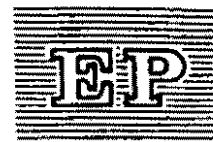




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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Ninth Meeting
Montreal, 8-10 March 1993

1992 WORLD BANK PROGRESS REPORT

This document includes:

- Comments from the Fund Secretariat
- 1992 World Bank Progress Report

**COMMENTS FROM THE FUND SECRETARIAT
ON THE 1992 WORLD BANK PROGRESS REPORT**

1. The World Bank was invited by the Executive Committee to co-operate with and assist it in administering and managing the programme to finance the agreed incremental costs of Parties operating under paragraph 1 or Article 5 of the Protocol. A detailed table on milestone performance is provided in the Bank's progress report showing scheduled activities for key events and variances from plans. Information about progress is also provided in the Bank's 1993 work programme.
2. Over one-third of US\$ 95 million in project "approvals/commitments" anticipated in the 1992 work programme were submitted to the Executive Committee for authorization. US\$ 35.21 million were approved by the Executive Committee and transferred to the Bank, of which, US\$ 513,589 were disbursed by the Bank to three Article 5 countries for the purposes of project preparation.
3. The Bank reported that five grant agreements and one letter agreement have been signed and six are pending. On average, it has required 11 months from the time of Executive Committee approval to obtain settlements of grant agreements.
4. Funds were provided to the Bank for supporting Article 5 countries in country programme and project preparation. The Bank assisted in the preparation of 11 country programmes, seven of which have been approved by the Executive Committee and two draft documents have been submitted for government approval. Project preparation funds have led to the submission and approval by the Executive Committee of 26 investment projects. US\$ 2.8 million of the US\$ 5 million allocated in the 1992 work programme to the Bank for country programme, project preparation, and administration expenses were expended.
5. During 1992, the Bank assisted the Fund in the resolution of technical and operational issues. It formed the Ozone Operations Resource Group (OORG) to provide technical advice of the most up-to-date ozone friendly technologies. Two OORG committee meetings and two sector working group meetings were held. OORG members were called upon to prepare technical reviews of specific project proposals submitted to the Executive Committee for consideration. In response to issues raised at Executive Committee meetings and identified during the course of project identification and implementation, the Bank prepared documents on unit abatement costs, World Bank operational procedures and directives, institutional strengthening, and incremental costs.

PROGRESS REPORT

BANK-IMPLEMENTED MONTREAL PROTOCOL OPERATIONS

(as of January 18, 1993)

Global Environment Coordination Division, Environment Department

THE WORLD BANK

Progress Report

I. OPERATIONAL AND POLICY ISSUES

A. Major Developments, September through December, 1992

1. Eighth Executive Committee Meeting - During its October 1992 meeting, the Montreal Protocol Executive Committee approved the World Bank's request for additional funding through amendments to its CY 1992 Montreal Protocol Work Program for support to new program and project preparation activities in Guatemala and Indonesia, and for development of four global multi-country projects which will target the solvents, halons, mobile air conditioning, and refrigeration sectors. The EC also approved World Bank investment proposals for OORG Refrigeration Working Group-endorsed (see below) HFC-134a conversion projects in refrigeration for Egypt, Tunisia, Turkey, and Venezuela.

2. Fourth Meeting of the Parties to the Montreal Protocol - The Bank participated as an observer in the Fourth Meeting of the Parties to the Montreal Protocol which took place from November 23-25, 1992, in Copenhagen, Denmark. It was preceded by meetings of the Open-Ended Working Group of Parties to the Montreal Protocol as well as the Preparatory Meeting for the Fourth Meeting of the Parties to the Montreal Protocol. Major outcomes of the meeting were that the financial mechanism and governance structure of the Montreal Protocol were confirmed. Funding for 1993, and 1994, will be at least \$113.34 million each year. A review of the financial mechanism, including the capacity and performance of the Implementing Agencies will be made in 1993 for presentation to the Fifth Meeting of the Parties in October/November 1993. Norway, France, Brazil and Mauritius will replace Finland, Germany, Mexico and Sri Lanka, respectively, on the Executive Committee of the Multilateral Fund.

