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

Eleventh Meeting
Bangkok, 10-12 November 1993

WORLD BANK PROGRESS REPORT

This document includes:

- Comments from the Fund Secretariat
- World Bank Progress Report

COMMENTS FROM THE FUND SECRETARIAT

1. Through 30 June 1993, the World Bank had expended approximately 38 per cent of all work programme activities approved this year. The Bank has used project preparation funds for both new project preparation and project supervision purposes. Project preparation funds have been expended in all countries for which activities were approved in the original work programme. The Bank has already exceeded its project preparation budget for Turkey by US \$41,903 as at 30 June 1993. Expenditures for some project preparation activities approved at the Tenth Meeting have already begun.

2. One additional grant agreement has been signed (for Jordan) since the last Committee meeting although the Bank expects to commit all of the projects approved through the last meeting of the Committee by the end of the year. Umbrella agreements have been included in the Bank's operational procedures and are being prepared for Brazil, India, Indonesia, and Thailand.

3. The Bank reported that it made its first disbursement for project financing, i.e., US \$130,000 disbursed for Venezuela's Plásticos Molanca project. An additional US \$320,000 was disbursed for pre-investment activities and project advances for engineering projects in Thailand and the Philippines.

4. Through its progress report, the Bank informs the Committee that project costs for Egypt's MCMC investment project have been revised from US \$2.8 million to US \$2.815 million. Some equipment included in the initial project was removed during final appraisal but the overall project cost actually increased due to price changes.

5. The US \$800,000 line of grant for Jordan approved at the Seventh Meeting has been redefined to include a US \$250,000 aerosol refilling project, a US \$200,000 flexible foam project, a US \$150,000 rigid foam project, US \$100,000 for project preparation, and US \$100,000 for institutional strengthening.

6. The Bank also informed the Committee that US \$1.5 million for four sub-projects has been approved under the US \$4 million line of grant approved for Mexico at the Committee's Fifth Meeting; the specific sub-projects were not specified although no sub-project cost over US \$500,000.

7. The Bank and the International Finance Corporation (IFC) are entering into an agreement to enable IFC to participate in project implementation. IFC is particularly well-suited to assist in projects where there are direct arrangements between the implementing agency and the beneficiary enterprise.

8. The Bank prepared papers on the production sector and in-kind contributions which are provided as information documents UNEP/OzL.Pro/ExCom/11/Inf.3 and Inf.4, respectively. The Bank reported that retroactive financing may cause operational problems which will discuss in a paper to be presented at the Twelfth Meeting of the Committee.

WORLD BANK MONTREAL PROTOCOL OPERATIONS

PROGRESS REPORT

BANK-IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS

(as of September 28, 1993)

Global Environment Coordination Division, Environment Department

THE WORLD BANK

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EXECUTIVE SUMMARY

The second and third quarters of 1993 have seen sustained activity in project processing and identification and preparation of new investment operations. The project preparation work undertaken to date is also leading to a healthy pipeline of projects for CY94.

Following the 10th 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\$65 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 21 (including Project Preparation Advances), 11 of which have been committed (through a PPA letter or grant agreement) and four of which are disbursing. Ten additional commitments are expected in the third and fourth quarter of CY 1993, including projects approved at the 9th and 10th Meetings of the Executive Committee.

New investment operations have been prepared for presentation to the 11th Meeting of the Multilateral Fund Executive Committee. These include projects for India, Indonesia and Venezuela. Amendments to the work program include project preparation activities for India, Philippines and Slovenia. Investment projects and Work Program amendments requests totalling over US\$12 million is being submitted to the 11th Meeting of the Executive Committee.

There was progress in all investment operations. Pre-appraisal missions were fielded in China, India, Indonesia, Venezuela and Tunisia. Appraisal missions visited Ecuador, Egypt, India, Philippines, Turkey and Venezuela. Project identification, preparation and/or country program missions were fielded to Argentina, Brazil, China, and India. Grant agreements were signed for Chile and Jordan while PPAs were approved for China and Indonesia. Negotiations have been initiated with China, Ecuador, Philippines and Turkey.

During this period, the Bank initiated its revised technical review procedures which included early OORG review of projects (while Task Managers were in the field preparing projects) and an enhanced participation of the OORG in the project development and in project cost review.

Also during this last period, the Bank formalized its operational guidelines on investment operations under the Montreal Protocol. This review supported the establishment of the proposed umbrella agreement to channel funds to the Bank's larger MP clients. These umbrella agreements are now being initiated in Brazil, India and Thailand, while many other projects will also be processed similarly.

