UNITED
NATIONS

EP

United Nations
Environment
Programme

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/24/10
26 February 1998

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-fourth Meeting
Montreal, 25-27 March 1998

1998 WORLD BANK BUSINESS PLAN

1998 BUSINESS PLAN

WORLD BANK

INVESTMENT OPERATIONS FUNDED BY THE MULTILATERAL FUND OF THE MONTREAL PROTOCOL

Presented to the 24th Meeting
of the Executive Committee

February 1998

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I. Meeting Executive Committee Targets

A. Meeting the Objectives of the Multilateral Fund

1. The World Bank prepared its draft 1998 Business Plan following the targets for ODS approvals and expenditures proposed in the revised three-year (1997 - 1999) business plan of the Multilateral Fund which the Executive Committee endorsed at its 22nd Meeting (UNEP/OzL.Pro/ExCom/22/12). This final Business Plan has been revised to take account of the decision of the Parties to control methyl bromide in Article 5 countries and to reallocate an additional US$25 million in 1998 and 1999 for activities in that sector. The Business Plan also responds to other points noted by the Executive Committee at its 23rd Meeting (UNEP/OzL.Pro/ExCom/23/68 Decision 23/38).

2. At its 22nd Meeting, the Executive Committee established the following priorities for the Fund: (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.

3. Assisting Article 5 Countries Meeting the 1999 Freeze: The World Bank will continue to give priority to implementation of approved investment projects, as their timely completion will contribute to countries meeting their 1999 freeze targets. The Bank and China have made submission of a CFC production sector closure project a high priority for 1998; contingent on production sector guidelines. Closure of CFC producers in China appears necessary for China to meet its freeze obligations. Closures could proceed quickly following funding approval (i.e., by early 1999).

4. Of the US$38 million budgeted for new Annex A, Group I chemical (CFC) phaseout projects in 1998[1], two-thirds is targeted for 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 one-third will be used to support those countries which have adopted a more aggressive ODS phaseout program for CFCs. Projects included in the 1998 business plan will be funded beginning in August 1998 and most will receive funds only at the end of the year. Thus, of the 1998 pipeline of projects, given the average two to three-year implementation time for such activities, only production sector closure projects, or projects that are initiated prior to receipt of grant support are expected to help Beneficiary countries meet their 1999 freeze obligations.

5. Giving High Priority to Halon Phaseout Projects: In 1998, halon phaseout continues to be an integral part of the World Bank's Business Plan. The Bank's 1998 Work Program includes halon phaseout projects in seven countries including phaseout of halon production in India. The Bank also plans to submit the second annual program for implementation of the halon phaseout strategy in China. In total, over 12,500 additional ODP tons of halon are targeted.

6. Targeting Funds to Assist Low-Volume ODS-Consuming Countries: In 1998 the Bank proposes to expand on-going programs in Ecuador and Uruguay. Additionally, the Bank is investigating the possibility of initiating new operations with a few low-volume ODS-consuming countries in Africa. A survey to identify potential ODS phaseout activities in Southern African countries that it would like to make progress in reducing the costs charged by agencies to administer has been initiated. If a potential pipeline is identified, project preparation funds would be requested.

7. Funding of Full and Gradual Closure Projects in the Production Sector: As noted above the Bank and China are moving full steam ahead to prepare a CFC production sector closure project. Early agreement on production sector guidelines is needed for submission of projects in this sector in 1998.

8. In addition to setting priorities for investment project funding, the Executive Committee has also indicated that reduction of administration costs charged by agencies is a priority. At its 21st Meeting the Executive Committee decided (UNEP/OzL.Pro/ExCom/21/36, Decision 21/2):

> To recall paragraph 6 of decision VIII/4, by which the Eighth Meeting of the Parties decided that the Executive Committee should, over the next three years, work towards the goal of reducing agency support costs from the current level of 13 percent to an average of below 10 percent.

9. Agency Administration Fee. The Bank responded to this request by reducing its administrative fee to 10 percent for implementation of the first annual program of China's halon sector phaseout strategy. The "sector approach" is supporting conversion or closure of more than 100 Chinese enterprises by 2005. Because funding is based on performance, implementation procedures are streamlined yielding administrative cost savings. In 1998, the Bank will request only 10 percent agency fee for the second annual program of the halon sector approach. Reallocation of funds away from

[1] The balance of the Bank's investment project allocation, US$14 million, is for halon sector phaseout projects. Methyl bromide projects are excluded, as planned projects are non-investment demonstration projects.

investment projects to methyl bromide demonstration projects, may make further progress on reducing administrative costs difficult at this time.

10. The Bank expects to meet its targets for new investment projects set for 1997.

B. Resource Allocation

11. The World Bank 1998 Business Plan is based on a total budget of US$153 million for all Multilateral Fund activities in 1998:

	US$ million
Total budget	153
Non-investment activities	11
Bilateral activities (excluding methyl bromide)	10
Methyl bromide activities	29
Preparation of investment projects	4
Investment projects	99

12. Investment Projects. As proposed, the Bank's delivery of new investment projects is equal to 45 percent of the 1998 allocation for investment projects[2]. As noted below, the total Bank allocation is US$51 million including 13 percent agency support costs and 15 percent over-programming.

	US$ million
Total budget for investment projects	99
Bank's share (45 percent)	44.55
15 percent over-programming	6.68
Total planned submission	51.23
Contingency projects (including 13 percent agency fee)	19.2

13. The reallocation of funds to methyl bromide projects which have no immediate impact on ODS consumption will delay ODS phaseout. Based on the original three-year plan and budget, the Bank's investment project allocation would have allowed for inclusion in its 1998 Business Plan of an additional US$11 million in investment projects (excluding 13 percent agency fee). Considering the pipeline of projects proposed to the Bank for submission in 1998, projects for phaseout of an additional 880 MT CFC in three countries, including a terminal project for China's MAC sector, will now be delayed until 1999.

