UNITED
NATIONS

EP

United Nations
Environment
Programme

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/23/16
20 October 1997

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-third Meeting
Montreal, 12-14 November 1997

1998 WORLD BANK DRAFT BUSINESS PLAN

COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

1. The total value of projects to be submitted by the World Bank in 1998 is expected to be US $80.8 million (including agency fees and 15 per cent overprogramming) from project preparation of US $2.068 million (including an expected US $511,000 carryover from 1997 project preparation approvals). The Bank is expected to submit requests for US $529,000 (including agency fees) for non-investment, institutional strengthening renewals in 1998.

2. This level of funding is expected to result in the phase-out of 16,872 ODP tonnes. The largest amount of funding is targeted for the refrigeration sector (US $37 million) followed by the halon sector (US $14 million).

3. The World Bank expects to disburse US $53.7 million in 1998 and phase-out 10,257 ODP tonnes from approved projects. The Bank's business plan indicates that the cost of project preparation as a percentage of planned project submissions in 1998 will be from 2 to 3 per cent. Table 3 of the Bank's business plan indicates that five non-investment projects will be completed in 1998 although the Bank expects requests for the renewal of institutional strengthening during the course of the year.

COMMENTS

4. Six months into its 1997 business plan, the World Bank has phased out 1,108 of its 19,190 ODP tonne phase-out target. It has disbursed US $20.5 million (US $18 million excluding agency fees) of its 1997 US $58 million disbursement target.

5. While the Bank plans to prepare investment projects for the production sector in China in 1998, it does not expect to submit such projects until 1999 and following the adoption of production sector guidelines. US $14 million (US $12 million excluding agency fees) is allocated for the halon production sector.

6. The Bank did not provide information about disbursement in following years for its non-investment projects.

<u>Contingency projects</u>

7. The Bank included US $18 million in its business plan for contingency projects. This amount should not be added to the Bank's share in funds allocated for investment projects in 1998.

<u>Level of investment project funding for 1998</u>

8. The value of investment projects included in the Bank's business plan (US $80.7 million) exceeds its expected share of fund resources in 1998 by over US $13 million which is partially due to its inclusion of contingency projects with non-contingency projects.

Methyl bromide

9. The Bank has allocated US $11 million for the methyl bromide sector. The Bank has not yet identified countries where such projects would be implemented and states that deliverables will be confirmed after consultation with countries. This allocation is in response to the Meeting of the Parties decision to allocate an additional US $25 million to the US $4 million foreseen for such projects.

Project preparation planned for 1998

10. The Bank is requesting US $50,000 for project preparation to deliver US $3 million in projects for Argentina. In approving project preparation funds for Argentina at its Twenty-first Meeting, the Committee decided that funds could not be spent until the Bank reported to the Committee that progress had been made with the implementation of existing projects (decision 21/15). In its business plan, the Bank stated that it had disbursed US $1.39 million (6 per cent) of the US $22 million approved for investment projects in Argentina.

11. The Bank is also planning to request US $63,000 for project preparation in Pakistan to deliver US $946,000 in investment projects in 1998. However, the Bank has not disbursed any of the US $2 million of approved investment projects in Pakistan.

Policy issues

12. The Bank notes that the tax issue continues to be a major hindrance to the implementation of Fund-supported projects in a few countries, but it did not specify in which countries this was a problem.

RECOMMENDATIONS

The Executive Committee may wish to consider:

1. Recommending modifications to the World Bank's draft 1998 business plan to enable it to be finalized for submission to the Twenty-fourth Meeting of the Executive Committee especially with regard to the level of funding to be included in its revised 1998 business plan.

2. Requesting additional information from the World Bank concerning: its list of contingency projects, the readiness of its methyl bromide activities for submission in 1998, and the likelihood of approving project preparation in countries where there are ongoing implementation difficulties (low levels of fund disbursement and taxes and duties).

DRAFT 1998 BUSINESS PLAN

WORLD BANK

INVESTMENT OPERATIONS FUNDED BY THE MULTILATERAL FUND OF THE MONTREAL PROTOCOL

Presented to the 23rd Meeting
of the Executive Committee

October 1997

TABLE OF CONTENTS

Attachments

I. Meeting Executive Committee Targets

A. Meeting the Objectives of the Multilateral Fund

1. The Executive Committee endorsed at its 22nd Meeting the targets for ODS approvals and expenditures proposed in the revised three-year (1997 - 1999) business plan of the Multilateral Fund (UNEP/OzL.Pro/ExCom/22/12) and noted that the 1998 and 1999 figures were indicative only and would be reviewed at the next meeting of the Executive Committee.

2. The Executive Committee also decided on the following (UNEP/OzL.Pro/ExCom/22/79/ Rev.1, Decision 22/11, para. (a)):

(i) The Multilateral Fund, in 1997 and the first half of 1998, would give priority to approving projects with the highest ODP value and short implementation duration for countries that had yet to meet their freeze obligations. This would allow these projects to be implemented before July 1, 1999 in order to curtail the ODS consumption growth in these countries;

(ii) The Fund would continue to provide funding for all ODS consumption sectors to enable all Article 5 countries to maintain the momentum of phaseout according to the strategies in their country programs. Halon would continue to receive high priority due to its high ODP value and the cost-effectiveness of halon phaseout projects. This would include consideration of the first sectoral phaseout program for Article 5 countries in the halon sector;

(iii) The Fund would continue to practice the setting up of special allocations for LVCs. Implementing Agencies should be encouraged to target funds to assist those countries;

(iv) Funding of full and gradual closure projects in the production sector would be considered during the triennium. Considering that the guidelines for shutting down ODS production facilities would be ready in 1997, and project formulation would be underway in the same year, allocations for the production sector would be made in 1998 and 1999.