SECTION 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 India, Indonesia and Venezuela. Work program amendments are being requested for India, Philippines and Slovenia. There are no requests for permission to proceed.
2. Therefore, investment projects and Work Program amendments totalling over US\$13 million are being submitted to the 11th 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 through September 1993 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)
<u>Indonesia</u> - ODS Investment Project (I) - 5 sub-projects	Jessica Poppele	Mike Jeffs, Harry McCain
<u>India</u> - ODS Investment Project (II) - 26 sub-projects	Naimeh Hadjitarkhani	Mike Jeffs, Lambert Kuijpers, Art Fitzgerald, Mike Harris, Phil Di Nenno
<u>Venezuela</u> - ODS Phase-Out Investment Project (I) - 2 sub-project	Don Rhatigan	Simon Oulouhoijian, Robert Proctor

Table I-2: Summary of World Bank Investment Projects being Submitted to the 11th Meeting of the EC, November 1993				
Country	Project Title & Sub-Projects by Sector	ODS Phase- Out per Year (MT)	Type of EC Decision Requested	Incre- mental Cost (\$ million)
India	<u>QDS II Project</u> : 5 sub-projects.		Final Approval	\$4.08
Indonesia	<u>QDS I Project</u> : 5 sub-projects.	505	Final Approval	\$4.59
Venezuela	<u>QDS III Project</u> : 2 sub-projects.	80 (new) 900 (aftermarket)	Final Approval	\$4.10
Additional WP Amendments	Work Program Amendments for project preparation activities as per paragraph 4 below and Attachment B.	NA	WP Amendments	\$0.40
Sub-Total			Final Approval	\$12.77
Sub-Total			WP Amendments	\$0.40
Sub-Total			Permission to proceed	\$0
Grand Total			Total All Decisions	\$13.170

4. Furthermore, the Bank is requesting additions to its Work Program (as per Attachment F) budget for project preparation for the following countries and amounts:

- (i) Philippines: User-sector project identification and preparation (\$150,000)

With the first grant agreement to be signed by the end of September, about 6 months after EC approval, the Government of the Philippines has requested the Bank to initiate the identification and preparation of the second group of sub-project, which will most likely be processed through an umbrella agreement. The Bank will be initiating these activities in the Philippines by the end of the year. The Project will involve the preparation of about 20 technologically sound, cost effective ODS phaseout sub-projects based on strategies outlined in the country program approved at the 10th Meeting of the Fund Executive Committee. A list of sub-projects will be prepared, from which DENR will endorse sub-projects for further development and final submission through the World Bank for MP financing. DENR and the World Bank will agree on the most effective project execution arrangement upon approval of the project preparation funds. These funds will be carried over into CY94.

(ii) Slovenia: Country Program and User sector pre-investment studies (\$150,000)

The Republic of Slovenia has, upon presentation of its ODS consumption data to UNEP, been confirmed as eligible for assistance from the Multilateral Fund for the Implementation of the Montreal Protocol as its per-capita consumption has been reported to be less than 0.3 kg. These funds will be used to provide assistance to Slovenia's Ministry of the Environment for the following activities: (1) preparation of Slovenia's Country program (\$50,000), (2) preparation of sub-sector project preparation workshops (\$15,000), and (3) undertaking of the identification and preparation of sub-projects which will form the first multicomponent ODS phaseout project (\$85,000).

(iii) India: User sector pre-investment studies (\$100,000)

Pipeline development activities are continuing in India and additional resources are required to maintain the present pace of activities. A substantial portion of the work is being coordinated and undertaken locally by the Tata Energy Research Institute (TERI) therefore providing for increased efficiency in the use of the funds. TERI is coordinating its activities closely with the Ministry of Environment and Forest and is collaborating with UNDP on the Country Program. This request is a supplement.

B. Project Processing Status of Investment Operations and Other Activities

1. Status on Country Programs Table I-3 provides a status on on-going Country Program (CP) activities for those countries in which the Bank obtained funding in its CY93 Work Program. The Bank is also providing support, when appropriate, to country program activities as part of its continuing dialogue with most of its clients, including Indonesia, India, Thailand and the Philippines.

Table I-3: Status of Country Program Activities		
Country Program	Transmittal Date from Bank to Govt.	Comments/Explanations
Argentina	In progress. A draft is to be reviewed with the GOA the last week of September.	A reconnaissance mission visited Argentina in March 1993 and made arrangements to initiate work on the Country Program. A local firm has been hired to undertake data collection and prepare a draft country program. An international consulting firm will later be hired to provide technical support to finalize the country program and assist in project identification.
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.
Jordan	April 1992	CP presented by GOJ to 10th Meeting of the EC and approved.
Malaysia	-	GOM requested Bank support for CP update. \$25,000 approved at 10th EC Meeting
Nigeria	-	Request for proposal procedures for international consulting services has been initiated by FEPA. Proposals are expected by November 1, 1993.
Tunisia	May 1992	CP has been translated and is being reviewed by the Government. Presentation anticipated for 12th Meeting of the Executive Committee.

2. Status of Project Processing. A new aspect of the Bank's Progress Report is the country-by-country update provided in Attachment A. The format was inspired from the Secretariat's consolidated progress report presented at the 9th Meeting of the Executive Committee. Although Attachment A is self-explanatory, a brief summary of progress for each country is provided in the next paragraphs.

(i) Argentina

Work in Argentina is proceeding well. Bank missions visited Argentina in June and August to participate in discussion on the Country Program and further identify and prepare projects. The Bank is being assisted by the EPA in the project preparation activities. Basic data collection is now complete and a draft country program prepared by a local and international consultants firm, with assistance from the Secretariat of Natural Resources and Human Environment, is to be reviewed in September with the Bank. A local working unit was established to coordinate project preparation activities. This activity will be funded through a project preparation advance from the funds approved for the Bank's work program. The project pipeline now stands at some \$8-10 million. Several of the projects are likely to be presented at the 12th Meeting of the EC. Twenty project proposals are now under review. Pre-appraisal is scheduled for November.