14. Methyl Bromide and Other Non-Investment Projects. US$29 million has been allocated for methyl bromide activities in 1998. As these funds will be used mainly for non-investment activities, including demonstration projects they have been excluded from agencies investment project "shares." Based on the strategy elaborated in our 1998 Work Program, this 1998 Business Plan includes about

[2] The 45 percent allocation is in line with the agreement reached by the Implementing Agencies at the 17th Meeting (Decision 17/21 para. 30)

US$3 million for methyl bromide demonstration projects. Other non-investment activities, amounting to about US$500,000, are limited to institutional strengthening.

C. Special Initiatives

15. Sector Approaches. The Executive Committee approved the sector plan for halon phaseout in China and its 1998 Annual Program at its 23rd Meeting. The 1998 Annual Program has been initiated and is progressing well. The 1999 Annual Program will be submitted for approval at the 26th Meeting. With experience gained and lessons learned from developing and implementing this sectoral approach, the Bank will investigate the development of other potential programs with interested Article 5 countries.

16. The market survey of the residual CFC consumption in Uruguay is well underway. This study will enable Uruguay and the Bank to explore a new option to phase out all residual use of CFC in the country in a cost-effective manner. A project proposal employing the new phaseout approach will be ready for submission in late 1998 or early 1999.

17. End-use Commercial Refrigerator Sector. In response to the Executive Committee's Decision 21/23, the Bank had prepared draft guidelines for financing of commercial refrigeration user conversions. The commercial refrigeration end-use sector (servicing) is rapidly becoming the largest CFC-consuming sector in many countries as new products are increasingly made with CFC substitutes. 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 24th Meeting.

18. The Bank's 1998 Work Program includes three commercial refrigeration end-use projects in two countries for an estimated US$2.3 million. Our preliminary 1999 pipeline includes an additional 10 projects in two countries for about US$4.0 million.

19. Concessional Lending and Other Innovative Financing. The IFC study on leveraging the Multilateral Fund resources, co-financed by the Swiss Government, is underway. The final report of this study will be presented to the Executive Committee at its 25th Meeting in July, 1998. A status report on the study along with an innovative project draft proposal have been submitted to the EC for review at its 24th Meeting. The draft proposal illustrates "how concessional lending and other forms of innovative funding could 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." We seek the EC's guidance on further development of the innovative funding proposal for possible inclusion in our 1998 or future work program.

III. PLANNED BUSINESS ACTIVITIES

A. Implementation Status of Funded Activities

20. Investment Projects and Activities: Estimated country-level disbursements and ODP phaseout through 1997 and 1998 targets are presented in Table 4. Table 1 provides the same information broken down by sector.

21. As of December 1997, the Bank's Montreal Protocol portfolio consisted of 369 investment projects. These projects, when fully implemented, will eliminate more than 45,000 ODP tons of Annex A, Group I chemicals (CFCs) and approximately 26,500 ODP tons of other controlled chemicals[3]. We estimate that by the end of 1997 approximately 30,000 ODP tons had been phased out, or almost 60 percent of the ODP included in projects approved through 1997 (excluding ODP captured by China's halon sector approach). By the end of 1998, we expect that 83 percent of ODP covered by all projects approved to date will be phased out.

22. As of December 1997, investment projects funded at more than US$255 million had been approved by the Executive Committee for Bank implementation. We estimate that cumulative disbursement to enterprises up to the end of 1997 reached US$115 million, or about 45 percent of approvals to date. Almost 70 percent of funds approved through the end of 1997 are expected to be disbursed by the end of 1998.

Special Issues

23. Mexico: As the Bank's operations in Mexico have now closed, a new grant agreement with Mexico is being formulated based on the existing agreement. Given the well-established operation in Mexico and the Bank's new more flexible processing procedures, we expect the new grant agreement to be effective in early 1998.

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

25. Tax Issue: The imposition of import duties on equipment purchased by Multilateral Fund (MLF) beneficiaries has delayed implementation of ODS phaseout projects in Pakistan, Argentina and Brazil. The Central Board of Revenue (CBR) of the Government of Pakistan has agreed to grant exemption of foreign grant funds including the Multilateral Fund. This is expected to provide an additional incentive for enterprises to rapidly carry out Multilateral Fund-financed ODS phaseout projects.

26. The Bank continues to work with the Government of Argentina for a comprehensive solution to the import duty issue. In the meantime, enterprises have agreed to go ahead with projects and cover duties with their own resources. About US$3.3 million has been disbursed through 1997. Seven firms

[3] This includes 10,176 ODP tons consumption and 11,200 ODP tons production of halons to be phased out under the China halon sector approach program.

have yet to sign subgrant agreements due to outstanding tax liabilities. This issue is being handled internally on a case-by-case basis.

27. An initial solution to the tax issue in Brazil under which exemptions were obtained for non-ODS equipment has since been negated due to broader trade policy decisions. The Bank is working with Government authorities to find a long-term solution. In the meantime, enterprises were either able to obtain exemptions or are proceeding with implementation and absorbing duties from their own resources. An additional US$2.3 million was disbursed in 1997. Late in 1997, the coordination of the Interministerial Coordinating Committee for Tourism to the Ministry of Environment (MMA). MMA together with the World Bank are now considering various options for revitalizing the ODS phaseout project in Brazil, including the possibility of working through a different financial intermediary and using the United Nations Office for Project Services (UN's Procurement Services Department) as a way of avoiding payment of duties on imported equipment financed with MLF support. The Bank expects to be able to report progress on this matter early in 1998.