In addition, the Bank confirmed its willingness to cooperate with UNEP, at the request of some of the Parties, to develop a system of promissory notes for contributions to the Multilateral Fund by major donors, including France and the United Kingdom, to facilitate the planning, budgeting and flow of their contributions to the Fund.

Finally, Dr. Mostafa Tolba, Executive Director, UNEP, recommended that Parties that are countries in transition to a market economy in Eastern Europe and the CIS seek assistance for ODS phase-out activities from the Global Environment Facility (GEF), which he pointed out, was designed in part to be able to respond to countries which have special needs such as theirs, and that it specifically has ozone protection as one of its goals. The Bank also conveyed this message to the recent GEF Participants Meeting.

Montreal Protocol Operations Progress Report, September-December, 1992

B. Progress on Key Operational & Policy Issues Affecting Bank assistance with MP Implementation

3. Second Ozone Operations Resource Group Meeting - The Bank's Ozone Operations Resource Group (OORG) met for the second time on September 28, 1992, in Washington. Key outcomes from the meeting included confirmation of the utility and modus operandus of the OORG and recognition of its formalization as the source of technical opinion for the Montreal Protocol Executive Committee on investment projects proposed for funding from the Multilateral Fund.

4. First OORG Refrigeration Working Group Meeting - The First OORG Refrigeration Working Group Meeting, chaired by OORG Refrigeration advisor Dr. Lambert Kuijpers, which reached agreement upon a set of "Definitive Recommendations" to guide the Bank's Montreal Protocol project task managers in the identification and preparation of suitable refrigeration-based ODS-reduction investment projects. Prior to clearing the final version, the Working Group circulated the draft recommendations to an outside group of reviewers for additional comments and suggestions.

Other members of the Refrigeration Working Group included Mr. Kent Anderson, Mr. James F. Gordon, Dr. Poul Erik Hansen (represented by Mr. Peter Steensen), Dr. Mike Jeffs, Dr. Ing. H. Kruse, and Dr. K. S. Sanvordenker. Observers included representatives from the Montreal Protocol Secretariat, UNEP, UNDP, USEPA, as well as industry.

5. First OORG Foams Working Group Meeting - The First Ozone Operations Resource Group/Foams Working Group Meeting took place in Copenhagen, Denmark, on December 11, 1992, hosted by the Danish Minister of the Environment, Mr. Per Stig Moeller. Members of the committee included Dr. Mike Jeffs (OORG advisor on foams), Mr. Thomas Broennum, Mr. Jaakko Karvinen, Mr. Pekka Kuivalainen, Mr. Hans Norgaard Pedersen, and Dr. Frieder Schmitt. Observers included representatives from Logstor Ror A/S, Tarco Energi, ABB I.C. Moller A/S, Greenpeace, Bruun & Soerensen Group A/S, A/S Dansk Rorindustri, the European District Heating Pipe Manufacturers Association, Herning Municipal Works, the Danish Institute of Environmental Energy, the Danish Environmental Protection Agency, and the Danish Ministry of Environment.

The purpose of the meeting was to seek an informed consensus view on the status of low and non-ODS foam-blown pre-insulated pipe technologies used in central heating systems and, on the basis of such findings, propose for the Government of Poland (which is a Party to the Montreal Protocol obliged to phase-out of CFCs by January 1, 1996) a set of alternative foam-blown pre-insulated pipe procurement strategies which might be considered at this time.

The final outcome of the meeting was agreement on a statement of findings of the Working Group which the Bank will share in the course of its on-going project dialogue with the Government of Poland. The meeting concluded with an address by Mr. Per Stig Moeller, Danish Minister of the Environment, which included an offer, accepted by the Bank representative and the Chairman of the OORG Foams Working Group, to host a follow-up meeting in 1994 and review progress during 1993 in the development of standards and the outcome of tests of non-ODS foam blown pipes against these standards.

Montreal Protocol Operations Progress Report, September-December, 1992

6. Sourcebook of Benchmark Unit Abatement Costs - The final version of the Bank-prepared Policy Document, "Sourcebook of Benchmark Unit Abatement Costs", a notebook-formatted guide to commercially available technology alternatives to ODS use, was published in December 1992 and is currently being distributed to users.

