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Seventeenth Meeting
Montreal, 26-28 July 1995

WORLD BANK PROGRESS REPORT

PROGRESS REPORT

BANK-IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS

November 1994 - May 1995

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EXECUTIVE SUMMARY

1. This Progress Report on Bank-Implemented Montreal investment operations covers the seven-month period of November 1994 - May 1995. Substantial progress has been achieved during this period as evidenced by the continued growth in disbursements and ODS phaseout. A number of Grant Agreements have been signed and disbursements have nearly doubled since the last Progress Report. Project implementation has also been initiated in several countries. Additional project approvals were obtained during this period: first at the 15th Meeting of the Executive Committee (EC) of the Multilateral Fund in December 1994 and through the Small Project Approval Process (SPAP) in May 1995.

2. The Bank's portfolio of Montreal Protocol (MP) investment operations now stands at over US$140 million. The Bank's portfolio now consists of over 160 separate activities in 20 different countries.

3. Three additional Grant Agreements were signed during this period: an umbrella grant agreement with India (US$50 million), one with Venezuela (US$3.1 million) and one with Egypt (US$2.1 million). Furthermore, the grant agreement with the Philippines which was signed in 1994 was amended into an umbrella agreement (US$30 million). A number of additional projects are in the final stages of approval including: China ODS III (umbrella grant agreement of US$90 million), Jordan ODS II (umbrella grant agreement for US$3.5 million), Malaysia (umbrella grant agreement); Turkey (umbrella grant agreement for US$18 million); Uruguay (umbrella grant agreement for US$5 million); and Venezuela (US$4.2 million).

4. New investment operations (80 projects in all totaling close to US$60 million) have been prepared for Argentina, Brazil, China, India, Indonesia, Jordan, Malaysia, Philippines, Pakistan and Turkey for presentation to the 17th Meeting of the Multilateral Fund Executive Committee. Also included is a request for a US$3 million replenishment of the SPAP. Of the 80 projects submitted for consideration at the 17th EC Meeting, 100 percent will be processed through umbrella grant agreement.

5. The Bank also adjusted its 1995 work program activities to work within the budget approved by the EC at its 16th meeting.

6. During this period, the Bank completed the pilot phase of the Small Project Approval Procedure, initiated work on Monitoring and Evaluation guidelines, contributed to several policy papers for consideration of the Executive Committee and finalized its report the Implementation Performance Review of Montreal Protocol. The Bank also undertook an analysis of switching to an agency fee basis (similar to other agencies) and is continuing work on this front

7. Also during this period, the Ozone Operations Resource Group's (OORG) MACs Working Group was convened for the first time. The Seventh Meeting of the OORG was also held in Washington on April 11, 1995. Outcomes of both meetings are summarized in the Progress Report.

8. Additional ODS phaseout has been reported from the field and a number of projects under implementation will yield additional results over the next six months. ODS phaseout from projects completed is now estimated at over 3,000 tons, an increase of 2,350 tons since the last Progress Report.

Projects now under implementation have eliminated substantially greater ODS consumption and will be reported as ODS phased out when the projects are completed.

9. Concerning certain financial matters, the Bank is reporting savings and project-level adjustments which result in a credit of about US$2.8 million which can be applied against approvals to be obtained at the 17th Meeting.

I. Montreal Protocol Operations Status Report

A. New Investment Operations and Work Program Amendments for Consideration at the 17th Meeting of the Fund Executive Committee

1. New investment projects for Argentina, Brazil, China, India, Indonesia, Jordan, Malaysia, Pakistan, Philippines, Thailand and Turkey are being presented for consideration at the 17th Meeting of the Fund Executive Committee (EC). There are no requests for permission to proceed and no requests for Work Program Amendment. The refrigeration sector projects for the Philippines were given permission to proceed in 1993 and are now being presented for final approval. This also holds true for the Turkey's Pekel project which was given permission to proceed last December.

2. Investment projects totaling close to **US$60 million** are being submitted to the 17th Meeting of the Executive Committee. The complete breakdown by country and type of decision is provided in Table I-1. The complete list of projects is presented in Attachment D.