28. Non-Investment Operations: To date, on going non-investment activities including country program preparation, demonstration projects, institutional strengthening, technical assistance and training approved by the Executive Committee total about US$5.4 million. Disbursement to these on-going activities was over 50% by the end of 1997 and, is expected to be 85% by the end of 1998.

29. 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. The Bank seeks to carry over US$627,000 of these funds for preparation of projects for submission in 1998 for Brazil, Ecuador, India, Jordan, Malaysia and China.

B. PROGRAM EXPANSION

30. Project Preparation: At this time, new project preparation activities are planned in 17 countries (Argentina, Brazil, Chile, China, Colombia, Ecuador, India, Indonesia, Jordan, Malaysia, Mexico, Pakistan, Thailand, Turkey, Tunisia, Uruguay and Zimbabwe). A detailed breakdown of new investment activities proposed for 1998 is shown by sector and country in Tables 2 and 5, respectively. Table 5a includes both sectors and countries and Table 5b lists contingency projects.

31. This proposed work program would capture additional 19,728 ODP tons at a cost-effectiveness of US$ 2.45/kg ODP:

	MT ODP
CFC production	4,000
CFC consumption	3,038
Halon production	6,370
Halon consumption	6,320

32. The distribution of the World Bank's 1998 proposed work program in terms of project values is as follows (excluding contingency projects):

- 29 percent for the refrigeration sector;
- 26 percent for the halon sector (including production and consumption);
- 17 percent for CFC production;
- 12 percent for the foam sector;
- 8 percent for multi-sector projects;
- 10 percent for methyl bromide, solvent and aerosol sectors;

33. The distribution of the World Bank's 1998 proposed work program in terms of ODP "captured" is as follows (excluding contingency projects):

- 64 percent for the halon sector (including production and consumption);
- 20 percent for CFC production;
- 6 percent for the foam sector;
- 5 percent for the refrigeration sector;
- 5 percent for remaining sectors.

34. The large number of investment projects in the refrigeration sector is due to the high priority placed on this sector by beneficiary Parties. Article 5 countries recognize that a build-up of CFC-based refrigeration equipment would burden economies with potentially high retrofit costs in the future. In addition, conversion projects in the refrigeration sector take longer to complete and therefore require longer lead times. Delays in initiating 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.

35. The current 1998 pipeline includes a few investment projects that require policy decisions from the Executive Committee. The total value of projects with policy issues amounts to US$17 million[4]. In case policy issues related to these projects can not be resolved in this calendar year, the Bank will substitute these projects with those contained in the contingency list (Table 5b).

36. To complete the 1998 work program and to initiate preparation of 1999 deliverables which have longer lead times, or are planned for submission in early 1999, the Bank requires US$2.31 million[5] to support its project preparation, of which US$275,600 was already approved at the 23rd Meeting In addition, about US$627,000 will be carried over from the 1997 project preparation allocation. Therefore, the Bank's total request for additional project preparation funds is US$1.4 million[6]. If funds for preparation of projects that will be delivered in 1999 are excluded, the cost of investment project preparation in 1998 would be in the range of 2 to 3 percent of the total value of investment projects.

[4] Excluding 13 percent agency administration fee.

[5] Excluding 13 percent agency administration fee.

[6] Excluding 13 percent agency administration fee.

37. The following is an indicative sectoral allocation for planned investment project submissions in 1998:

Sector	US$000s	ODP Phaseout
Aerosols	300	80
Foams		
General	600	70
Flexible Polyurethane	826	435
Integral Skin	410	25
Polystyrene/Polyethylene		
Rigid Polyurethane	3,953	670
Halon		
Recycling	1,020	130
Non-Recycling	640	6,190
Refrigeration		
Commercial	4,900	265
Domestic	6,345	567
MACs and Compressors	2,300	220
Recycling	400	
Solvent	1,500	466
Production Halon	10,700*	6,370
Production CFC	8,000	4,000
Several Sectors	3,700	240
Total (excluding 13 percent agency fee)	45,594	19,728

*US$9.7 million would cover phaseout in both production and consumption

38. As of December 1997, the average grant size of investment projects in the Bank's portfolio is approximately US$660,000[7]. The average size of the proposed 1998 deliverables is about US$540,000, including group projects[8].

39. Non-investment projects include both methyl bromide demonstration projects and institutional strengthening renewal projects. A total of about US$3.0 million is budgeted for methyl bromide demonstration projects in Argentina, Chile, Ecuador, Turkey and Zimbabwe. These projects are listed in Tables 2, 5 and 5a. In 1998, the Bank plans to request about US$500,000 for continuation of the existing institutional strengthening activities in three countries: Chile, Ecuador and Tunisia. These requests are noted in Table 3.

[7] Excluding the China halon sector approach project.

[8] Excluding the China halon sector approach project and the proposed CFC production sector project for China.

III. PERFORMANCE INDICATORS

40. 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 22nd Meeting. Elaborated below are estimates of 1997 performance against targets set last year and new targets against which the Bank's 1998 performance may be measured.