(ii) Brazil

The Bank has continued its discussions with Brazil on opportunities to streamline and facilitate in-country approvals of financial agreements. As reported last June, Brazil's federal government structure requires a legal opinion and Senate approval for every international financial agreement, including grant funding. FINEP has been selected as the sole financial intermediary for MP operations. The Government of Brazil recently agreed that the Bank could sign the grant agreement directly with FINEP, therefore significantly reducing the length of in-country approval procedures. The Bank is also proceeding with the umbrella agreement for Brazil which will be for an amount of about \$10.8 million. The country program will be funded through the umbrella grant agreement. The development of the pipeline for funding through the grant agreement is continuing, with the first projects presented for final approval for the 12th Meeting of the EC.

(iii) Chile

The project was approved by Bank management for signature on June 1, 1993. Implementation is now in progress. No significant issues to report.

(iv) China

The China ODS I Project was fully appraised in April and internal Bank processing is now complete. Full documentation and negotiations package was sent to China at the end of August. Documents will then be translated and evaluated. The Bank agreed with the Government of China to process the 50% CFC foams Project as the China ODS II. China ODS III, part of the CY93 work program, is being prepared for presentation to the 12th meeting of the EC. A Bank mission is visiting China in September/October to prepare the projects for presentation to the EC. This project is likely to include the first production-sector project, for a conversion of a CFC-12 production facility to HCFC-22.

(v) Ecuador

The Project was successfully appraised in May 1993. The Bank and GOE have had some exchanges on the legal agreement which is slated for signature by September 30 1993.

(vi) Egypt

The Bank received a letter from the the Egyptian Environmental Affairs Agency which indicated that the Bank would be asked to implement projects in the industrial and commercial refrigeration sectors. The Bank is awaiting the results of the UNIDO study on the refrigeration sector and the establishment of a sectoral strategy which would allow it to undertake project preparation work at the request of the GOE.

The MCMC compressor project was successfully appraised in June and final project processing has begun. The results of the appraisal provide a revised project cost of US\$2.815 compared to an August 1992 cost estimate of US\$2.8 million. Several pieces of equipment, which are part of the initial package, were removed during appraisal, as they were not judged to be incremental. On the other hand, the price of several pieces of equipment (most based on quotes) has increased over the last year, fully utilizing the contingency which had been planned.

(vii) Guatemala

The Bank's activities in Guatemala were completed earlier this year when the Country Program was finalized.

(viii) India

The Bank was very active in India during the period June-August 1993. It participated in the two National Country Program Workshops organized by the MOEF with UNDP assistance and made presentations on incremental cost issues. Bank staff and consultants also participated in the sectoral working groups which were responsible for preparing the inputs to the Country Program.

The Bank also identified and prepared several projects. A total of 26 sub-projects totalling over US\$11.2 million were finalized, technically reviewed by the OORG and cleared by the Bank for presentation to the Fund EC. The Bank is awaiting the formal clearance of the Government of India to forward these projects to the Fund Secretariat. With the assistance of MOEF and TERI, a substantial pipeline of project has also been identified and is under preparation. These projects will be processed through an umbrella agreement.

The India ODS I was appraised over the summer and is in the final stages of clearance for negotiations with the GOI.

The Bank also undertook the review of production sector projects and project concepts are being presented to the EC for their consideration.

(ix) Indonesia

The April project identification mission was followed by consultant visit during the summer and a Bank pre-appraisal mission in August. Projects totalling over \$5 million are being presented to the 11th Meeting of the EC. The pipeline of identified projects now consists of over \$10 million and will be channeled through an umbrella agreement. Following approval of the project by the EC, project appraisal will take place in December.

(x) Jordan

Final project and legal documents were sent to Jordan in June. Clearance was obtained from the Ministry of Planning in late August and the Bank approved the signing of the grant agreement on September 16, 1993. The grant agreement was then signed on September 17, 1993. The use of the line-of-grant sub-project (\$800,000) resulted in a revised distribution of resources to projects in the aerosol and foam sectors, which provided for much improved cost effectiveness.

(xi) Malaysia

A Bank mission visited Malaysia in September to assess the status and progress of the ODS recycling project, as well as four other investment projects which the Department of the Environment has identified and documented. These projects and possibly others will be further prepared and presented at the next meeting of the EC. Progress has been made in identifying a local implementing agency for the recycling scheme and implementation of the MAC recycling is expected to start before the end of the year.

(xii) Mexico

The US\$4 million line of grant has become effective and 4 sub-projects (none over \$500,000) have been approved for a total value of over US\$1.0 million. Enough sub-projects have now been identified (and are under preparation) to commit the remainder of the line of credit.

(xiii) Morocco

The Bank recently received a request from the Government of Morocco for assistance with its Country Program and investment project preparation. The Bank and GOM are discussing the modalities of their cooperation on ozone layer protection activities.

(xiv) Nigeria

Earlier this year, 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 are now under preparation. The participation of UNIDO for investment project identification, preparation and implementation has been confirmed and they are expected to request additional funds at the 11th EC Meeting.