C. Montreal Protocol Events to the Six Months Horizon

7. MP meetings and other events of importance to Bank operations are provided below for a six months horizon:

Meeting/Event	Place and Date
Implementing Agency Coordinating Meeting	Montreal, February 4-5, 1993
Ninth Executive Committee Meeting	Montreal, March 8-10, 1993
Fifth Meeting of the Implementation Committee	Geneva, March 9, 1993
Third Ozone Operations Resource Group Meeting	Washington, May 18, 1993

II. STATUS OF WORLD BANK MONTREAL PROTOCOL ACTIVITIES

A. Status of Bank-assisted Country Program Preparation

8. The following table includes on-going Country Program (CP) activities for those countries in which the Bank either has the lead or is assisting its Government in CP preparation, is collaborating with another implementing agency, or is maintaining a watching brief in support of its investment project preparation activities.

Country Program	Transmittal Date from Bank to Govt.	Comments/Explanations
Argentina	TBD	An initial reconnaissance mission is planned for February 1993.
Brazil	July 1992	GOB has lead. Brazil's CP is scheduled for completion in May 1993.
China	N/A	UNDP has lead, WB is collaborating.
Guatemala	N/A	UNEP has lead responsibility. GOG anticipates presentation to EC in March 1993.
Indonesia	N/A	UNDP has lead and will begin preparation in early 1993. WB is collaborating.
Jordan	April 1992	Anticipated completion of GOJ review by March 1993 and delivery to EC by June 1993.
Nigeria	September 1993 (expected)	Anticipated completion of first draft by September 1993, final version by April 1994.
Philippines	December 1992	CP has been completed and is being reviewed. Tentative EC submission date is first quarter of 1993.
Thailand	October 1992	GOT has lead. The GOT intends to present its CP to the EC at its second meeting in 1993.
Tunisia	May 1992	Anticipated completion of GOT review by March 1993 and delivery to EC by June 1993.

Montreal Protocol Operations Progress Report, September-December, 1992

B. World Bank Investment Project Disbursements

9. The following Montreal Protocol investment projects, amounting to a total of \$2,290,000, began disbursement to respective Governments during 1992, by country:

World Bank Investment Project Disbursements, as of December 31, 1992

Country	Project	Project Amount (\$)	Amount Disbursed (\$)
Thailand (I)	Design Engineering Project (I)	\$390,000	\$ 61,380
Philippines (I)	Design Engineering Project (I)	\$400,000	\$202,209
China (I)	Project Preparation Advance (I)	\$1,500,000	\$250,000
Total		\$2,290,000	\$513,589

C. World Bank Investment Projects Prepared for Submission to the March 1993 Meeting of the Executive Committee

10. The following investment projects, totalling \$25.164 million, will be submitted to the March 1993 meeting of the Executive Committee, by type of decision requested, as shown in the following table:

Montreal Protocol Operations Progress Report, September-December, 1992

Summary of World Bank Investment Projects being Submitted to the EC in March 1993

Country	Project Title & Sub-Projects by Sector	ODS Phase-Out per Year (MT)	Type of EC Decision Requested	Incremental Cost (\$ m)
China (I) (increase)	<u>ODS Investment Project (I):</u> cost adjustment for 2 aerosols, 2 foams, 2 halons, 1 refrigeration.	N/A	Final Approval	\$7.83
Ecuador (I)	<u>ODS Investment Project (I):</u> 12 aerosol sub-projects	290	Permission to Proceed	\$0.7
	<u>ODS Investment Project (I):</u> Institutional Strengthening sub-project	N/A	WP Amend.	\$0.204
	<u>ODS Investment Project (I):</u> Training and Technology Dissemination sub-project	N/A	WP Amend. Transfer to UNDP	\$0.15
	<u>ODS Investment Project (I):</u> Reduced CFC Insulating Foams in Refrigerator Manufacturing sub-project	25.5	Final Approval	\$0.665
Indonesia (PPA)	<u>Project Preparation Advance (I):</u> High priorities include recycling, refrigeration and foams.	N/A	WP Amend.	\$0.250
Philippines (I)	<u>ODS Phase-Out Investment Project (I):</u> refrigerant recycling, household refrigeration, household refrigeration foam, tobacco and solvents. Ten (10) pre-appraised sub-projects.	826	Final Approval	\$11.42
	<u>ODS Phase-Out Investment Project (I):</u> Technical Assistance project for MP training in financial intermediary institution.	N/A	WP Amend.	\$0.1
	<u>ODS Phase-Out Investment Project (I):</u> Six (6) investment projects which have been identified, reviewed but not yet pre-appraised.	N/A	Permission to Proceed	\$3.32