3. Every project presented for consideration by the 17th EC Meeting will be channeled through an umbrella agreement, several of which are already in place (Brazil, India, Indonesia, Philippines, Thailand) and several others which are in the final stages of approval (Argentina, China, Jordan, Malaysia and Turkey). Processing of these new approvals will be the swiftest of the Bank's involvement in MP operations.

4. The requests also include a replenishment of US$3 million for the Small Project Approval Procedure in India. A more comprehensive report and proposal for the next steps is presented in Attachment B.

Table I-1: Summary of World Bank Investment Projects Being Submitted to the 17th Meeting of the EC, July 1995				
Country	*Project Title & Subprojects by Sector*	*ODS Phase-Out per Year (MT)*	*Type of EC Decision Requested*	*Incremental Cost (US$ million)*
Argentina	ODS I Project: 6 subprojects in the refrigeration and MACs sectors	255	Final Approval	9.77
Brazil	ODS I Project: 7 subprojects in the refrigeration, foam and solvent sectors	162	Final Approval	4.2357
China	ODS III Project: 10 subprojects in the refrigeration, foam, MACs and halon sectors	2460	Final Approval	12.6928
India	ODS II Project: 29 subprojects in foam, solvent, halon and refrigeration sectors	3229	Final Approval	13.2039
India	Small Project Approval Process - Replenishment	TBD	Final Approval	3.0
Indonesia	ODS I Project: 6 subprojects in the refrigeration and solvent sectors	392	Final Approval	5.8301
Jordan	ODS II Project: 1 subproject in the foam sector and institutional strengthening	20	Final Approval	0.166
Malaysia	ODS II Project: 12 subprojects in the foam, solvent and MACs sectors	2119	Final Approval	7.103
Pakistan	ODS I: 2 subprojects in the foam sector	265	Final Approval	2.0023
Philippines	ODS I Project: 4 subprojects in the refrigeration sector	91	Final Approval	2.71
Thailand	ODS II: 1 subproject in the solvent sector		Final Approval	0.125
Turkey	ODS II Project: 2 subprojects in the refrigeration and foam sectors	269	Final Approval	1.8447
Grand Total		10,023		59.5611

B. Project Processing and Implementation Overview

4. Status of Country Program Preparation. The only ongoing activity in this areas is in Nigeria. Nigeria's Federal Environmental Protection Agency (the national executing agency for this activity) has selected a consultant to undertake the Country Program preparation. Contracting is under way.

5. Status of Grant Agreements and Project Preparation Advances. A number of Grant Agreements (Egypt, India and Venezuela) were signed during this last period. There have been no major changes in the planned approval since the last period except for the China ODS III Project which has slipped and is expected to be cleared for approval in July 1995. Following the large number of projects approved at the 15th Meeting, a number of grant agreements were initiated and are in the final stages of processing. Projects approved at the 15th Meeting for Brazil and Indonesia were committed by the Bank in a matter of weeks given that the umbrella agreements were already in place. Furthermore, projects approved through the Small Project Approval Procedure for India (thirteen projects totaling US$3.3 million) in May were committed by the Bank on June 8, 1995, through the umbrella agreement. The schedule of grant agreement approvals over the next six months is presented in Table I-2. Additional details on project processing are provided in Attachment A and Section III of this report. Also, in order to streamline internal project processing for the AAISA/COROVEN (Venezuela) Mobile Air Conditioning Project, it was decided to combine the two projects approved for these enterprises (June 1993 and September 1994). Only one grant agreement will therefore be required to channel these funds. An advantage of this approach will be added flexibility afforded by combining the contingencies, which are likely to be used given the recent devaluation of American dollar worth to the Japanese Yen.