(xv) Pakistan

The Bank recently received a request from the Government of Pakistan for assistance in the identification and preparation of investment operations to be funded by the Multilateral Fund. Discussions will be initiated shortly.

(xvi) Philippines

The GOP has formally requested the transfer of the information dissemination component from the Bank to UNEP. The Bank obtained approval from the Fund Secretariat and has initiated the transfer of these funds to UNEP (US \$200,000).

Processing of the grant agreement is proceeding on schedule with the approval of the grant slated for October 1993.

(xvii) 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 the end of the year.

(xviii) Tunisia

The Government of Tunisia requested that the August appraisal mission be rescheduled to late September or October. The appraisal is now scheduled for the week of October 4, 1993. The Tunisian Agence Nationale de Protection de l'Environnement has formally established an ozone office to implement the institutional development activities and provide support for project implementation. The Country Program has been translated and is undergoing final review by the Government. Presentation is anticipated for the first EC meeting of 1994. A PPA is also being prepared to allow the early set-up of the ozone project office and initiate project activities as soon as possible.

(xix) Turkey

The first project for Turkey was cleared for negotiations in August and documents were sent to the Government of Turkey, which is presently reviewing the package. The Bank has received a project proposal from the second largest refrigerator manufacturer in Turkey (Profilo) and is presently studying the proposal.

(xx) Venezuela

The processing of the second approved project for Venezuela (Conversion of CFC chillers to non-CFC substitutes) is progressing although there has been a complication due to hesitations on the part of one of the project participants. This situation is presently being addressed by FONDOIN with the assistance of the Bank. This project has been fully appraised and is in the final stages of approval.

As concerns Plasticos Molance, the first approved project for Venezuela, construction of the new facility is on-going and is expected to be completed by the end of the year.

A third project has been prepared in Venezuela. This one consists in the conversion of CFC-12 evaporators for use in MAC systems to HFC-134a. This project has been fully prepared and is being presented to the 11th Meeting of the EC.

(xxi) Global Solvents

The Industry Cooperative for Ozone Layer Protection (ICOLP) recently completed workshops and other activities in Malaysia, Turkey and Mexico. The second ICOLP solvents elimination project was held in Istanbul, Turkey on June 10, 1993. About 80% of the participants were from the Turkish electronic and metal cleaning industry, and the remainder including a broad participation from the Turkish Environment Ministry and other state and local government representatives. Follow-up activities are to include demonstration projects to be led by Northern Telecom. An ICOLP workshop was held in Monterrey, Mexico, June 22-23, 1993, that focused on solvent elimination in Mexico. ICOLP is planning follow-up activities which will include demonstration projects through open house seminars at selected ICOLP members' facilities in Mexico.

(xxii) 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 11th 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 Siemens 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.

1. 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. An additional US\$50 million is expected to be committed by the end of the year bringing the total commitment to about US\$65 million, representing all project approvals through the 10th Meeting of the Executive Committee.

Table I-4: World Bank Investment Project Grant Agreement Approvals, as of September 20, 1993				
Country	Project	Cost (\$ million)	RVP or Director Approval	Effectiveness
Mexico	MAC Recycling and Aerosols (Mexico ODS I Project)	0.18	3/9/92	03/9/93
Philippines	Controlled Substances Engineering Project (project preparation)	0.40	1/14/92	6/03/92
Thailand	Controlled Substances Engineering Project (project preparation)	0.39	1/14/92	8/18/92
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)	4.0	11/20/92	12/07/92
Venezuela	Plásticos Molanca (Venezuela ODS I Project)	1.3	4/30/93	4/30/93
Chile	Implementation of Country Program	1.2	6/1/93	
Jordan	ODS Phaseout I	1.5	9/16/93	9/17/93

Table I-5: Schedule for Director/RVP Approval of MP Projects for a six months horizon					
Country	MP Project	Task Manager	EC Approval	Appraisal	Planned Directory RVP Appr.
China	ODS Phase Out I	Chan	06/92	04/26/93	10/30/93
Ecuador	TA Environment	Plaza	03/93	05/24/93	10/01/93
Venezuela	ODS Phase Out	Rhatigan	10/92	07/93	10/01/93
Thailand	ODS I	von Ritter	06/92	09/15/93	11/01/93
Philippines	ODS I	von Ritter	03/93	04/01/93	10/30/93
Egypt	MCMC Compr. (IFC)	Younger	10/92	06/93	11/01/93
Turkey	Ozone Layer Protection	Sharma	10/92	06/14/93	09/13/93
Tunisia	Ozone Layer Protection	Steininger	10/92	09/15/93	12/15/93
Brazil	ODS Phase Out	Rhatigan	06/92	10/01/93	02/01/94

2. Project-Related Disbursements. The following Montreal Protocol projects and project preparation activities have disbursed a total of US \$1,133,635 as of August 31, 1993:

Table I-6: World Bank Investment Project Disbursements, as of August 31, 1993			
Country	Project	Project/Advance Amount (\$)	Amount Disbursed (US\$)
Thailand	Controlled Substances Engineering Project (project preparation)	\$390,000	\$359,960
Philippines	Controlled Substances Engineering Project (project preparation)	\$400,000	\$393,675
China	Project Preparation Advance on China ODS I	\$1,500,000	\$250,000
Venezuela	Plásticos Molanca	\$1,300,000	\$130,000
Total		\$3,590,000	\$1,133,635