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	<u>Institutional Strengthening Project: (as Work Program Ammendment)</u>	N/A	WP Amend.	\$0.425
Sub-Total			Approval	\$19.915
Sub-Total			WP Amend	\$ 0.979
Sub-Total			Transfer	\$ 0.150
Sub-Total			Permission	\$ 4.020
Grand Total			Total All Decisions	\$ 25.064

D. OORG Reviews of Proposed MP Projects in the Period September - December, 1992

11. The following project proposals have been reviewed by members of the Ozone Operations Resource Group during the September through December 1992 period.

Country - Project	Bank Task Manager (TM)	OORG-Roster Outside Specialist(s)
<u>China</u> - ODS Investment Project (I) (for 50% Foams sub-project up-date only)	Don Brown	Mike Jeffs, Geno Nardini
<u>Ecuador</u> - ODS Investment Project (I)	Cesar Plaza	Mike Jeffs, Geno Nardini
<u>Philippines</u> - ODS Phase-Out Investment Project (I)	Konrad von Ritter	Mike Jeffs, Lambert Kuijpers, Art Fitzgerald, Simon Oulouhojian
<u>Thailand</u> - ODS Phase-Out Investment Project (I)	Konrad von Ritter	Mike Jeffs, Lambert Kuijpers, Art Fitzgerald, Simon Oulouhojian

E. Milestone Achievements through December 1992

12. The following table of the Bank's Montreal Protocol Milestone Achievements presents a summary of the status of Country Program activities in which the Bank has either participated as lead agency, provided assistance to Governments, or collaborated with other Implementing Agencies in their preparation.