(v) Future budgets should include project preparation funds for investment projects under investment, rather than non-investment allocations.

3. Assisting Article 5 Countries Meeting the 1999 Freeze: In response to the need to assist countries to meet their freeze obligation in 1999, the World Bank will continue to give priority to those countries that have not yet made sufficient investments to meet their 1999 target. The Bank will also continue to support those countries which have adopted a more aggressive ODS phaseout program. In addition, the World Bank will direct its resources and efforts to help countries to implement and complete previously approved projects to ensure that ODS phaseout will progress as scheduled.

4. Giving High Priority to Halon Phaseout Projects: In 1998, halon phaseout will still be an integral part of the World Bank's Business Plan. The Bank will continue to work with China to implement its halon sector approach.

5. Targeting Funds to Assist Small ODS Consuming Countries: In response to the Executive Committee's decision related to the need for the Implementing Agencies to provide assistance to small ODS consuming countries, the Bank is investigating the possibility of initiating new operations with a few small ODS consuming countries in Africa, Asia and the Caribbean.

6. Funding of Full and Gradual Closure Projects in the Production Sector: The Bank is working with China to initiate project preparation in this sector by 1998 in order to have production sector projects ready for submission by early 1999. Early adoption of production sector phaseout guidelines would facilitate more rapid submissions of projects in this sector. The current 1998 Business Plan does not include any additional requests for preparation of projects in this sector.

7. As of June 1997. the Bank's Montreal Protocol portfolio consisted of more than 360 projects. These projects, when fully implemented, will eliminate more than 43,000 ODP tons of Annex A, Group I chemicals (CFCs) and approximately 6,000 ODP tons of other controlled chemicals (mainly halons). As of June 1997, more than 15,000 ODP tons have already been phased out through projects implemented by the World Bank. The Bank is on track to achieve its ambitious 1997 ODP phaseout target.

8. Based on the progress of project preparation activities undertaken in all client countries, the Bank expects to meet its targets for new investment projects set for 1997. The China halon sector phaseout plan which will phaseout over 35,000 ODP ton in the production and consumption sector, is to be considered by the Executive Committee in November 1997.

9. In response to the Executive Committee's Decision 21/23, the Bank had prepared draft guidelines for financing of commercial refrigeration user conversions. These draft guidelines were submitted to the Sub-Committee on Project Review at the September 18-19 Meeting, and will be considered by the Executive Committee at its 23rd Meeting. Approval of these guidelines would help Article 5 countries meet their 1999 freeze and subsequent obligations under the Montreal Protocol.

10. The World Bank and the International Finance Corporation (IFC) had already initiated the study on leveraging the Multilateral Fund resources in accordance with Decision 21/39. The study is expected to be complete and ready for consideration of the Executive Committee at its first meeting in 1998. The Bank anticipates to submit as part of the 1998 Work Program Amendments, requests for funding to support additional activities which would be recommended as the outcome of this on-going study during the course of the next planning period.

11. As of June 1997, actual disbursement to enterprises has exceeded US$78 million (an increase of more than US$18 million). Additional disbursement of more than US$38 million is expected by the end of 1997. That will result in about half of the total approvals being disbursed to enterprises by the end of this year.

B. Resource Allocation

12. The World Bank 1998 Business Plan is developed on the basis that the total resource of the Multilateral Fund for all activities in 1998 is US$156 million. Of which, US$16 million and US$10 million are for non-investment and bilateral co-operation activities, respectively. In response to the recent decision adopted at the Ninth Meeting of the Parties in September 1997, US$29 million from the resource available in 1998 will be allocated for projects in the methyl bromide sector. This leaves US$130 million available for 1998 investment activities which include investment projects in the consumption and production sectors, and investment projects for low volume consuming countries. The Bank's delivery of new investment projects will not exceed 45 percent of the 1998 allocation for investment projects (i.e., all projects other than work program activities), in line with the agreement reached by the Implementing Agencies at the 17th Meeting (Decision 17/21 para. 30). Therefore, with 15 percent over-programming and 30 percent (US$18 million) for contingency projects, planned submissions for 1998 are amounted to approximately US$81 million including 13 percent agency support costs. Of this amount, about US$14 million (20 percent of the total allocation) would be allocated to the second phase of the halon sector ODS phaseout project in China and individual halon phaseout projects from a few client countries which will phase out approximately 13,000 ODP tons of halons.

13. Submissions in 1998 will comprise investment projects in almost all ODS consuming sectors, except the production sector. The Bank plans to initiate project preparation activities in the production sector in 1998. However, the actual submissions of these projects are expected to take place in 1999. The project preparation funds of US$350,000, approved at the 22nd Meeting for developing projects in the production sector in China, will be carried over to 1998.