(a) **ODP Phaseout**

Estimated ODP Phased Out in 1997: The 1997 ODP phaseout target was 19,190 MT. We estimate actual phaseout in 1997 to be about 16,400 MT, 85 percent of target. This brings total ODP phaseout to about 30,000 MT to date, or about 60 percent of ODP phaseout approved to date (excluding halon to be phased out in 1998 under China's sector approach). The expected shortfall is largely due to a longer implementation time frame for the halon recycling project in Malaysia and economic slow down in Thailand, Indonesia and the Philippines

Targeted ODP Phase Out for 1998: The 1998 ODP phaseout target for the Bank is about 30,000 ODP tons. This would achieve phaseout of more than 80 percent of all ODP covered by projects approved to date. (Detailed breakdown by country and sector in Tables 1 and 4).

(b) **Disbursement**:

Estimated Disbursement in 1997: The 1997 disbursement target was US$57.8 million. Estimated actual disbursement to enterprises was US$54.4 million, 95 percent of target. The slight shortfall is due to financial crisis and economic slowdown in Southeast Asia. Projects in Indonesia, Philippines, Malaysia and Thailand, comprise almost 30 percent of the Bank's Multilateral Fund portfolio. Had these countries met their disbursement targets, we would have disbursed 108 percent of the target. Total disbursement through 1997 is estimated at US$115 million, about 45 percent of total approvals to date.

Targeted Disbursement in 1998: Additional disbursement to enterprises of US$59.7 million is targeted for 1998. This would result in disbursement of almost 70 percent of funds approved to date.

(c) **Speed of ODS Phaseout** (expressed in number of months): The target is to ensure that all projects scheduled to be completed 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 be complete in 1998.

(d) **Speed of First Disbursement** (expressed in number of months): The Bank intends that all projects approved in or prior to 1996 achieve first disbursement within 1998. For projects that were approved in 1997, the Bank plans to have first disbursement made to these projects within 6-12 months. By the end of 1998, first disbursement should, therefore, be made to all projects approved in 1997.

(e) **Cost of Project Preparation**: The target for project preparation expenditure was US$2.1 million in 1997 which would have yielded a cost of delivery of almost 3 percent. About US$1.4 million was used in 1997 to prepare over US$90 million in new investment projects. Assuming that the Bank meets its 1997 allocation of US$72.9 million at the 24th meeting, as expected, the cost of project preparation for 1997 would be less than 2 percent. The cost of project preparation in 1998 is targeted between 2 and 3 percent.

(f) **Cost-Effectiveness of Project Submission**: Target for 1997 was US$5.50-$6.00/kg. Actual cost effectiveness for projects approved as part of the 1997 Business Plan to date was US$2.15 . The target for projects approved in 1998 is US$2.40-$3.50 depending on approval of production sector guidelines. As of December 1997, the average cost-effectiveness of the Bank's investment project portfolio was about US$3.54/kg

41. Performance Indicators for Non-Investment Projects

(a) **Number of Non-Investment Projects Completed**: The Bank plans to complete all non-investment projects scheduled for completion in 1998.

(b) **Speed of Project Completion** (expressed in number of months): The target is to ensure that all non-investment projects scheduled to be 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 1997 target for disbursement to non-investment projects (excluding projects which result in ODP phaseout) was US$544,000. We estimate that this was achieved in 1997. The 1998 disbursement target for non-investment projects is about US$1.7 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 achieve first disbursement within 1998. For projects that were approved in 1997, the Bank plans to have first disbursement made to these projects within 6-12 months. By the end of 1998, first disbursement should, therefore, be made to all projects approved in 1997.

IV. POLICY ISSUES

41. 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 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 now 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 highly technical issues are involved, the standard process for policy development might include a working group of technical experts. This arrangement has proven to be very successful in the past. However, thus far it has only been used on an ad-hoc basis.

- Tax Issue: The delay in project implementation due to tax-related issues continues to be addressed on a case-by-case basis by the Bank with beneficiary governments as noted in Para. 25. It is of key importance that the Executive Committee continue to remind countries that assessing duties on equipment financed by MLF grants may impede prompt implementation of ODS phaseout activities. In addition, it is important to continue to track these issues in case they re-appear and Executive Committee assistance once again becomes necessary.

- Safety Costs in Commercial Refrigeration Projects Using Hydrocarbon Technology: Recent experience has shown that including safety costs in the calculation of 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 continue using CFC or convert to 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 has become 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 priorities of the MLF. In the early days, agency business plans were used mainly for the purpose of financial planning. However, experience has shown that business plans can also provide important information on how agencies and their client countries can meet the obligations under the Montreal Protocol at the highest level of cost-effectiveness. More recently, business plans have been used as a tool for the Sub-Committee on Monitoring, Evaluation and Finance to assess the 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 and that all reporting requirements (e.g., business plans, work programs, progress reports) are consistent.

- Guidelines for Financing of Commercial Refrigeration User Conversions: The proposed guidelines will be presented to the Executive Committee for its consideration at the 24th

Meeting. As the Bank's 1998 deliverables include projects in this sector, the Executive Committee's approval of these guidelines would enable the Bank to meet the 1998 targets set forth herein.

- Eligibility for Funding for the Chinese MAC Sector: At the 23rd Meeting, the Executive Committee, deferring consideration of the projects, requested the Secretariat, the Bank and China (by Decision 23/28), to re-examine the eligibility for funding the Chinese MAC sector in light of Decision 17/6. The Bank and China would like to request the Executive Committee to consider funding this activity in the context of a terminal umbrella project covering China's entire MAC sector as proposed herein.

- Incremental Operating Cost for Compressors: The Executive Committee decided at its 23rd Meeting to consider projects involving compressors, with the portions of such projects related to the compressor prices being left pending until the guidelines on the methodology for establishing compressor prices had been agreed. Early adoption of these guidelines would allow several projects in the refrigeration sector to move forward.

