances. Cites appropriate design features that help address project risks.

16. *Staff Review Arrangements*. Lists the names of the task manager, the division chief, the country department director, and the peer reviewers. Also identifies the economic, scientific, and technical review functions to be carried out (as part of the technical review process) by peer reviewers, ozone layer technical advisers, and outside specialists.

Presentation of Projects to the MFMP Executive Committee

These guidelines provide information on the appropriate content and level of detail required for submission of projects to the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP). The text below, issued by the Secretariat of the Montreal Protocol as it was agreed to at the February 1992 meeting of the MFMP Executive Committee, is reproduced verbatim from the MP documents. Requirements added since February 1992 are underlined in the text. The MFMP Executive Committee specified that the Project Document should not exceed 10 pages; however, in practice it is usually two or three pages long.

The Project Document

1. The project document should contain the following information preferably in the sequence shown below when being submitted directly by a party. If the submission is being made by one of the Fund's implementing agencies then such an agency can utilize formats that are consistent with their own internal procedures and operations provided they include the information requested here. It is anticipated that the complete project document would not exceed ten typed single-spaced pages in length.

Cover Sheet

2. The project document should contain a cover sheet providing the information as shown in [Annex C1].

Project Title

3. A concise title of the project.

Sector Data

4. Brief background information on the amount of controlled substances used in the sector or sectors affected by the project and the corresponding percentage to the total consumption of controlled substances in the country. If the project is intended to phase-out the production of a controlled substance or substances then the relevant production data on the affected substance or substances and the corresponding percentage to the total production and consumption of controlled substances must also be provided.

Project Description

5. The project description usually begins with the identification of the problem, followed by the formulation of the objectives of the project and their relationship to the priority within the country programme or to the national strategy for the implementation of The Montreal Protocol. This section should also address the technical aspects of the project, for example, the availability and intended use of such alternative technologies. In addition, the activities to accomplish the project must also be clearly indicated. A good project description should explain:

(a) why the product is needed (rationale, justification, and explanation of the problem the project is to address);

(b) what private sector firms, if any, are involved or affected by the project;

(c) what are the project's long term objectives;

(d) what are the project's short term objectives, if successfully completed;

(e) what actions/activities are needed to accomplish the overall objectives;

(f) what non-monetary objectives are needed to realize the objectives;

(g) what is the best estimate of the cost effectiveness of the project (phase-out costs per kg.).

Project Timeframe

6. Information on the anticipated start-up date and the termination date for the implementation of the project including a projected schedule for implementation of the various activities designed to accomplish the objectives of the project.

Outputs

7. This section will address the expected outcome of the project in order to achieve the objectives addressed in the project description. Included here would be information on the projected phase-out/reduction in consumption of controlled substances (in tonnes x ODP [ozone-depletion potential]) and other direct or indirect outputs, for example, human resource development and/or enhancement of institutional capacity.

Budget

8. An indicative budget showing all project expenditures and the anticipated timing of disbursements. There should also be a description of each budget item and a rationale for the budget estimates as well as explanations of any in-kind contributions.

Implementation Arrangements

9. Information on which implementing agency or agencies (UNDP, UNEP, World Bank, Other) would be undertaking the project, the national agency responsible for coordinating the project, and the financial intermediary contracted for the receipt and disbursement of funds and the financial reporting on the project. A copy of any agreement between the submitting Party and the participating agencies should also be provided as well as a brief resume on the capacity of the implementing agency to successfully implement the project if it is other than one of the Fund's implementing agencies.

Institutional Framework

10. This section should define the role and responsibilities of the cooperating agency or supporting organization. It should also clarify who is the ultimate authority in managing the project, what is the machinery for consultation among the various agencies and organizations involved in the project, and to which parties and for what purpose are the project results reported. <u>This section also identifies issues relating to procurement and disbursement (such as retroactive financing) if they are relevant to the MFMP</u>.

Technical Appraisal

11. A copy of any technical reports of the project, if available.

<u>Ozone Operations Resource Group Comments</u>

<u>12. This paragraph outlines how the project was modified to take into consideration any comments of the Ozone Operations Resource Group</u>.[1]

1. The Bank established the Ozone Operations Resource Group to provide advice on designing and implementing projects to phase out ozone-depleting substances. The group is made up of engineers and scientists who are recognized internationally as leaders in the particular subsector using ozone-depleting substances. Its members are appointed by the Director, Environment Department.