3. 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

1. **Implementing Agency Coordination.** The Bank met with the Fund Secretariat in July to discuss follow-up to the 10th Meeting of the Executive Committee, including the work program of the OORG. While attending the Ninth Open-Ended Working Group Meeting in Geneva, the Bank met with the other implementing agencies and discussed coordination of various MP-related activities. The Bank and UNIDO are now discussing 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 on coordination of project preparation and country program activities. The Bank is to participate in the early stages of Country Program preparation to facilitate project identification and preparation. The Bank is also expecting to meet with the Secretariat and the other implementing agencies at a coordination meeting on October 4, in Montreal.

2. **Implementation Committee and Open-Ended Working Group Meetings.** The Bank participated in the August 1993 meetings of the Implementation Committee and Open-Ended Working Group in Geneva. The Bank presented a note to the Implementation Committee on data reporting by Article 5 countries, as it was requested by the Implementation Committee.

3. **MP Operations Legal Working Group.** In June 1993, the Bank established an MP Operations legal working group to enable staff from the Bank's Montreal Protocol operations team and the Legal Department to improve program functions and resolve outstanding legal operational issues. Issues addressed to date by the MP Legal Working Group include:

- . Umbrella Agreements. These have been incorporated into the Bank's Operational Policy/Business Procedures. The Bank's lawyers are now coordinating their approaches for the umbrella agreements being prepared for Brazil, India, Indonesia and Thailand;
- . Grants to Private Sector Enterprises. The Bank is reviewing provisions within its standard legal agreements to verify whether they are appropriate for grants direct to private sector enterprises;
- . Retroactive Financing. MP Operations brought to the attention of the Legal Department that Multilateral Fund guidelines allow for 100% retroactive funding of ODS phaseout activities. The Bank's guideline on retroactive financing is 10% up to 12 months prior to appraisal and this applies as the base rule.

Consideration would be given on a case-by-case basis. Funding a project on a 100% retroactive basis would prove difficult for the Bank at this point in time. The Bank wishes to bring this to the attention of the Executive Committee and report that it is now considering this issue in more detail and will provide a note to the EC for its first meeting in 1994;

Standard Sub-Grant Agreement. MP Operations is working with Legal to develop a standard/boiler plate sub-grant agreement which can be used in most situations where a financial intermediary is used and sub-grant agreements are required.

4. Bank Procedures for Investment Operations Financing by the Multilateral Fund of the Montreal Protocol (OP/BP 9.02). The Bank's internal operations directive on Montreal Protocol was distributed for final clearance to all the vice-presidencies on August 20 for comments by September 8. Minor modifications were made to OP/BP 9.02 and the document is now in the process of being issued as formal Bank guidelines. OP/BP 9.02 includes provisions for umbrella grant agreements, among other innovations. A copy is presented in Attachment C.

5. Bank/IFC Agreement. The Bank and IFC are finalizing a contractual agreement to cover IFC's responsibilities and accountabilities in implementing MP operations. This agreement is expected to be completed shortly.

6. Monthly Operations Report. The Bank's MP Operations team will now be issuing a Monthly Operations Report (MOR) which will outline the progress and issues on Bank implemented MP investment operations. Details on external distribution of the report are still being discussed. A copy of the MOR for July/August is presented in Attachment F.

7. 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 is presenting to the 11th Meeting of the Executive Committee. The purpose of these project concepts is to initiate discussion at the EC level on production sector issues and to provide the Secretariat with examples which it can use in studying the issues related to incremental costs of projects in the production sector. Attached to the project concept is a cover note which attempts to capture the difficulties and challenges which have been identified to date in the preparation of the project concept. One of the outcomes of the meeting with the Secretariat was an agreement of the key steps required to fully develop the policy environment for production-sector projects. Following the OORG meetings in October and a review of the project concepts, the Secretariat is to proceed, in collaboration with the Implementing Agencies, with outlining an approach to defining criteria for incremental costs in the production sector. The project concepts and covering note are presented in Attachment D. It would appear that CFC-12/HCFC-22 conversion projects have few unresolved issues and could be further prepared on the basis of present guidelines and policies.

8. Note on In-Kind Contributions. In response to a request made at the 10th Meeting of the Executive Committee, the Bank has prepared a short note on considerations for the use of in-kind contributions to be made by some donors to the Multilateral Fund. The note is presented in Attachment D. The key issue which arises in evaluating approaches to in-kind contribution is the evaluation of the said contribution (licensing technology) and the difficulties in assessing the competitiveness of the technologies on the international markets. Most developing country companies which have required a technology agreement (mainly in the refrigeration sector) have established agreement with multinationals with which they have had a long-standing relationship. Follow-up action is proposed for consideration by the Executive Committee.

9. On-Lending. The Bank is working on a note to the Executive Committee on the issue of on-lending and expects to have it completed for the 12th Meeting of the EC.