- Guidelines for the Production Sector: The Bank and the Government of China have initiated preparation work for CFC production closure projects in 1998. The aim is to submit a demonstration CFC production closure project by the end of 1998 or beginning of 1999. To keep consumption sector phaseout moving ahead, parallel phaseout in the production sector is critical.

- Concessional Lending: The Bank will present to the Executive Committee at its 25th Meeting a paper on leveraging the Fund's resources, co-financed by the Swiss Government, which is being prepared by the IFC. In response to the Executive Committee's request that actual projects be prepared in parallel to the study which could serve as "an innovative proposal for an ODS phaseout demonstration project or projects to illustrate potential applications of concessional lending and other forms of innovative funding" (UNEP/OzL.Pro/ExCom/21/36, Decision 21/39, para. 55), the Bank prepared an innovative financing project for building chiller replacement in Thailand. The Bank seeks further guidance from the Executive Committee at its 24th Meeting on the proposal from Thailand which would demonstrate potential applications of concessional lending including an implementation modality.

V. Administrative and Financial Matters

42. There are no pending administrative and financial matters at this time.

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 Actual		
			Amount (US$000s)	ODP to be Phased Out (1)	Number of Projects	Cost Effectiveness (Average)	Estimate Through 12/31/97	Year of Plan (1998)	Following Years	Estimate Through 12/31/97	Year of Plan (1998)	Following Year(2)
Aerosols		7	11,884	18,538	22	0.64	8,855	1,522	1,507	13,604	4,478	456
Foam	General	6	5,286	622	16	8.50	3,941	1,345	0	542	80	0
Foam	Flexible Polyurethane	7	18,459	4,108	48	4.49	6,997	5,249	6,213	1,470	655	1,983
Foam	Integral Skin	3	3,848	393	3	9.80		148	3,700	0	8	385
Foam	Polystyrene/Polyethylene	4	5,526	1,918	12	2.88	4,821	705	0	1,313	85	520
Foam	Rigid Polyurethane	12	15,995	2,802	51	5.71	10,703	1,993	3,299	1,749	1,180	144
Halon	Recycling	1	720	900	1	0.80	670	50	0	0	381	600
Halon	Non-Recycling(3)	3	13,882	12,066	4	1.15	1,163	12,119	600	2,592	9,676	0
Refrigeration	Commercial	10	38,135	3,505	63	10.88	8,553	9,842	19,740	672	595	2,238
Refrigeration	Domestic	10	40,007	4,302	44	9.30	22,186	10,133	7,688	1,471	733	2,098
Refrigeration	Domestic (hydrocarbon)	5	33,211	3,142	27	10.57	8,441	3,664	21,106	1,097	199	1,846
Refrigeration	Domestic - Compressors	4	16,336	1,656	13	9.86	4,317	4,254	7,765	18	40	1,598
Refrigeration	MACs and Compressors	6	29,403	2,176	17	13.52	20,543	4,752	4,108	1,531	312	333
Refrigeration	Chillers	1	249	7	4	33.65	249	0	0	112	0	0
Refrigeration	Recycling	1	390	42	1	9.29	390	0	0	253	0	0
Solvent		7	10,416	659	30	15.80	5,390	1,782	3,244	566	42	51
Methyl Bromide		0	0	0	0	0.00	0	0	0	0	0	0
Production	Halon	1	1,034	13,600	2	0.08	1,034	0	0	2,400	11,200	0
Production	CFC	1	2,832	1,026	6	2.76	1,774	277	781	0	200	826
Several		1	1,016	101	2	10.06	92	924	0	101	130	0
Other		3	6,430	478	3	13.45	5,134	953	343	403	75	0
Sub-Total		-	255,060	72,042	-	3.54	115,253	59,711	80,095	-	-	-
Support Costs		-	30,411		-		13,830	7,165	9,611	-	-	-
Total		-	285,471	72,041	369	3.54	129,083	66,877	89,707	29,894	30,069	13,077

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

(2) Includes only ODP for projects approved through 1994

(3) ODP phaseout target for 1998 includes amount of ODP to be phased out the China halon sector approach (consumption) project.

(4) ODP phaseout target for 1998 includes amount of ODP to be phased out the China halon sector approach (production) project.

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)		
			Surplus from Previous Approvals (as of 12/31/97)	1998 Request[1]	Number of Projects	ODP to be Phased Out	Value (US$000s)	Number of Projects	ODP to be Phased Out	Value (US$000s)
Aerosol		3	0	30	3	80	300	0	0	0
Foam	General	1	0	20	2	70	600	0	0	0
Foam	Flexible Polyurethane	4	10	220	7	435	826	7	2 997	10 000
Foam	Integral Skin	1	0	8	1	25	410	0	0	0
Foam	Polystyrene/Polyethylene	0	0	0	0	0	0	0	0	0
Foam	Rigid Polyurethane	5	10	155	13	670	3 953	8	460	3 440
Halon	Recycling	3	0	78	4	130	1 020	2	460	1 000
Halon	Non-Recycling[2]	3	1	29	4	6 190	640	1	5 370	0
Refrigeration	Commercial	5	40	245	8	265	4 900	19	495	6 850
Refrigeration	Domestic	5	95	110	10	567	6 345	3	425	4 500
Refrigeration	Domestic (hydrocarbon)	0	0	0	0	0	0	0	0	0
Refrigeration	MACs and Compressors	3	30	350	2	220	2 300	9	1 840	16 800
Refrigeration	Recycling	3	0	40	1	0	400	3	430	3 750
Solvent		4	37	35	2	466	1 500	2	15	300
Production[3]	Halon	2	54	0	2	6 370	10 700	1	5 970	10 600
Production	CFC	1	350	0	1	4 000	8 000	0	0	0
Several Sectors		1	0	125	1	240	3 700	0	0	0
Other		0	0	0	0	0	0	0	0	0
Methyl Bromide		4	0	245	7		2 700	1	0	3 100
Sub-Total			627	1 690	68	19 728	48 294	56	18 462	60 340
Support Costs			82	220			5 987			7 526
Total			709	1 910	68	19 728	54 281	56	18 462	67 866

(1) The Bank also requests additional project preparation funds of US$285,000 for preparation of contingency projects.