Sample Project Cover Sheet and Summary

COUNTRY OR REGION:

SECTOR(S) COVERED:

ODS[1] CONSUMPTION IN AFFECTED SECTOR(S):

PROJECT TITLE:

PROJECT DURATION: Yrs. Mths.

PROJECT IMPACT: ODS[1] PHASE-OUT ________ OTHERS ________

PROPOSED BUDGET:

IMPLEMENTING AGENCY: UNDP ________ UNEP ________ WORLD BANK ________
Other ________

NATIONAL COORDINATING AGENCY:

1. ODS: ozone-depleting substance.

PROJECT SUMMARY
(Addresses technical, institutional, and policy issues)

Sample Notice to Prospective Recipients of Grants under the Multilateral Fund for the Implementation of the Montreal Protocol

Paragraph for Invitation to Negotiate

With regard to Montreal Protocol projects, it is the Bank's policy to release the Memorandum and Recommendation of the Director (MOD) to interested parties on request through the Public Information Center after the project is approved for financing. Before releasing this report, the Bank takes into account any comments made by the prospective grant recipient or government. Therefore, the Bank requests that during the forthcoming negotiations the recipient be prepared to indicate any text or data in the MOD that may be confidential or sensitive, or that may adversely affect the relations between the Bank and the government. The Bank will review these comments during negotiations.

Outline for Memorandum and Recommendation of the Director

Introduction

1. The Memorandum and Recommendation of the Director (MOD) of the country department is the basis for making decisions on the investment operation proposed for financing by the Ozone Projects Trust Fund (OTF). The MOD comprises a text, three schedules,[1] and, when locational information is needed, a map; a Project Document for each subproject is annexed to the MOD (see BP 10.21, para. 10). Since a Staff Appraisal Report (SAR) is not required, annexes provide details on special technical policy or other features of the operation's design and describe special resources or global environmental improvements that are the focus of the operation.

Cover

2. The cover format of the MOD is as follows:

1. These schedules are (a) estimated project costs and financing plan, (b) procurement and disbursement methods, and (c) a timetable of key project processing events.

Document of
THE WORLD BANK
FOR OFFICIAL USE ONLY

Report No. ______ [*country abbreviation*]

Multilateral Fund for the Implementation of the Montreal Protocol

MEMORANDUM AND RECOMMENDATION

OF THE

DIRECTOR FOR [*COUNTRY DEPARTMENT*]

OF THE

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

TO THE

REGIONAL VICE PRESIDENT, [*NAME OF REGION*]

ON A

PROPOSED OZONE PROJECTS TRUST FUND GRANT

IN THE AMOUNT EQUIVALENT TO US$_____ MILLION

TO

[*BENEFICIARY/COUNTRY*]

FOR A

[*NAME*] PROJECT

[*DATE*][2]

[*Name*] Division
Country Department [*Number*]
[*Name*] Region

2. Date approved by the country department director.

3. The inside front cover page of the MOD summarizes currency equivalents, weights and measures, abbreviations and acronyms, and the fiscal year of the borrower and project entities. It uses presentational conventions detailed in the Bank's *Communications and Style Guide*. A Loan and Project Summary (see OD 9.00, Annex D1, *Guidelines for Preparing the "Loan and Project Summary" for the MOP*) precedes the MOD text.

Text

Heading

4. The text of the MOD begins on a new page following the grant and project summary. It starts with the following standard heading:

MEMORANDUM AND RECOMMENDATION OF THE DIRECTOR,
[*NAME OF COUNTRY*] DEPARTMENT [*NUMBER*]
TO THE REGIONAL VICE PRESIDENT
[*NAME OF REGION*]

Introductory Paragraph

5. The introductory paragraph has a standard form:

> I submit for your approval the following memorandum and recommendation on a proposed OZONE PROJECTS TRUST FUND grant to [*beneficiary/country*] for US$_____ million to help finance an operation for [*purpose*].

When the OTF finances a project in association with one or more major cofinanciers, the cofinanciers are named, and the amounts and terms of their financing are indicated.