Table I-2: Schedule for Director/RVP Approval Commitments of MP Projects for a Six Month Horizon

Country	*MP Project*	*Task Manager*	*Type of grant agreement*	*Amount (US$ million)*	*Planned Director/ RVP Approval*
Argentina	ODS Phaseout I	Tlaiye	Umbrella	25	09/95
China	ODS III	Chan	Umbrella	90.0	07/95
Jordan	ODS II	Masanque	Umbrella	3.5	07/95
Malaysia	ODS II	Ritter	Umbrella	25	07/95
Pakistan	ODS I	Shah	Umbrella	tbd[1]	11/95
Turkey	ODS II	Atur	Umbrella	18	07/95
Uruguay	ODS I	Manibog	Umbrella	5	07/95

6. Project-Related Disbursements. Disbursements have nearly doubled since the last Progress Report and now reach over US$17 million. Disbursements are summarized in Table I-3 and are also provided in Attachment A. Funds are now being disbursed in fourteen (14) of seventeen (17) countries where investment projects have been funded.

7. Status of Project Preparation and Implementation. Country-by-country updates on project preparation and implementation activities are provided in Attachment A.

8. Project Impacts and Implementation of Approved Projects. Implementation of projects which will phase out over 20,000 metric tons (MT) of ODS will continue during 1995. Several projects will be completed and will result in the phaseout of several thousand metric tons by the end of 1995. ODS

[1] To be determined

Attachment A and now totals over 3,000 ODP tons. Additional phaseout which has been achieved at the plant level must be verified before it can be reported in the progress report.

Table I-3 World Bank Investment Project Commitments and Disbursements, as of 5/31/95

Trust Fund Number	Country	Proj. Name	Commitment Amount	Approval Date	Effectiveness Date	Disbursement Cumulative Total since Inception
		Committed				US$ million
21918	Brazil	ODS Phaseout I	5.144163	12/17/93	12/17/93	1.000000
21916	Chile	ODS Phaseout	1.206076	6/1/93	10/7/93	0.181483
21921	China	ODS Phaseout I	6.925000	11/30/93	4/21/94	1.944475
21981	China	ODS Phaseout II	4.465000	5/23/94	5/23/94	0.709295
21923	Ecuador	ODS Phaseout I	1.566000	10/18/93	10/18/93	0.714014
	Egypt	MCMC Compressor (IFC)	2.100000	5/28/95	5/28/95	0.000000
21939	India	ODS I	1.252000	8/1/94	10/28/94	0.200000
	India	ODS II	8.123934	3/2/95		0.000000
21982	Indonesia	ODS I	8.682200	10/24/94		1.500000
21932	Jordan	TA and Investment Proj.	1.500000	9/16/93	9/17/93	0.200000
21925	Malaysia	Halons & MAC Recycling	1.630000	5/29/92	11/6/92	0.364100
21924	Mexico	MAC Recycling & Aerosols	0.180000	3/9/92	5/1/93	0.000000
21920	Mexico	Ozone Protection Policy	4.000000	11/20/92	12/7/92	0.890424
20078	Philippines	ODS Phaseout Engineering	0.393675	1/14/92	6/3/92	0.393675
21931	Philippines	ODS I	11.729000	9/21/94		1.500000
20077	Thailand	ODS Phaseout Engineering	0.389960	1/14/92	8/18/92	0.389960
21926	Thailand	ODS Phaseout I	12.500160	8/5/94		0.000000
21936	Tunisia	ODS I	1.790000	6/14/94	8/15/94	0.187311
21934	Turkey	ODS Phaseout I	6.165000	1/24/94	4/23/94	4.243375
21919	Venezuela	ODS Phase out I -Plasticos Molanca	1.300000	4/28/93	5/5/93	1.264626
	Venezuela	FAACA	3.100000	2/20/95		0.000000
22001	Venezuela	Chiller Retrofits		9/30/94		0.000000
21983		a) Clinica Atias ($115,000)	0.115000			0.000000
21996		b) Instituto de Prevencion Social del Medico($69,000)	0.069000			0.000000
21997		c) Congreso de la Republica ($46,000)	0.065000			0.000000
		Subtotal MP Committed	**84.391168**			**15.68274**
		PPA				
21927	China	ODS Phase-out - PPA I for ODS Projs. I	1.500000	8/10/92	8/10/92	0.687864
21917	China	ODS Phase-out - PPA II for ODS Proj. II	0.300000	5/17/93	5/28/93	0.300000
21937	China	ODS Phase-out-PPA III for ODS Proj. II	0.320000	2/8/94	2/16/94	0.213650
21998	India	ODS Phase-out-PPA	0.345000	6/1/94	6/1/94	0.050000
21929	Indonesia	ODS I PPA I	0.250000	4/26/93	8/5/93	0.250000
		Sub-total PPA	**2.715000**			**1.501514**
		TOTAL	**87.106168**			**17.184252**