14. The distribution of the World Bank's 1998 allocation will be as follows:

- 2 percent for the aerosol sector;
- 4 percent for the foam sector;
- 20 percent for the halon sector;
- 53 percent for the refrigeration sector;
- 2 percent for the solvent sector;
- 3 percent for projects in the several sector;
- 16 percent for methyl bromide projects.

15. The Bank's 1998 submissions will consist of a large number of projects in the refrigeration sector (53 percent of the total allocation) which has a higher ODS phaseout cost. A high percentage of the Bank's allocation for the refrigeration sector reflects the fact that the largest cost of ODS phaseout in Article 5 countries is in the refrigeration sector, and progress has already been made in phasing out ODS in other more cost-effective sectors.

16. This significant surge of the number of investment projects in the refrigeration sector is due to the fact that beneficiary Parties have placed a high priority on this sector. Article 5 countries recognize that a build-up of CFC-based refrigeration equipment would burden economies with high retrofit costs in the future. In addition, Article 5 countries realize that conversion projects in the refrigeration sector would take a considerable amount of time to complete. Delays in implementing conversion projects in the refrigeration sector would make it difficult for Article 5 countries to meet the subsequent obligations under the Montreal Protocol which require significant reduction of ODS consumption after 1999.

17. The average cost-effectiveness of the Bank's 1998 submission (excluding projects in the methyl bromide sector) is expected to remain at the level of US$4.00/kg due to the large ODP to be captured by the China halon sector projects.

18. The Bank is requesting US$1,557,000 for project preparation in 1998 (including 13 percent agency support cost). In addition, about US$511,000 will be carried over from the 1997 project preparation allocation (including US$350,000 for China production sector). These resources will be used to prepare more than 110 new investment projects with the value of approximately US$73 million. Cost of project preparation in 1998 would, therefore, be in the range of 3 to 4 percent of the total value of the projects (excluding those in the methyl bromide sector). These new submissions would eliminate approximately 4,100 ODP tons of Annex A, Group I chemicals and about 13,000 ODP tons of halons.

19. In response to the goal of the Multilateral Fund to assist Article 5 countries to meet the 1999 freeze, the Bank plans to allocate approximately 60 percent of its total allocation (excluding allocation for projects in the halon and methyl bromide sectors) to develop new investment projects in Article 5 countries that still have a large residual use of ODS and may need additional support to meet the 1999 freeze. The remaining 40 percent of the Bank's allocation will be used to support those countries which have adopted a more aggressive ODS phaseout program for Annex A, Group I chemicals.

Special Initiatives

15. The Executive Committee will consider the sector plan for halon phaseout in China and its 1998 annual program at the 23rd Meeting. Pending approval of subsequent annual programs, additional requests to further work in this sector would be developed and submitted in 1998 and 1999. With experience gained and lessons learned from developing and implementing this sectoral approach program, the Bank will investigate with interested Article 5 countries the possibility of expanding this approach to other ODS consuming sectors.

16. With preliminary success in Mexico, the Bank has prepared draft guidelines for financing commercial refrigeration user conversions which will be considered by the Executive Committee at its 23rd Meeting in November 1997. If approved, the Bank is prepared to work with interested Article 5 countries to prepare new projects at the beginning of 1998.

17. As previously mentioned, the study on leveraging the Multilateral Fund resources is underway. The study is expected to be complete and ready for the consideration of the Executive Committee at its first meeting in 1998. The Bank also plans to submit an innovative project proposal to illustrate how

concessional lending and other forms of innovative funding can be used to advance the phaseout of ODS by providing funding for projects and activities that may or may not otherwise be eligible for full funding in the form of grants from the Multilateral fund.

18. The Bank will investigate the possibility of initiating new operations with a few small ODS consuming countries in Africa, Asia and the Caribbean. A reconnaissance mission in a few countries in Africa has already been planned. The Bank will explore various innovative options to help these small countries to rapidly phase out ODS at a reasonable cost-effectiveness level.

II. Planned Business Activities

A. Funded Activities

19. Investment Projects and Activities: Country-level and cumulative expected project-related disbursements and ODP phaseout for 1998 are presented in Table 4. Cumulative disbursements and ODP phaseout by sector for 1998 are also presented in Table 1. Total ODP to be phased out by all projects under the Bank's portfolio is about 49,000 ODP tons (43,000 ODP tons of CFCs and about 6,000 ODP tons of halons and other controlled chemicals). As of June 1997, more than 14,600 ODP tons (about 10,000 ODP tons of CFCs and 4,300 ODP tons of halons and other controlled chemicals) had already been eliminated. Based on the 1997 ODP phaseout target, it is expected that by the end of 1997 the total cumulative ODP phaseout will exceed 30,000 ODP tons.

20. As of June 1997, investment projects worth more than US$229 million had been approved by the Executive Committee for Bank implementation. Cumulative disbursement data to enterprises exceed US$78 million at the end of June 1997. Additional disbursements of US$38 million are expected to be made before the end of 1997. At present, about one-third of the Bank's total approvals has already been disbursed to enterprises. By the end of the year, total disbursement to enterprises is expected to reach 50 percent of the Bank's total approvals.