REGION Country	Status	Country Program*			Project Title	Investment Project					Pipeline
		Main Mission	Final Report	Gov. Approval		EPS	EC Approval	Bank Appraisal	Grant Agreement	CY93 (millions)	
AFRICA											
Nigeria	Plan	Jul-92	Oct-92	Dec-92		Sep-92	Nov-92	Apr-93	Jun-93	\$5.00	
	Variance	Feb-93	Sep-93	Apr-94		Jun-93		Sep-93	Dec-93		
ASIA											
China (I)	Plan	UNDP			ODS Phase-out Project	Jan-92	Feb-92	May-92	Jul-92	\$7.83	
	Variance						Mar-93	Dec-92	May-93		
China (II)	Plan				ODS Phase-out Project		Jun-93	Sep-93	Dec-93	\$25.00	
	Variance										
Indonesia	Plan	UNDP			Design-Engineering Project	Dec-92	Mar-93			\$0.25	
	Variance										
(I)	Plan				ODS Phase-out Project		Jun-93	Sep-93	Dec-93	\$5.00	
	Variance										
Malaysia (I)	Plan	GOM			MACS recycling and Halon control, recovery and recycling	Oct-91	Feb-92	Feb-92	Apr-92		
	Variance								Nov-92		
(II)	Plan				ODS Phase-out Project	Oct-91	Apr-92	Jun-92	Aug-92		
	Variance										
Philippines	Plan	GOP			Controlled Substances Engineering Project	May-91	Jun-91	Jan-92	Apr-92		
	Variance								Jun-92		
(I)	Plan				ODS Phase Out Investment Project	Oct-91	Apr-92	Aug-92	Sep-92	\$20.00	
	Variance						Mar-93	Jun-93	Sep-93		
Thailand	Plan	GOT			Controlled Substances Engineering Project		Jun-91	Jan-92	Apr-92		
	Variance								Aug-92		
(I)	Plan				ODS Phase Out Investment Project	Oct-91	Apr-92	May-92	Jul-92	\$20.00	
	Variance							Jun-93	Sep-93		
EMENA											
Egypt	Plan	Approved			MCMC Compressor Project	Mar-92	Apr-92	May-92	Sep-92		
	Variance										
Jordan	Plan	Sep-91	Feb-92	Mar-92	TA & Investment Project for Reduction of Consumption of ODS		Jun-92	Sep-92	Dec-92		
	Variance		Apr-92	Mar-93		Apr-92		Oct-92	Jun-93		
Tunisia	Plan	Feb-92	May-92	Jun-92	Ozone Layer Protection through the Reduction of Consumption of ODS		Jun-92	Jul/Aug-92	Aug/Sep-92		
	Variance			Mar-93				Apr-93	Jun-93		
Turkey	Plan	Approved			Protection of the Ozone Layer Through the Reduction of Consumption of ODS	Mar-92	Apr-92	May-92	Jul-92		
	Variance						Jun-92	Sep-92	Jun-93		
LAC											
Argentina	Plan	Jan-93			TBD						
	Variance										
Brazil	Plan	GOB			MP ODS Elimination Project	Mar-92	Apr-92	Jun-92	Aug-92		
	Variance						Jun-92		?		
Chile	Plan	Approved			TBD (possibly no investment projects)	Mar-92	Apr-92	Jun-92	Dec-92		
	Variance								Feb-93		
Ecuador	Plan	Approved				Feb-92	Apr-92	May-92	Oct-92	\$1.82	
	Variance						Mar-93	Jun-93	Sep-93		
Guatemala	Plan	UNEP			TBD						
	Variance										
Mexico (I)	Plan	Approved			Ozone Pilot Recycling & Training Project	Aug-91	Jun-91	Nov-91	Feb-92		
	Variance								Apr-92		
(II)	Plan				Line of Credit 1	Oct-91	Feb-92	Apr-92	Jun-92		
	Variance								Dec-92		
Venezuela (I)	Plan	GOV			Plastics Molanca Foam conversion project	May-92	Jun-92	Jul-92	Sep-92		
	Variance								?		
(II)	Plan				MP ODS Elimination Project	Mar-92	Apr-92	Jun-92	Aug-92		
	Variance					May-92			?		
GLOBAL	Plan				Refrigeration/Solvents	Dec-92	Mar-93			\$2.74	
	Variance										
Total										\$87.64	

Mo.-92 Connotes a variance (shown when known) from planned target date

* Other lead agencies: capitalized.

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Of the five (5) Grant Agreements signed thus far in Malaysia, the Philippines, Thailand, and Mexico, the actual processing period from EC approval to Grant Agreement signing has ranged from 9 months to 14 months with an average period of 11 months. For six Grant Agreements yet to be signed, and for which we have complete data on task manager expectations, projected processing periods range from 2 months (on the basis that the original China I EC approval was delayed another 13 months due to pending EC approvals on re-estimated project cost increases) to 12 months (Jordan, Tunisia and Turkey) and the average is 8 months. Alternatively, if the original China I EC approval date is used, the average projected processing period would increase to 9 months.

The reasons for extended project processing periods fall into three general categories: (1) overly optimistic task manager expectations, (2) unanticipated difficulties within client countries, and (3) MP decision making procedural delays. Due to the relative novelty of MP activities and the absence of an existing track record from which to judge, the Bank has had to rely primarily upon task manager judgments and expectations. In retrospect, task manager expectations have tended to be more optimistic than not. Unanticipated obstacles have occurred along the way in both client countries and MP procedural requirements in several instances.

The general absence of in-country coordinating institutions in many countries, and reorganizations or political changes in some countries, have tended to slow down the anticipated pace of consensus achievement, decision and commitment to the development of Country Programs, investment project portfolios, and associated plans of action. At the same time, uncertainties concerning MP project approval criteria as they pertain to multi-project financing, multi-national corporation participation/ownership, production for export, taxation, institutional strengthening support, and incremental cost eligibilities have necessarily slowed down the processing procedure both in implementing agencies and in the countries concerned. Nonetheless, we anticipate that this experience will make our future milestone forecasts a more realistic and ultimately more accurate measure of achievement.