(2) Including ODP to be captured by the subsequent phases of the China halon sector approach project for consumption.

(3) Including funding for subsequent phases of the China Halon Sector approach project and ODP for production phaseout.

Table 3: NON-INVESTMENT PROJECTS (excluding MeBr Demonstration projects)

Country	Region	Type	Title	Project Funding (US$000s) Approved Value Through 12/31/97	Project Funding (US$000s) Request in 1998	Disbursement by the Agencies (US$000) Estimate Through 12/31/97	Disbursement by the Agencies (US$000) Year of Plan (1988)	Disbursement by the Agencies (US$000) Following Years	Date of Completion Activity (mo.-yr.)	Comment
Chile	LAC	INS	CONOMA Ozone Team	114	114	65	66	97	Oct-00	Strengthening capacity of the Ozone Unit.
Chile	LAC	TRA	Implementation of a sector specific training programme	128			23	105	Dec-98	Capacity Building
Ecuador	LAC	INS	Institutional Strengthening.	204	136	204	50	86	Dec-99	Strengthening capacity of the Ozone Unit.
IFC	GLO	TAS	Study on Innovative Financing	60		30	30	0	Mar-98	To leverage Multilateral Fund resources. The study is co-financed by the Swiss Government.
Indonesia	ASP	TAS	Technical Assistance in the Foam Sector	1,600		1,200	400	0	Dec-97	ODP-Phaseout
Indonesia	ASP	TRA	Training of the FA	50		37	13	0	Dec-97	Capacity Building
Jordan	ASP	INS	Institutional Strengthening	306	0	142	68	96	Jun-99	Strengthening capacity of the Ozone Unit.
Malaysia	ASP	TAS	Reduction of CFC Emission in the Chiller Sector	824		345	479	0	Jun-98	ODP Phaseout
Philippines	ASP	INS	Institutional Strengthening	209		150	59	0	Jun-98	Capacity building
Philippines	ASP	TAS	Technical Assistance to FA	100		60	40	0	Jun-98	Capacity building
Thailand	ASP	TAS	CFC Recycling in MAC	900			200	700	May-99	Recovery and recycling
Tunisia	AFR	INS	Institutional Strengthening	280	187	280	144	44	Jun-99	Strengthening capacity of the Ozone Unit
Turkey	EUR	DEM	Demonstration activities in several sectors	500		250	250	0	Dec-98	Capacity building

Country	Region	Type	Title	Project Funding (US$000s)		Disbursement by the Agencies (US$000)			Date of Completion	Comment
				Approved Value Through 12/31/97	Request in 1998	Estimate Through 12/31/97	Year of Plan (1988)	Following Years	Activity (mo.-yr.)	
Uruguay	LAC	TAS	Market Survey of the Residual CFC Consumption	23		23		0	Dec-98	To develop strategy to phase out residual use of CFC in Uruguay.
Uruguay	LAC	TAS	Recovery and recycling of CFC-12 in maintenance workshops for industrial refrigeration equipment	88		48	40	0	35,947	ODP Phaseout
				5,385	437	2,834	1,862	1,126		

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)	ODP to be Phased Out [1]	Number of Projects	Cost Effectiveness (Average)	Estimate Through 12/31/97	Year of Plan (1998)	Following Years	Estimate ODP Through 12/31/97	Year of Plan (1998)	Following Years
ARGENTINA	LAC	23,693	832	18	28.48	3,444	4,000	16,249	200	322	310
BRAZIL	LAC	7,478	1,594	18	4.69	3,793	3,685	0	1,286	308	0
CHILE	LAC	1,375	234	15	5.86	1,303	72	0	234	80	50
CHINA[2]	ASP	96,549	51,892	75	1.26	44,273	28,000	24,276	19,680	26,394	5,818
COLOMBIA	LAC		0		0.00		0	0	0	0	0
ECUADOR	LAC	1,362	341	2	3.89	1,229	0	133	629	0	0
EGYPT	AFR	2,100	292	1	7.19	1,850	250	0	292	0	0
INDIA	ASP	26,436	4,468	76	6.40	8,651	4,500	13,285	1,190	500	2,778
INDONESIA	ASP	22,461	4,409	34	4.59	7,056	5,000	10,405	1,492	1,000	1,917
JORDAN	ASP	3,419	811	14	4.22	1,104	1,700	615	608	120	89
MALAYSIA	ASP	8,972	1,716	16	3.28	5,128	2,300	1,544	728	300	688
MEXICO	LAC	3,248	376	10	5.87	3,248	0	0	648	0	0
PAKISTAN	ASP	5,545	599	9	9.26		1,758	3,787	0	217	382
PHILIPPINES	ASP	11,586	883	11	13.01	8,036	1,653	1,897	640	362	0
THAILAND	ASP	17,362	1,216	36	13.82	6,490	4,000	6,872	275	130	811
TUNISIA	AFR	1,500	227	5	6.61	783	530	187	227	0	0
TURKEY	EUR	11,176	1,714	13	6.52	9,697	1,479	0	1,266	212	236
URUGUAY	LAC	1,150	49	5	23.46	641	335	174	34	11	4
VENEZUELA	LAC	9,033	356	7	25.37	8,527	75	431	436	81	0
ZIMBABWE	AFR	617	32	4	19.27		375	242	29	32	0
Regional Sub-Total											
AFR		4,217	551	10	7.52	2,633	1,155	429	548	32	-
ASP		192,328	65,994	271	2.90	80,738	48,910	62,680	24,613	29,023	12,477
EUR		11,176	1,714	13	6.47	9,697	1,479	(0)	1,266	212	236
LAC		47,338	3,782	75	12.27	22,185	8,167	16,986	3,467	802	364
Sub-Total		255,059	72,041	369	3.52	115,253	59,711	80,095	29,894	30,069	13,077
Support Costs		30,411				13,830	7,165	9,611	-	-	-
Total		285,470	72,041	369	3.52	129,083	66,876	89,707	29,894	30,069	13,077