21. Grant agreements are now in place in all countries that the Bank has active operations. These include Pakistan and Argentina. As of June 1997, disbursements of US$390,000 had already been made in Argentina. Additional disbursements of closer to US$1 million has been made recently. The slow disbursement during the first half of 1997 is due to an issue related to tax and duty imposing on equipment obtained under the Multilateral Fund supported projects. The World Bank and the Government of Argentina are working closely to overcome this problem. At present, the Government is in a process of promulgating a decree to exempt import duties on equipment supported by the Multilateral Fund. In the meantime, due to market pressure for non-ODS products enterprises which already had their conversion projects approved by the Executive Committee decided to absorb the costs of import duties and proceed with the projects.

22. As the Bank's operations in Mexico have closed, a new grant agreement with Mexico is being formulated based on the existing agreement. As the Bank's operation in Mexico has been well established and the Bank has a new more flexible processing procedures in place, the new grant agreement is expected to be effective by January 1998.

23. In Brazil, significant disbursements to enterprises (about US$1.8 million have been made during the first half of 1997). Based on the 1997 disbursement target, it is expected that an additional amount of US$1.7 million will be made before the end of the year. As significant improvement has already been achieved in Brazil, the Bank intends to initiate more investment projects in 1998. The project preparation funds (US$75,000) approved for Brazil in 1997 will be carried over to the next planning period. These funds will be used to develop new investment projects in the refrigeration sector.

24. With regard to the actual amount of ODP captured by all existing investment projects approved for Tunisia which are being implemented through the Bank, the amount of ODP to be phased out has been revised to 227 ODP tons, instead of 530 ODP tons.

25. Non-Investment Operations: As of June 1997, non-investment activities including country program preparation, demonstration projects, institutional strengthening, technical assistance and training approved by the Executive Committee exceed US$15 million. US$11.6 million in non-investment activities are underway with aggregate disbursement of 59 percent. The balance of funds represent savings returned to the Multilateral Fund or canceled or transferred activities.

26. Project Preparation: The Executive Committee approved US$2.06 million to support the Bank's project preparation activities in 1997 in addition to a carry-over from the previous year. It is anticipated that most of these funds will be fully committed by the end of 1997. Only US$511,000 which was intended for developing investment projects in the consumption sector in Malaysia and Brazil, and projects in the production sector in China, will be carried over to 1998.

B. Program Expansion

27. Project Preparation: At this time, new project preparation activities are planned in 14 countries (Argentina, Brazil, Chile, China, Colombia, India, Indonesia, Jordan, Malaysia, Mexico, Pakistan, Thailand, Turkey and Tunisia). Information on new project preparation activities is listed by sector in Table 2, and by country in Table 5. The 1998 request for project preparation funds is US$1.6 million (including 13 percent agency support cost). This new request plus the surplus carried over from 1997, US$511,000, will be used for developing 115 new investment projects to be submitted in 1998. It is anticipated that part of these available funds will be used to also prepare projects for 1999 submissions. These include projects in the production sector. A detailed breakdown of new investment activities proposed for 1998 is shown by sector and by country in Tables 2 and 5, respectively.

28. The project pipeline now under preparation includes projects in all major sectors of ODS usage, but the final profile may change over the year as some of the newly identified projects may come forward. Moreover, Bank-planned deliverables may have to be revised depending upon the guidance of the Executive Committee that may be provided to the Bank when the Committee considers this draft business plan at the 23rd Meeting. As of now, the Bank plans to deliver the second annual program for implementation of China's halon sector phaseout plan (if the overall program is approved in 1997).

29. The pipeline of projects excluding projects in the methyl bromide sector is expected to phase out over 16,800 ODP tons resulting in an average cost effectiveness of approximately US$4.00/kg.

30. The following is an indicative sectoral allocation for project submissions in 1998. This proposed allocation will be revised after further consultation with governments of the client countries and future recommendations which will be provided by the Executive Committee:

Sector	US$000s	ODP Phaseout
Aerosols	1,530	355
Foams		
General	235	25
Flexible Polyurethane	341	55
Integral Skin		
Polystyrene/Polyethylene		
Rigid Polyurethane	2,060	265
Halon		
Recycling	1,250	435
Non-Recycling	1,030	1,220
Halon Sector Project - Production	12,000*	5,970
Halon Sector Project - Consumption		5,370
Refrigeration		
Commercial	17,000	1,225
Domestic	7,776	565
Domestic (Hydrocarbon)	3,000	300
MACs and Compressors	9,850	748
Recycling	250	20
Solvent	1,740	79
Production		
Several Sectors	1,900	240
Methyl Bromide	11,500	TBD
Sub-Total	71,462	16,872
Support Costs	9,290	
Total	80,752	16,872

*US$12 million would cover phaseout in both production and consumption

31. Deliverables in 1998 will captured approximately 3,900 ODP tons of Annex A, Group I chemicals, 6,000 ODP tons of halon in the production sector and another 6,000 ODP tons of halon in the consumption sector. The 1998 targets for ODP to be captured in the halon consumption and production sectors are in line with the Bank's ODS approval targets for 1997 - 1999 as proposed in the previous year business plan. However, the 1998 ODP target for projects in the consumption sector (Annex A, Group I chemicals) is likely to be lower than the original target as the Bank has been requested by countries to prepare more projects in the refrigeration sector and the average size of planned projects is getting smaller (less than US$500,000 per project). Smaller projects do not have the same economies of scale as larger projects. Therefore, the phaseout cost per kilogram (approximately US$12.00/kg) is much higher than anticipated.