10. Up-Coming Events. MP meetings and other events of importance to Bank operations are provided below for a six months horizon:

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

Meeting/Event	Place and Date
Coordination Meeting of the Implementing Agencies	Montreal, October 4, 1993
4th Meeting of the Ozone Operations Resource Group	Washington, October 19, 1993
Eleventh Meeting of the Fund Executive Committee	Bangkok, 8-10 November, 1993
Meeting of the Parties	Bangkok, November 16-18, 1993

10. Pipeline for CY94. The Bank's formal planning for the 1994 Work Program and Investment Projects will only begin in November. Nevertheless, given the on-going discussions on Fund replenishments, it was felt that it might be appropriate to provide an early indication of the potential for investment projects to be funded and prepared in 1994. Firstly, the CY93 project preparation activities will be finalized in December 1993, when the China operation is expected to be completed and ready for presentation to the 12th Meeting of the Executive Committee and when clearance for the India projects will have been obtained. The Bank is also expected to finalize additional projects in Thailand by the end of the year. Project preparation funds have been allocated by the EC for activities in 12 countries, many of which will be the second operation within the country, therefore providing for even more streamlined implementation.

The following table is but an indication of possibilities and does not represent a formal commitment on the part of the Bank nor on the part of the countries. At this stage it is but an educated estimate based on our knowledge of project development activities in the countries. Some of the investments will likely be presented in early 1995 even though they will have been prepared in 1994. The following numbers are exclusive of production sector projects except for a CFC-12/HCFC-22 conversion project for China.

Table II-2: Tentative Pipeline for 1994

Country	Possible Amount (in US \$ Million)
Present Clients:	
Argentina	\$ 8-10
*Brazil	\$ 5-15
&China	\$15-20
*India	\$15-20
*Indonesia	\$10-12
&Malaysia	\$10-15
&Philippines	\$10-15
*Thailand	\$10-15
Turkey	\$ 5-8
Venezuela	\$ 5-8
New Clients:	
Morocco	\$ 5-8
Slovenia	\$ 3-5
&Pakistan	\$ 5-10
TOTAL	\$106-151

*Indicates countries for which an umbrella agreement will be in place by the end of the year and therefore most likely not require grant agreements in CY94.

&Indicates countries where the next grant agreement is expected to be an umbrella-type agreement.

11. It is felt that the lower end of the estimate is conservative while the upper end is ambitious. Then again, as more and more of the Bank clients assume an increasingly active, even full leadership role, in project preparation, the capacity to deliver new investment operations will also increase proportionally.

12. The Bank will further analyse the constraints to delivering investment projects of this magnitude but at the present time, it is felt that the availability of sector experts to assist in the project preparation will be a major issue. The implementing agencies are now relying on a limited number of consultants to handle the bulk of the project preparation activities.

13. Impact of Bank-Implemented MP Operations. The Bank is preparing a note on the impact of its MP operations for the period 1991-93, both tangible and intangible, which it will be presenting to the Fifth Meeting of the Parties to the Montreal Protocol in Bangkok. The note, to be finalized by mid-October, will be distributed to all members of the Executive Committee prior to the Bangkok meeting.

III. FINANCIAL DATA AND STATUS

1. 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

Table III-3: CY93 Planned Approvals/Commitments

Table III-4: Financial Status of MFMP Projects

2. Fund Receipts, Uses and Balances. Since the last Executive Committee meeting the Bank has received transfers of US \$16.64 million on July 30, 1993, for project investments and work program activities from the Multilateral Fund. This amount does not appear in Table III-1 as it only covers the period January-June 1993. With the approval of some US\$16 million at the 10th EC Meeting, the planned commitments for CY93 are now at over US\$57 million (under CY93 Planned Fund Uses column and also in Table III-3). Following the 10th Meeting, about US\$40 million from the initial US\$83 million remained in the pipeline for CY93. With the project presentation of some US\$13 million at the 11th Meeting of the EC, the remaining pipeline will be at some US\$30 million, to be completed by year-end 1993.

3. Work Program Budget Summary. The CY93 Work Program Budget Summary in Table III-2 provides a country-by-country account of expenditures on country programs, project preparation and processing, and general administrative and coordination functions. As of June 30, 1993, the total expenditures logged to date in the Bank's administrative system is about US\$2 million, or close to 50% 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. The work program activities for pipeline development now total about 50% of the total work program budget.

4. 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. There are no significant changes since the last report. Over US\$55 million is expected to be committed by the end of the year. The Ecuador and Philippines projects, which were approved at the Ninth Meeting of the EC, have been scheduled for final Bank commitment in September/October 1993, about six months after EC approval. The projects approved at the 10th Meeting of the Executive Committee are also scheduled to be committed by the Bank in 1993, within or close to the 6-month objective.

5. Project Financial Status. Over US\$3 million in pre-investment activities and project advances in China, Indonesia, Mexico, Philippines and Thailand have been approved by the EC, and over US\$62 million in project financing has been authorized for Brazil, Chile, China, Ecuador, Egypt, India, Jordan, Malaysia, Mexico, the Philippines, Thailand, Tunisia, Turkey and Venezuela (refer to table III-4). As of September 20, 1993, total Bank commitments stood at US\$11.2 million for ten projects/advances. Four of these are now disbursing. World Bank Montreal Protocol project disbursements for projects in China, the Philippines, Thailand and Venezuela have totalled US \$1,113,000.