Main Text

6. The main text provides sufficient information to give an adequate understanding of and justification for the operation. The discussion is self-contained. The general format and subjects discussed in the main text are similar to the format and sections in the Project Information Document (PID), from which the MOD evolves (see BP 10.21, Annex B). Each section normally has one or two paragraphs covering the subjects listed below. Depending on the individual project, some subjects require little or no discussion; others may warrant longer treatment. The main text for projects under $500,000 is considerably abbreviated; it normally runs no more than three pages.

7. *Country/Sector Background.* The MOD succinctly puts the operation into the country/sectoral context, noting when possible how it is consistent with the country program. It indicates the importance of the subsector, or of the particular aspect of the sector that the operation addresses, in the implementation of the Montreal Protocol (MP). It discusses key long-term country goals for implementing the MP, priority policy reforms to achieve such goals, and major constraints that impede progress. The MOD highlights the specific measures undertaken by the government and notes the progress in resolving these issues. It indicates what remains to be done. For financial sector operations, the MOD assesses distortions in the structure of interest rates and the exchange rate, the health of the banking system, and market imperfections in the credit delivery system.

8. The MOD briefly describes the main institutions specifically relevant to the operation, outlining their strengths and weaknesses (management, staffing, finance, planning, coordination, efficiency of service delivery). It summarizes government strategies for developing these institutions and for addressing problems. For projects with a decentralized implementation focus, the MOD outlines the regulatory framework in which the institutions operate. Example: for financial intermediary operations, the MOD assesses how effectively the banking supervision system enforces prudential regulations.

9. *Project-Specific Discussion*. The MOD also discusses the following subjects (each of these subjects is described more fully in BP 10.21, Annex B): project objectives, project description, project implementation, project sustainability, lessons from previous Bank or IDA involvement, rationale for funding from the Multilateral Fund for the Implementation of the Montreal Protocol, project benefits, and project risks.

10. *Environmental Aspects*. The MOD briefly discusses the project's environmental impact and indicates how environmental and natural resource management issues associated with the operation have been resolved. If an environmental assessment has been prepared, the MOD briefly describes (a) the main findings of the environmental assessment, (b) the consultation process with affected groups and local nongovernmental organizations (NGOs), and (c) feedback on the findings of the assessment to these groups and NGOs. If an environmental analysis was required, the MOD briefly summarizes the main issues and findings of the analysis.

11. *Agreed Actions*. The MOD summarizes agreements reached with the government and the borrower on specific actions and relates them to key issues identified earlier. It indicates timing. It lists only those agreements that are reflected in covenants and conditionality in the legal documents. The MOD uses language consistent with the language in the legal agreements. It does not discuss conditionality on such routine matters as reporting requirements, unless they are unique or require special consideration. It discusses procurement agreements only when arrangements are proposed to accommodate particular needs for MP implementation, such as possible contributions in kind from Russia.

12. *Recommendation*. The MOD uses the following standard form:

> I am satisfied that the proposed grant would comply with the relevant provisions of the Ozone Projects Trust Fund in Resolution 9-15 of the Executive Directors, and I recommend that the Regional Vice President approve it.
>
> [*SIGNATURE*]
> [*Name*]
> Director
> [*Name*] Country Department [*Number*]
>
> Washington, D.C.
> [*Same date as on the cover page*]
> Attachments

Annexes

13. *Schedule A*. This presentation summarizes in tabular form the estimated project costs and financing plan. It is identical in form and content with the tables on the project costs and financing plan in the Loan and Project Summary of a Bank Staff Appraisal Report (SAR).

14. *Schedule B*. This schedule provides tables on procurement methods and disbursements. The table on procurement methods is prepared in line with the presentational conventions discussed in OD 11.02, *Procurement Arrangements for Investment Operations*. It is identical to the procurement table presented in the text of an SAR. A disbursements table details the disbursement categories, the grant amount allocated to each category, and the percentage of expenditures to be financed from the grant under each category. It is identical with Schedule 1 in the Grant Agreement. A second section presents estimated loan disbursements by the Bank's fiscal year and cumulatively. It is identical in form and content to the table on estimated disbursements in an SAR's Loan and Project Summary.