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

(2) Amount of other chemical to be phased out includes ODP from the halon sector approach: 10,136 ODP ton in the consumption sector, and 11,200 ODP ton in the production sector.

Table 5: PROJECT PREPARATION BY COUNTRY

Country	Region	Project Preparation Funds (US$000s)		Projects to be Submitted						
				Year of Plan (1998)				Following Year (1999)		
		Surplus from Previous Approvals	Additional Request	Number of Projects	Value (US$000s)	ODP to be Captured (MT)		Number of Projects	Value (US$000s)	ODP to be Captured (MT)
						CFC	Other			
ARGENTINA	LAC	0	110	5	1 800	70	80	4	2 500	250
BRAZIL	LAC	75	0	3	2 000	200		0	-	-
CHILE	LAC	0	105	2	4 500	240		0	-	-
CHINA[1]	ASP	350	600	8	21 570	4 560	11 340	22	38 400	16 417
COLOMBIA[3]	LAC	0	90	0	0	0		-	-	-
ECUADOR	LAC	11	69	12	1 925	367	100	1	500	-
EGYPT	AFR	-						0	-	-
INDIA	ASP	154	80	8	6 710	690	400	7	5 000	500
INDONESIA	ASP		18	1	350	0		0	-	-
JORDAN	ASP	10	30	2	540	75	50	0	-	-
MALAYSIA	ASP	27		1	300	100		1	800	60
MEXICO	LAC		80	2	1 900	85		6	3 000	190
PAKISTAN	ASP		63	5	2 330	235		6	2 340	230
PHILIPPINES	ASP							0	-	-
THAILAND	ASP		110	8	1 200	100	720	7	1 700	415
TUNISIA	AFR	-	40	3	550	110		0	-	-
TURKEY	EUR		150	7	2 219	206		1	3 000	400
URUGUAY	LAC	0	45					0	-	-
VENEZUELA	LAC	0						0	-	-
ZIMBABWE	AFR	0	100	1	400			1	3 100	-
Regional Sub-Total										
AFR		-	140	4	950	110	-	1,00	3 100,00	-
ASP		541	901	33	33 000	5 760	12 510	43	48 240	17 622
EUR		-	150	7	2 219	206	-	1	3 000	400
LAC		86	499	24	12 125	962	180	11	6 000	440
Other										
Sub-Total		627	1 690	68	48 294	7 038	12 690	56	60 340	18 462
Support Costs		82	220		5 987				7 844	
Total		709	1 910	68	54 281	7 038	12 690	56	68 184	18 462

(1) Including the subsequent phases of the China halon sector approach project.

(3) Projects included in 1998 contingency list.