Table III-1

MULTILATERAL FUND OF THE MONTREAL PROTOCOL

World Bank Work Program

Fund Receipts, Uses and Balances

(In US\$ million)

As of June 30, 1993

	CY91/92 Actuals	CY93 Actuals a/	Cumulative Actuals from Inception thru CY93-2nd Qtr.	CY93 Planned Fund Uses	
				MP E.C. Auth. Proj. b/	Remaining in CY93 Pipeline c/
I. FUND RECEIPTS (through 3/31/93)					
Contributions	\$42.315	\$15.842	\$58.157		
Investment Income	\$0.747	\$0.570	\$1.317		
TOTAL FUND RECEIPTS	\$43.062	\$16.412	\$59.474		
II. FUND USES					
A. Workprogram Costs					
- CPs and Studies	\$1.015	\$0.024	\$1.039	\$0.167	
- Project Preparation	\$2.006	\$1.518	\$3.524	\$4.276	
- Administrative Costs	\$1.157	\$0.368	\$1.525	\$1.019	
- OORG	\$0.080	\$0.085	\$0.165	\$0.160	
Sub-total WP Costs	\$4.258	\$1.995	\$6.253	\$5.622	
B. Project Commitments					
- Pre-inv. Activities	\$2.470	\$0.550	\$3.020	\$0.550	\$0.000
- Project Financing	\$5.630	\$2.510	\$8.140	\$57.000	\$42.000
Sub-total Project Costs	\$8.100	\$3.060	\$11.160	\$57.550	\$42.000
TOTAL FUND USES	\$12.358	\$5.055	\$17.413	\$63.172	\$42.000
III. FUND BALANCES					
EXCESS OF RECEIPTS (USES)	\$30.705	\$11.357	\$42.061		
FUND BALANCE AT BEGINNING OF PERIOD		\$30.705	\$0.000		
FUND BALANCE AT END OF PERIOD	\$30.705	\$42.061	\$42.061		

a/ Financial data as of June 30, 1993; the additional contribution of \$16.64 m was received on July 30, 1993. Workprogram Costs through second quarter as per Table III-2.

b/ World Bank Work Program and Investment Projects authorized by the Multilateral Fund Executive Committee through June 30, 1993 which are expected to be committed by the end of CY93.

c/ Remaining World Bank Work Program and Investment Projects being prepared in CY93 for presentation to the MP Executive Committee.

Table III-2
WORLD BANK--MONTREAL PROTOCOL OPERATIONS
Work Program Budget Summary

a/

CY93 Plan b/ Work Program Budget (US\$)					CY93 Expenses through 30 June 1993 Work Program Budget (US\$)		
Country Work Programs	Product ID	CP Studies c/	Project Prep.	TOTAL	CP Studies c/	Project Prep.	TOTAL
I. Investment Projects							
1. Chile	6CHLMT001		82,890	82,890	0	38,332	38,332
2. China	4CHAMT001		326,000	326,000		141,822	141,822
3. Ecuador	6ECUMT001		68,000	68,000		59,500	59,500
4. Egypt	7EGTMH120		112,200	112,200		36,759	36,759
5. Jordan	5JORMT001	8,200	123,200	131,400		80,829	80,829
6. Malaysia	4MAYMT001		103,200	103,200		3,635	3,635
7. Mexico	6MXCMT001/2		123,400	123,400		32,520	32,520
8. Philippines	4PHLMT002		194,550	194,550		48,210	48,210
9. Thailand	4THLMT001		190,000	190,000		141,549	141,549
10. Tunisia	5TUNT001/2	8,200	165,800	174,000		121,130	121,130
11. Turkey	7TURMT001		140,400	140,400		181,903	181,903
12. Venezuela	6VENMT002		156,200	156,200		105,887	105,887
Investment Projects Subtotal		16,400	1,785,840	1,802,240	0	992,076	992,076
II. Pipeline Projects							
1. Argentina	6ARGMT001	85,000	163,000	248,000 f/	0	116,873	116,873
2. Brazil	6BRAMT001	30,000	112,000	142,000	0	37,356	37,356
3. *China (Prod.)	4CHAMT003		240,000	240,000	0		0
4. *China (User Sect.)	4CHAMT002		280,000	280,000	0		0
5. Guatemala		0	47,000	47,000	0	33,512	33,512
6. *India	8INDMT001		400,000	400,000	0	159,130	159,130
7. *India	8INDMT002		0	0	0	0	0
8. Indonesia	4INSMT001	0	206,000	206,000	0	68,975	68,975
9. *Malaysia		25,000	75,000	100,000	0		0
10. Nigeria		35,100	62,500	97,600	e/ 24,072	0	24,072
11. *Thailand	4THLMT002		150,000	150,000	0		0
12. Solvents & Refrig.	1WLDMT001	0	455,000	455,000	0	110,465	110,465
13. *Global Aerosol	1WLDMT002		350,000	350,000	0	0	0
Pipeline Projects Subtotal g/		150,100	1,045,500	1,195,600	24,072	526,311	550,383
Project Amendments Subtotal					0	0	0
III. Admin., Legal, Fin. Costs Subtotal					0	452,599	452,599
TOTAL: CY 93 WORK PROGRAM		191,500	5,505,440	5,696,940	24,072	1,970,986	1,995,058