15. *Schedule C*. This schedule presents a timetable of the project's key processing events. It indicates (a) time taken to prepare the project, showing the calendar period from start to completion of project preparation; (b) names of staff who prepared the project; (c) date of the first Bank or IDA mission; (d) appraisal mission departure date; (e) date of negotiations; (f) planned date of effectiveness; and (g) dates of relevant Project Completion Reports/Implementation Completion Reports and Project Performance Audit Reports.

Map

16. The MOD includes a map when needed. The Cartography Section of the Printing and Graphics Division advises on the appropriate map(s) to be included and turnaround times required for production. All maps, whether or not they are prepared in the Cartography Section, must be cleared by the section before any printing request is made and at least two weeks before the maps are to be bound into reports. (For more details, refer to Administrative Manual Statement 7.10, Annex B, *Time Standards—Cartographic Services*, or the reverse side of Form 1548, Request for Cartographic Services.) All maps include an appropriate disclaimer.

Attachment C

SUPPLEMENTAL STREAMLINING PROPOSAL

IMPLEMENTATION OF PARTIES AGREEMENT FOR IMPLEMENTING AGENCIES TO APPROVE PROJECTS LESS THAN US$500,000

Global Environment Coordination Division, Environment Department

THE WORLD BANK

Executive Committee of the Multilateral Fund

Supplemental Streamlining Proposal

Implementation of Parties Agreement for Implementing Agencies to approve projects less then $500,000

Background

- o Article five countries are concerned to increase ready access to the resources of the Multilateral Fund for eligible ODS-phase actions;

- o The Parties to the Protocol foresaw the need to expedite the flow of resources to Article 5 beneficiaries in providing in their London agreements for implementing agency approval of projects less than $500,000;

- o The Executive Committee has frequently seen the merit of acting on this agreement of the Parties as a means of expediting resource flow from the Fund to the developing countries. For example, the last Chairman, Ambassador Mateus repeatedly emphasized the need to delegate to the IAs their agreed authority for approval of projects below $500,000;

- o After the necessary early learning period for a new business, the implementing agencies have demonstrated their capacity for sound project preparation and review;

- o The Bank has established the OORG and that body has proven its capacity to act with objectivity and independence in making high quality technical judgement on ODS-phase out projects. Moreover the Bank has invariably passed on OORG opinions as received and taken their views into account;

- o the Bank has established the "umbrella legal agreement" mechanism which provides the basis for resource transfer to its eligible developing country clients without individual legal documents and as approval of the EC, and hopefully also the IAs, is received;

- o relations between the IAs and the Secretariat are now well established on a basis of mutual respect and close working level collaboration.

Given all of these facts and circumstances, and the EC's consideration of streamlining of its decision-making procedures, the Bank feels it timely for EC to consider incorporating delegation of approval to the implementing agencies of projects less than $500,000 and confirming the modalities for this delegation.

Proposed Operational Modalities

- Step-by-step procedures which would apply would be:

  a. Bank would propose to the EC amendments to the Bank's MP Work Program for indicative categories of expenditure for which its client has proposed assistance be provided prior to the subsequent EC meeting. These indicative activities would be consistent with approved or draft CPs and country implementation strategies and

EC-endorsed cost-effectiveness guidelines and would be presented in one page summaries indicating their generic nature and priority in requesting Work Program modifications;

b. EC would approve these work program amendments;

c. At the request of its clients, and taking into account EC policy guidelines and eligibility criteria the Bank would, during the course of its regular fieldwork on MP operations, appraise projects less than $500,000 where resources has been allocated in its work program;

d. Before Bank approval of such appraised projects of less than $500,000 it would submit to the Secretariat for review and comment over 5 working days the final project document in the standard format for EC review of projects larger than $500,000, with the required OORG review;

e. After receiving and taking into account Secretariat comments, the Bank would approve such projects and provide full documentation on the approved project with the Bank's Progress report to the subsequent EC meeting. Action on their projects would also be reported in the Bank's Monthly Operations Report;

f. Any issue the Secretariat has with these projects would be reported to the EC in commenting on the bank's Progress report providing the opportunity for the EC to address any issues of disagreement of a policy nature at or between sessions of the EC;

g. the EC can review the effectiveness of these streamlined procedures over time and moderate or expand their application on the basis of experience.