32. As part of the 1998 Business Plan, the Bank includes requests for continuation of the existing institutional strengthening activities in three countries: Chile, Ecuador and Tunisia. The total request for non-investment activities programmed for 1998 is US$529,000 including 13 percent support costs.

III. PERFORMANCE INDICATORS

33. Performance indicators included in the Bank's 1998 Business Plan are in line with the set of performance indicators approved by the Executive Committee at its Twenty-second Meeting. These indicators would provide a basis for the evaluation of the Bank's performance in 1998.

34. Performance Indicators for Investment Projects

(a) Actual ODS Phased Out for Calendar Year 1998: The 1998 ODP phaseout target for the Bank is about 10,000 ODP tons. A detailed breakdown of planned ODP phaseout is listed in Tables 1 and 4. This target is subject to adjustment based on the performance till the end of 1997.

(b) Speed of ODS Phaseout (expressed in number of months): The target is to ensure that all projects scheduled to complete in 1998 will proceed as planned. The following table provides targets based on the year of project approval for speed of completion for projects scheduled to be complete in 1998.

Sector	Year of Approval for Projects to Be Completed in 1998				
	1991-1993	1994	1995	1996	1997
Aerosols		47		23	14
Foam		42	35	26	16
Halon			31		
Refrigeration	55	45	34	24	17
Solvents			30		
Production	57				
Other	64				

Note: Targets are provided only for those sectors where there are projects scheduled to complete in 1998.

(c) Disbursement: Additional disbursement of about US$54 million is targeted for the 1998 planning period.

(d) Speed of First Disbursement (expressed in number of months): The Bank intends to have all projects that were approved in or prior to 1996 disbursed within the calendar year 1998. For projects that were approved in 1997, the Bank plans to have first disbursement made to these projects within 9 months. By the end of 1998, first disbursement should, therefore, be made to all projects approved in 1997.

(e) Cost of Project Preparation: The cost of project preparation in 1998 is likely to remain at the 2 to 3 percent level.

(f) Cost-Effectiveness of Project Submission: As of June 1997, the average cost-effectiveness of the Bank's investment project portfolio was about US$4.66/kg. The proposed 1998 Business Plan includes new investment activities of US$73 million including 35 percent over-programming and 13 percent agency support costs. These new submissions which consists of projects in both the consumption and production (halon) sectors will lead to additional ODP phaseout of more than 11,200 ODP tons in the consumption sector and more than 5,900 ODP tons in the production (halon) sector. The average cost-effectiveness of the 1998 submissions, after deducting 13 percent agency support costs, could be about US$3.80/kg depending on the final amounts to be approved by the Executive Committee.

35. Performance Indicators for Non-Investment Projects

(a) Number of Non-Investment Projects Completed: In the 1998 Business Plan, the Bank will include requests for additional funding to support the continuation of institutional strengthening projects in three countries which are Chile, Ecuador and Tunisia.

(b) Speed of Project Completion (expressed in number of months): The target is to ensure that all non-investment projects that are scheduled to complete in 1998 will proceed as planned. The following table provides targets for speed of completion of all these non-investment projects that are scheduled or rescheduled to complete in 1998, based on the year of approval.

Project Type	**Year of Approval for Projects to Be Completed in 1998**				
	1991-1993	**1994**	**1995**	**1996**	**1997**
Institutional Strengthening	65			24	
Technical Assistance	63		31		19

Note: Targets are provided only for those project types which have projects scheduled to complete in 1998.

(c) Disbursement: The 1998 disbursement targets for non-investment projects US$1.5 million.

(d) Speed of First Disbursement (expressed in number of months): The Bank intends to have all projects which were approved in or prior to 1996 disbursed within the calendar year 1998. For projects that were approved in 1997, the Bank plans to have first disbursement made to these projects within 9 months. By the end of 1998, first disbursement should, therefore, be made to all projects approved in 1997.

IV. Policy Issues

36. In order to better respond to the objectives of the Multilateral Fund and to better assist Article 5 countries to meet their obligations under the Montreal Protocol, the Bank would like to suggest that the following areas should be addressed by the Executive Committee during 1998:

- Standard Procedures for Resolving any Future Technical Policy Issues: After six years of operation, the Multilateral Fund has wide experience in approaches to drafting and agreeing on policy guidelines. It may be a good time to draw on this experience to develop standard processes for policy paper development. This would likely ensure more timely delivery of policy recommendations. For example, if the issues are policies involve highly technical issues, the standard process might include a working group of technical experts. This arrangement was proven to be a very successful mode of operation in the past. However, it has only been used on an ad-hoc basis.

- Tax Issue: This issue still continues to be major hindrance to the implementation of Multilateral Fund supported projects in a few countries.

- Safety Costs in Commercial Refrigeration Projects Using Hydrocarbon Technology: Disallowing safety costs to be discounted from the calculation of the cost effectiveness has, especially for smaller enterprises, made the eligible level of funding for projects in this subsector insufficient. This has led enterprises to either compromise on the safety or continue to use HCFC-141b. The Bank would, therefore, like to suggest that this issue be revisited in line with the Executive Committee's Decision 20/45 para. (b).