II. Operational, Policy and Other Issues

9. Report on Small Project Approval Procedure. The Pilot Phase of the Small Project Approval Procedure (SPAP) was successfully completed in May when a number of foam-sector projects were approved by the Executive Committee of the Multilateral Fund through an out-of-cession, non-objection basis. A full status report and proposed next steps for the SPAP are presented in Attachment B. Briefly, it is proposed that the SPAP be extended and that an additional US$3 million be allocated for this purpose.

10. Monitoring and Evaluation Guidelines. A key element of the MP Team's work in the first half of 1995 is the development of a set of monitoring and evaluation (M&E) guidelines which will provide the necessary framework for enhanced reporting on project implementation, as well as other issues related to achieving the goals of ODS phaseout activities of the MP and the GEF. The main objectives of the M&E guidelines are to: (a) examine the effectiveness of project implementation; and (b) determine "lessons learned" which can be applied to future ODS initiatives. To accomplish these objectives, the guidelines will establish tools and procedures for monitoring progress in ODS phaseout at project sites considering engineering and economic efficiency. The evaluation guidelines will also take note of the local project implementation mechanisms and will examine the effectiveness of assistance aimed at strengthening the local institutions.

11. The Bank has established an Advisory Group to assist in developing the M&E guidelines. The Group includes experts from developing countries, NGOs, the public sector, the Fund Secretariat and the Bank itself. The Group met in early April to review a draft outline of the guidelines and discuss approaches for M&E in countries with ongoing MP activities.

12. In early May, a member of the MP Team visited Ecuador where an ODS phaseout project is currently under implementation. The field visit included interviews with the local project unit management team about existing monitoring and evaluation systems and their institutional capacity, and visits to two enterprises which have recently converted away from ODS where the MP staff interviewed management and technical staff about their hands-on experience. Other field visits have been planned as part of supervision missions for Jordan and China.

13. Draft M&E guidelines for the Bank's ODS phaseout investment projects will be completed by early July.

14. Outcome of OORG Meetings. The first OORG Mobile Air Conditioning Systems (MACs) Working Group was held in January 1995. In addition, the seventh semi-annual meeting of the full OORG took place in April 1995. Outcomes are outlined below.

15. **First OORG MACs Working Group**: The first OORG MACs Working Group was convened by the World Bank in Washington, DC on January 18, 1995. The meeting focused on making recommendations for making clear distinctions between modifications and associated costs driven strictly

by the need to convert to non-ODS technology (eligible incremental costs), and those prompted by other modernization motivations of the industry, such as competitiveness. Following are specific recommendations:

(a) It was agreed that the baseline standard against which the incremental costs of HFC-134a should be measured is the conventional CFC-12 plant design familiar around the world. The incremental cost for HFC-134a conversion is thus defined as the cost of the minimum equipment change which will allow the enterprise to produce HFC-134a systems and components with equivalent performance to that of the CFC-12 MACs previously produced;

(b) MACs HFC-134a conversion technology transfers may require an appropriate licensing agreement with an internationally recognized supplier. In addition to technology licensing fees, production royalties may also be levied in such circumstances, but only to the extent that they exceed comparable royalties which applied to the CFC-12 licensing arrangements previously in place, and then only for a two-year period based on specified measures of past production;

(c) Training expenses ("train the trainer" and use-related training) associated with acquisition of new technology are legitimate incremental costs. In the case of use-related training, it is essential that the costs be included as part of the competitive equipment quote;

(d) MACs conversion project plans must include provisions for verification of the final disposition and/or disposal of all CFC-12 related manufacturing equipment;

(e) MACs incremental operating cost compensation should not apply for fabricators who do not charge MACs with the refrigerant, since those costs are borne by the automobile manufacturers themselves; and

(f) MACs HFC-134a servicing regulations should specify SAE J639 quick-couple HFC-134a fitting and marking for all conversion projects including recovery, recycling and leak detection equipment, and in all technical service procedures.