Table 5a: PROJECT PREPARATION BY COUNTRY FOR INVESTMENT AND MeBr DEMONSTRATION PROJECTS

Country	Region	Sector	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 Total	LAC		0	110	5	1 800	150	4	2 500	250
ARGENTINA	LAC	Refrigeration Commercial	0	20	1	400	20	3	2 000	150
ARGENTINA	LAC	Refrigeration Domestic	0	20	1	400	20	0	0	0
ARGENTINA	LAC	Halon Recycling	0	20	1	400	80	1	500	100
ARGENTINA	LAC	Refrigeration MAC & Comp	0	0	1	300	30	0	0	0
ARGENTINA	LAC	Methyl Bromide Demo	0	50	1	300	0	0	0	0
BRAZIL Total	LAC		75	0	3	2 000	200	0	0	0
BRAZIL	LAC	Refrigeration Domestic	75	0	3	2 000	200	0	0	0
CHILE Total	LAC		0	105	2	4 500	240	0	0	0
CHILE	LAC	Several Sectors	0	80	1	3 700	240	0	0	0
CHILE	LAC	Methyl Bromide Demo	0	25	1	800	0	0	0	0
CHINA (Core) Total	ASP		350	450	8	21 570	15 900	22	38 400	16 417
CHINA	ASP	Foam Rigid	0	80	5	2 070	360	5	1 800	300
CHINA	ASP	Foam Flexible	0	180	0	0	0	7	10 000	2 997
CHINA	ASP	Refrigeration Domestic	0	30	1	1 800	200	0	0	0
CHINA	ASP	Refrigeration MAC & Comp	0	160	0	0	0	8	16 000	1 780
CHINA	ASP	Production CFC	350	0	1	8 000	4 000	0	0	0
CHINA - Halon Sector - Production	ASP	Production	0	0	1	9 700	5 970	1	10 600	5 970
CHINA - Halon Sector - Consumption	ASP	Halon non-recycling	0	0	0	0	5 370	1		5 370
COLOMBIA Total	LAC		0	0	0	0	0	0	0	0
ECUADOR Total	LAC		11	69	12	1 925	467	1	500	0
ECUADOR	LAC	Foams Flexible	10	10	5	200	320	0	0	0
ECUADOR	LAC	Halon non-recycling	1	9	1	140	100	0	0	0
ECUADOR	LAC	Refrigeration Domestic	0	20	2	585	47	0	0	0
ECUADOR	LAC	Refrigeration Recycling	0	10	1	400		1	500	
ECUADOR	LAC	Methyl Bromide Demo	0	20	3	600	0	0	0	0
EGYPT Total	AFR		0	0	0	0	0	0	0	0
INDIA Total	ASP		144	80	8	6 710	1 090	7	5 000	500
INDIA	ASP	Refrigeration Commercial	40	0	2	1 350	50	4	500	75
INDIA	ASP	Refrigeration Domestic	20	40	3	1 560	100	3	4 500	425
INDIA	ASP	Refrigeration MAC & Comp	10	40	1	2 000	190	0	0	0
INDIA	ASP	Solvent	20	0	1	800	350	0	0	0
INDIA	ASP	Production Halon	54	0	1	1 000	400	0	0	0
INDONESIA Total	ASP		0	18	1	350	0	0	0	0
INDONESIA	ASP	Halon Recycling	0	18	1	350	0	0	0	0
JORDAN Total	ASP		10	30	2	540	125	0	0	0
JORDAN	ASP	Foam Rigid	10	10	1	270	75	0	0	0
JORDAN	ASP	Halon Recycling	0	20	1	270	50	0	0	0
MALAYSIA Total	ASP		27	0	1	300	100	1	800	60
MALAYSIA	ASP	Refrigeration MAC &Compr	10	0	0	0	0	1	800	60
MALAYSIA	ASP	Solvent	17	0	1	300	100	0	0	0
MEXICO Total	LAC		0	80	2	1 900	85	6	3 000	190
MEXICO	LAC	Refrigeration Commercial (U	0	80	2	1 900	85	6	3 000	190
PAKISTAN Total	ASP		0	63	5	2 330	235	6	2 340	230

Country	Region	Sector	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)
PAKISTAN	ASP	Foam Rigid	0	30	1	670	100	3	1 640	160
PAKISTAN	ASP	Foam Integral Skin	0	8	1	410	25	0	0	0
PAKISTAN	ASP	Refrigeration Commercial	0	25	3	1 250	110	2	450	40
PAKISTAN	ASP	Refrigeration Recycle	0	0		0	0	1	250	30
PHILIPPINES Total	ASP		0	0	0	0	0	0	0	0
THAILAND Total	ASP		0	110	8	1 200	820	7	1 700	415
THAILAND	ASP	Foam Rigid	0	20	5	700	100	0	0	0
THAILAND	ASP	Halon Non-Recycling	0	20	3	500	720	0	0	0
THAILAND	ASP	Refrigeration Commercial (U	0	30	0	0	0	4	900	40
THAILAND	ASP	Halon Recycling	0	20	0	0	0	1	500	360
THAILAND	ASP	Solvent	0	20	0	0	0	2	300	15
TUNISIA Total	AFR		-	40	3	550	110	0	0	0
TUNISIA	AFR	Aerosol	-	20	2	120	30	0	0	0
TUNISIA	AFR	Foam Flexible	-	20	1	430	80	0	0	0
TURKEY Total	EUR		0	150	7	2 219	206	1	3 000	400
TURKEY	EUR	Aerosol	0	10	1	180	50	0	0	0
TURKEY	EUR	Foam General	0	20	2	600	70	0	0	0
TURKEY	EUR	Foam Flexible	0	10	1	196	35	0	0	0
TURKEY	EUR	Foam Rigid	0	15	1	243	35	0	0	0
TURKEY	EUR	Solvent	0	15	1	400	16	0	0	0
TURKEY	EUR	Refrigeration Recycling	0	30		0	0	1	3 000	400
TURKEY	EUR	Methyl Bromide Demo	0	50	1	600	0	0	0	0
VENEZUELA	LAC		0	0	0	0	0	0	0	0
ZIMBABWE	AFR	Methyl Bromide Demo	0	100	1	400	0	1	3 100	0
Sub-Total (Core)			617	1 405	68	48 294	19 728	56	60 340	18 462
Support Costs			80	183		5 987			7 526	
Total			697	1 588	68	54 281	19 728	56	67 866	18 462

(1) Pending ExCom's guidelines for methyl bromide investment projects.

■ Projects with pending policy issues.

TABLE 5b: CONTINGENCY LIST

Country	Region	Sector	Project Funds	Preparation (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)
CHINA	ASP	Refrigeration MAC & Comp	0	150	10	7 200	544	0	0	0
CHINA	ASP	Refrigeration Domestic (IOC)	0	0	1	400	0	0	0	0
COLOMBIA	LAC	Refrigeration Commercial		90	6	2 000	146	0	0	
INDIA	ASP	Refrigeration MAC & Compressors	10	0	1	2 400	190	0	0	0
INDIA	ASP	Refrigeration Domestic (IOC)	0	0	1	600	0	0	0	0
TURKEY	EUR	Refrigeration Domestic (IOC)			1	2 000		0	0	0
TURKEY	EUR	Refrigeration Commercial			1	900	85	0	0	0
URUGUAY	LAC	Several Sectors		45	1	1 500	150	0	0	0
Sub-Total (Contingency)			10	285	22	17 000	1 115	0	0	0
Support Costs				37	3	2 210				
Total (Contingency)			10	322	25	19 210	1 115			

(1) Pending ExCom's guidelines for methyl bromide investment projects.