- Business Plan: The business planning process becomes increasingly important to all implementing agencies, the Fund Secretariat and the Executive Committee as it has helped ensure that activities undertaken by all agencies will contribute to meeting the objectives and priority of the Multilateral Fund. In the early day, agency business plans were used mainly for the purpose of financial planning. Experiences have shown that business plans could also provide important information on how agencies and their client countries would be able to meet the obligations under the Montreal Protocol at the highest level of cost-effectiveness. More recently, business plans are being used as a tool for the Sub-Committee on Monitoring, Evaluation and Finance to assess performance of agencies. As the use of business plans has evolved dramatically, the Executive Committee may wish to reconsider the business plan format to ensure that the information required and provided by the implementing agencies best serves its needs.

V. Administrative and Financial Matters

37. There is no pending administrative and financial matter at this time.

World Bank Draft 1998 Business Plan October 1997

Table 1: FUNDED INVESTMENT PROJECTS BY SECTOR

Sector	Sub-Sector	No. Of Countries	Approvals by the Executive Committee				Disbursement by the Agencies (US$000s)				ODP Phaseout			
								Planned			Actual	Planned		
			Amount (US$000s)	ODP to be Phased Out (1)	Number of Projects	Cost Effectiveness (Average)	As of 6/30/97 (2)	Disb. for the second half of 1997	Year of Plan (1998)	Following Years	As of 6/30/97	Phaseout during the second half of 1997	Year of Plan (1998)	Following Years
Aerosols		7	12,122	18,538	24	0.65	7,299	1,204	1,885	1,734	4,832	8,773	4,342	591
Foam	General	7	6,396	658	17	9.73	3,145	814	1,523	914	67	393	64	134
Foam	Flexible Polyurethane	6	12,923	2,860	44	4.52	2,609	4,043	5,130	1,142	61	1,572	478	749
Foam	Integral Skin	1	149	9	1	16.42	-	110	38	1	-	-	9	0
Foam	Polystyrene/Polyethylene	4	5,239	1,883	11	2.78	3,744	540	634	320	659	914	375	35
Foam	Rigid Polyurethane	11	11,700	1,835	39	6.38	8,511	1,640	465	1,084	951	649	98	138
Halon	Recycling	1	720	900	1	0.80	100	620	-	-	-	900	-	-
Halon	Non-Recycling	3	1,482	2,127	3	0.70	1,033	182	142	124	2,127	-	-	-
Refrigeration	Commercial	8	34,357	3,390	46	10.13	3,524	5,737	8,552	16,544	45	538	1,112	1,695
Refrigeration	Domestic	10	36,521	4,293	42	8.51	11,910	5,998	9,099	9,515	1,413	891	1,147	842
Refrigeration	Domestic (hydrocarbon)	5	30,338	3,010	22	10.08	7,047	2,139	11,258	9,894	1,176	37	674	1,123
Refrigeration	Domestic - Compressors	3	16,161	1,656	12	9.76	1,740	716	4,597	9,109	-	18	603	1,035
Refrigeration	MACs and Compressors	7	31,540	2,917	21	10.81	12,198	7,571	6,463	5,308	633	774	292	1,218
Refrigeration	Chillers	2	1,073	112	5	9.55	184	677	212	0	3	4	32	73
Refrigeration	Recycling	5	3,977	354	16	11.23	2,546	1,261	130	40	120	46	-	-
Solvent		7	10,516	659	31	15.96	4,487	3,762	1,158	1,109	405	160	78	15
Methyl Bromide							-	-	-	-		-	-	-
Production		2	3,866	3,426	8	1.13	2,401	278	1,187	-	2,400	-	1,026	-
Several		10	4,056	137	23	29.61	2,029	615	513	899	-	101	-	36
Other		3	6,430	478	3	13.45	4,165	665	750	850	5	383	27	63
Sub-Total			229,567											
Support Costs			25,698											
Total			255,264	49,242	369	4.66	78,674	38,572	53,734	58,586	15,098	16,152	10,257	7,746

(1) The amount of ODP in the approved project proposals.

(2) Actual cumulative disbursements to enterprises.