Table III-2
WORLD BANK--MONTREAL PROTOCOL OPERATIONS
Work Program Budget Summary
Continued

- * Project Amendments
- a/ Includes IFC
- b/ Plan as submitted to the Multilateral Fund Executive Committee at its 9 Meeting on March 8-10, 1993, and updated on the basis of the 10th meeting of the Executive Committee June 28-July 1, 1993.
- c/ Includes country programmes and supporting technical studies, these underpin project preparation.
- d/ Budget amounts for operations coordination, related policy analysis and review legal and financial administration and associated overhead costs.
- e/ Adjustment to previous calendar year expenses.
- f/ Work Program amendment of \$100,000 at 10th EC Meeting
- g/ Total doesn't include project amendments

TABLE III-3

World Bank Work Program

CY93 PLANNED APPROVALS/COMMITMENTS

(In US\$ million)

As of 30-June 1993

Country	No. of Proje.	Project Type	Total Project Cost	Planned Bank Approvals/Commitments					ACTUAL APPROVALS	
				CY93		CY94		TOTAL COMMIT.	CY93 thru 6/93	FULL YEAR CY92
				Jul-Sept	Oct-Dec	Jan-Apr	Apr-Jun			
I. EC AUTHORIZED/PROJECTS IN WORK PROGRAM a/										
Brazil	1	Project Financing I	2.93		2.93			2.93		
Chile	1	Project Financing I	1.21						1.21	
China	1	Project Financing I	6.60		6.60			6.60		
China	1	Project Financing II	5.19		5.19					
China		Project Financing I (PPA)	1.50							1.50
China		Project Financing II (PPA)	0.30						0.30	
Ecuador	1	Project Financing I	1.57	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		
Indonesia		Project Financing I (PPA)	0.25						0.25	
Jordan	1	Project Financing I	1.50	1.50				1.50		
Malaysia	1	Project Financing	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				6.17		
Venezuela	1	Project Financing I	1.30						1.30	
Venezuela	1	Project Financing II	1.10		1.10			1.10		
WP Sub-total	19		65.65	21.16	33.33			49.30	3.06	8.10
II. PROJECT PIPELINE b/										
China	1	Project Financing II	25.00							
Indonesia	1	Project Financing I	5.00							
India	1	Project Financing II	12.00							
PP Sub-total	3		42.00							
GRAND TOTAL	22		107.65	21.16	33.33			49.30	3.06	8.10

* Project approved on September 13, 1993.

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.

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.

Table III-4

MULTILATERAL FUND OF THE MONTREAL PROTOCOL

World Bank Investment Project Portfolio

FINANCIAL STATUS OF MFMP PROJECTS

(US\$ MILLION)

		Authorized Investment Proj. Funding a/	Approved Commitments thru 30. June 93	Disbursements thru 31 August 93 b/		
				CY92 Actual	CY93 YTD Actual	Cumulative Total
PRE-INVESTMENT ACTIVITIES AND PROJECT ADVANCES						
China	PPA for ODS Phase out Project I	1.50	1.50	0.25	0.00	0.25
China	PPA for ODS Phase out Project II	0.30	0.30			0.00
Indonesia	PPA for ODS Phase out Project I	0.25	0.25			0.00
Mexico	Ozone Pilot Recycling and Training Project	0.18	0.18			0.00
Philippines	Controlled Substances Engineering Project	0.40	0.40	0.20	0.19	0.39
Thailand	Controlled Substances Engineering Project	0.39	0.39	0.06	0.30	0.36
Sub-total Pre-Investment Activities		3.02	3.02	0.51	0.49	1.00
PROJECT FINANCING						
Brazil	ODS Elimination Project	2.93				0.00
Chile	ODS Phase Out Project I	1.21	1.21			0.00
China	ODS Phase Out Project I	11.79				0.00
Ecuador	ODS Phase Out Project I	1.57				0.00
Egypt	MCMC Compressor (IFC)	2.80				0.00
India	ODS Reduction Project I	1.25				0.00
Jordan	ODS Reduction Project I		1.50			0.00
Malaysia	ODS Phase Out Project	1.63	1.63			0.00
Mexico	Line of Grant	4.00	4.00			0.00
Philippines	ODS Phase Out Project I	11.93				0.00
Thailand	ODS Phase Out Project	11.67				0.00
Tunisia	Ozone Layer Protection	1.79				0.00
Turkey	Ozone Layer Protection	6.17				0.00
Venezuela	Plásticos Molanca	1.30	1.30		0.13	0.13
Venezuela	Substitution of HFC	1.10				0.00
Sub-total Project Financing		61.13	9.64	0.00	0.13	0.13
GRAND TOTAL		64.15	12.66	0.51	0.62	1.13

a/ Project funding authorized (as of 30 June 1993) by the MP Executive Committee for the World Bank; funds for projects authorized at the June 1993 EC Meeting was received on July 30, 1993.

b/ Project disbursements commence after signing of the Grant Agreement by the Bank and the recipient country and all conditions of effectiveness have been met.