Table 2: PROJECT PREPARATION BY SECTOR

Sector	Sub-Sector	No. Of Countries	Project Preparation Funds (US $000s)		Projects to be Submitted					
					Year of Plan (1998)			Following Year (1999)[1]		
			Surplus from Previous Approvals (as of 6/30/97)	1998 Request	Number of Projects	ODP to be Phased Out	Value (US$000s)	Number of Projects	ODP to be Phased Out	Value (US$000s)
Aerosol		3	-	22	4	355	1,530	0	0	0
Foam	General	1	-	12	2	25	235	0	0	0
Foam	Flexible Polyurethane	2	-	27	2	55	341	2	900	150
Foam	Integral Skin	0	-	-	-	-	-	0	0	0
Foam	Polystyrene/Polyethylene	0	-	-	-	-	-	0	0	0
Foam	Rigid Polyurethane	4	-	97	8	265	2,060	2	1800	300
Foam	Rigid Polyurethane (hydrocarbon)	0	-	-	-	-	-	0	0	0
Halon	Recycling	3	-	53	4	435	1,250	1	1000	100
Halon	Non-Recycling	2	-	45	4	1,220	1,030	0	0	0
Halon	Sector Approach - Production	1			1	5,970	12,000	1	10000	6000
Halon	Sector Approach - Consumption	1			1	5,370		1	0	5400
Refrigeration	Commercial [6]	7	-	395	43	1,225	17,000	28	20,200	1,180
Refrigeration	Domestic	5	75	96	9	565	7,776	6	7,500	675
Refrigeration	Domestic (hydrocarbon)	1	-	90	2	300	3,000	-	-	-
Refrigeration	MACs and Compressors	3	-	369	11	748	9,850	3	3,900	477
Refrigeration	Recycling	1	-	9	1	20	250	-	-	-
Solvent		5	27	73	21	79	1,740	4	4,000	250
Production		1	350	-	-	-	-	1	5,000	3,000
Several Sectors		1		70	1	240	1,900	-	-	-
Methyl Bromide[2]					TBD	TBD	11,500	TBD	12,000	TBD
Sub-Total			452	1,378	114	16,872	71,462	49	66,300	17,532
Support Costs			59	179		-	9,290		8,619	
Total			511	1,557	114	16,872	80,752	49	74,919	17,532

(1) Data for following year submissions (1999) will be confirmed after having consultation with the countries

(2) Deliverables in this sector will be confirmed after having consultation with the countries

Table 3: NON-INVESTMENT PROJECTS

Country	Region	Type	Title	Project Funding (US$000s)		Disbursement by the Agencies (US$000)			Date of Completion		Objective
				Already Approved	To be Requested in 1998	As of 6/30/97	Disb for the second half of 1997	Year of Plan (1988)	Activity (mo.-yr.)	Financing (mo.-yr.)	
Nigeria	AFR	CPG	Country program	237	0	121	82		Jun-97	Dec-97	Preparing ODS phaseout strategy.
Chile	LAC	INS	CONOMA Ozone Team	114	145	15	33	66	Oct-00	Oct-00	Strengthening capacity of the Ozone Unit.
Ecuador	LAC	INS	Institutional Strengthening	204	136	150	54	- -	Dec-99	Dec-99	Strengthening capacity of the Ozone Unit.
Indonesia	ASP	TAS	Technical Assistance in the Aerosol Sector	238		149	89		Sep-97	Dec-97	ODP Phaseout
Indonesia	ASP	TAS	Technical Assistance in the Foam Sector	1,600		848	752		Dec-97	Dec-97	ODP Phaseout
Indonesia	ASP	TAS	Technical Assistance in the MAC Sector	327			327		Dec-97	Dec-97	ODP Phaseout
Jordan	ASP	INS	Institutional Strengthening	306	0	142	28	68	Jun-99	Jun-99	Strengthening capacity of the Ozone Unit.
Malaysia	ASP	TAS	Reduction of CFC Emission in the Chiller Sector	824				824	Jun-98	Jun-98	ODP Phaseout
Philippines	ASP	INS	Institutional Strengthening	209		100	100	9	Jun-98	Jun-98	Capacity building
Philippines	ASP	TAS	Technical Assistance to FA	100		36	24	40	Jun-98	Jun-98	Capacity building
Thailand	ASP	TAS	CFC Recycling in the MAC	900				400	May-99	May-99	ODP Phaseout
Tunisia	AFR	INS	Implementation of Government action	280	187	280		94	Jun-99	Jun-99	Strengthening capacity of the Ozone Unit
Turkey	EUR	INS	Institutional Strengthening	300		130	170		Jun-97	Jun-97	Strengthening capacity of the Ozone Unit
Uruguay	LAC	TAS	Market Survey of the Residual CFC Consumption	23				23	Dec-98	Dec-98	To develop strategy to phase out residual use of CFC in Uruguay.
IFC	GLB	TAS	Study on Innovative Financing	60		30	20	10	Mar-98	Mar-98	To leverage Multilateral Fund resources
Sub-total				5,722	468	2,001	1,678	1,533			
Support Costs				744	61						
Total				6,465	529						

Table 4: FUNDED INVESTMENT PROJECTS BY COUNTRY

Country	Region	Approvals by the Executive Committee					Disbursement by the Agencies (US$000)				ODP Phaseout				
		Amount (US$000s)	CFC to be Phased Out [1]	Other ODP to be Phased Out [1]	Number of Projects	Cost Effectiveness (Average)	As of 6/30/97 [2]	Disb. for the second half of 1997	Year of Plan (1998)	Following Years	CFC (as of 6/30/97)	Other (as of 6/30/97)	Phaseout during the second half of 1997	Year of Plan (1998)	Following Years
ARGENTINA	LAC	21,868	700		15	31.25	390	3,853	11,745	5,880	-	-	117	373	210
BRAZIL	LAC	7,878	1,593		20	4.95	2,751	1,663	1,111	2,353	270	-	744	415	164
CHILE	LAC	2,321	238		21	9.75	1,032	201	319	769	110	-	125	3	0
CHINA	ASP	79,362	26,602	3,600	72	2.63	27,566	7,713	16,276	27,807	5,580	3,600	9,856	6,191	4,772
COLOMBIA	LAC									-		-			0
ECUADOR	LAC	1,566	341	-	3	4.59	1,042	183	341	(0)	341	-			0
EGYPT	AFR	2,100	292		1	7.19	1,850	250		-		-	292		0
INDIA	ASP	25,887	4,006	462	73	5.79	4,778	3,350	7,450	10,310	184	462	492	1,891	1,439
INDONESIA	ASP	15,909	2,636	489	31	4.96	5,140	2,181	3,191	4,997	175	465	1,652	255	577
JORDAN	ASP	2,950	706		15	4.18	684	245	1,242	779	-		413	185	108
MALAYSIA	ASP	10,706	1,156	1,037	18	4.88	3,693	3,086	2,899	1,022	815	14	1,217	73	74
MEXICO	LAC	4,054	404	185	16	6.88	3,284	775	-	-	342	183	33		41
PAKISTAN	ASP	1,958	282		3	7.09			1,758	241				217	65
PHILIPPINES	ASP	11,895	875	8	14	13.47	5,447	4,096	1,653	699	236	8	395	180	64
THAILAND	ASP	16,873	1,220	40	26	13.39	4,398	4,650	4,311	3,514	799	28	75	171	187
TUNISIA	AFR	1,780	227		6	7.84	1,070	615	95	-	30		197		0
TURKEY	EUR	11,911	1,623	1	16	7.33	8,893	2,010	808	200	1,180	1	335	63	45
URUGUAY	LAC	1,260	52		7	24.24	10	742	492	16			23	29	0
VENEZUELA	LAC	9,033	436		8	20.72	6,646	2,387	-	-	275		161		0
ZIMBABWE	AFR	617	32		4	19.27		573	43	-			25	7	0
Regional Sub-Total															
AFR		4,497	551	-	11	8.16	2,920	1,438	138	-	30	-	514	7	-
ASP		165,180	37,483	5,636	252	3.83	51,706	25,320	38,780	49,368	7,789	4,577	14,100	9,367	7,286
EUR		11,911	1,623	1	16	7.33	8,893	2,010	808	200	1,180	1	335	63	45
LAC		47,979	3,764	185	90	12.15	15,454	9,804	14,008	9,019	1,338	183	1,203	820	415
Sub-Total		229,567	43,421	5,822	369	4.66	78,674	38,572	53,734	58,586	10,337	4,761	16,152	10,257	7,746
Support Costs		25,698									-				
Total		255,264	43,421	5,822	369	4.66	78,674	38,572	53,734	58,586	10,337	4,761	16,152	10,257	7,746

(1) The amount of ODP in the approved project proposals.

(2) Actual cumulative disbursement to enterprises.

Table 5: PROJECT PREPARATION BY COUNTRY

Country	Region	Project Preparation Funds (US$000s)		Projects to be Submitted					
				Year of Plan (1998)			Following Year (1999)[1]		
		Surplus from Previous Approvals	1998 Request	Number of Projects	Value (US$000s)	ODP to be Captured (MT)	Number of Projects	Value (US$000s)	ODP to be Captured (MT)
ARGENTINA	LAC		50	4	3,000	220	6	5,200	300
BRAZIL	LAC	75	0	3	3,000	220	5	3,900	390
CHILE	LAC		80	2	3,900	390	0	-	-
CHINA	ASP	350	370	19	13,700	1,325	10	14,700	4,027
CHINA - Halon Sector - Production	ASP		0	1	12,000	5,970	1	10,000	6,000
CHINA - Halon Sector - Consumption	ASP		0	1		5,370	1		5,400
COLOMBIA	LAC		80	12	1,550	100	3	2,000	100
ECUADOR	LAC						0	-	-
EGYPT	AFR	-					0	-	-
INDIA	ASP		270	17	8,876	580	9	7,000	700
INDONESIA	ASP		18	2	600	38	0	-	-
JORDAN	ASP		32	4	680	135	0	-	-
MALAYSIA	ASP	27		2	240	7	0	-	-
MEXICO	LAC		100	2	4,000	330	6	3,000	190
PAKISTAN	ASP		63	3	946	105	1	2,000	100
PHILIPPINES	ASP						0	-	-
THAILAND	ASP		180	14	3,680	1,715	4	2,500	125
TUNISIA	AFR	-	45	3	1,150	120	0	-	-
TURKEY	EUR		90	25	2,640	247	3	4,000	200
URUGUAY	LAC						0	-	-
VENEZUELA	LAC						0	-	-
ZIMBABWE	AFR	-					0	-	-
Methyl Bromide[2]				TBD	11,500	TBD	TBD	12,000	TBD
Regional Sub-Total									
AFR		-	45	3	1,150	120	-	-	-
ASP		377	933	63	40,722	15,245	26	36,200	16,352
EUR			90	25	2,640	247	3	4,000	200
LAC		75	310	23	15,450	1,260	20	14,100	980
Other									
Methyl Bromide				TBD	11,500	TBD	TBD	12,000	TBD
Sub-Total		452	1,378	114	71,462	16,872	49	66,300	17,532
Support Costs		59	179		9,290			8,619	
Total		511	1,557	114	80,752	16,872	49	74,919	17,532

(1) Data for following year submissions (1999) will be confirmed after having consultation with the countries.

(2) Deliverables in this sector will be confirmed after having consultation with the countries.