16. A number of Working Group members expressed concern about the general risk of regression back to CFC-12 use that may exist in many developing countries even after HFC-134a conversions have taken place. Unless proper and effective economic and/or regulatory disincentives are in place within the country, there may be nothing to prevent HFC-134a designed MACs from being charged with CFC-12 instead, thereby defeating the spirit as well as the purpose of the Multilateral Fund financing. The findings of this working group have been issued as an OORG series of reports published by the Global Environment Coordination Division.

17. **7th Meeting of the Ozone Operating Resource Group (OORG):** The Bank convened the 7th Meeting of the OORG on April 11, 1995. All OORG sectors were reviewed at the meeting and several cross-sector issues of interest were discussed. Following are highlights of the issues discussed at the meeting:

(a) Illegal CFCs Flood World Markets: The OORG MACs Sector Advisor noted that there have been alarming increases in illegal CFC-12 imports, or attempted imports (as much as 1.8 million pounds in one instance), into the US, resulting in numerous arrests and indictments. Sometimes containers falsely and illegally marked as "recycled R-12" have been found to contain R-22 or R-22/R-12 blends, both ozone depleting substances. In order to help counter these developments, refrigerant identifier technology is recommended as essential equipment for MACs repair shops. It was proposed that an acceleration of production plant shutdowns in developing countries or countries with economies in transition would be the most effective way of addressing this issue.

(b) 'Threshold Price' for HFC-134a: The market for an important zero-ODS refrigerant alternative, HFC-134a, has gradually matured and is now widely established as a bulk commodity chemical. Furthermore, rapid technical learning and scale economies have drastically reduced prices from as much as US$30/lb. in the 1980s to between US$2.50/lb. and US$4.00/lb. today. This price level is considered a 'threshold price" by the industry, low enough to begin stimulating new uses/demands which are either unplanned or unanticipated in user sectors. The global market demand for HFC-134a is currently around 55 kilo tons/year (kte/yr) and is expected to level out at a long-term demand of 175-275 kte/yr within a decade, unless major unplanned new uses arise. Roughly a third of this total plant capacity has already been built, another third has been announced, and the remaining third is planned by the industry at the present time. It is important that production policy related to any of the alternatives reflects both the relative stage of a particular technology development as well as related market conditions.

(c) Hydrocarbon Availability: On the recommendation of several OORG working groups, the OORG Production Sector Working Group undertook a study on the availability and cost/price of hydrocarbons in developing countries in relation to required chemical quality as an ODS substitute. For perspective, it was noted that the total global consumption of the types of hydrocarbons used in non-ODS technology averages 221 million metric tons/year (m te/yr), less than a third of the total amount of all hydrocarbons consumed in a single day, which is 737 m te. Clearly, market conditions world-wide are such that whatever the usage, the market for hydrocarbons in both the aerosol and refrigeration sectors is not large enough to influence price, and consumption volumes are too low to yield economies of scale in production. Nonetheless, hydrocarbons are certainly available in the developing country world. Price may vary greatly, however, as a function of transportation logistics, packaging, storage and safety and these are different for each sub-sector. The basic question to be answered in each sector in any country, however, is how developed is the potential user demand, and is the associated "market pull" sufficient to promote and support the purification investments needed to produce hydrocarbons for use in the aerosol and refrigeration sectors. In most cases, user sector projects should be given first priority for Multilateral Fund financing as a first step towards creating the necessary demand for indigenous supply.

(d) Chiller Survey Findings: The OORG Refrigeration Sector Advisor presented findings from a study he carried out to give further consideration to a proposal for a chiller rebate program to accelerate chiller conversions. As a first step, the study team collected data on the existing population and distribution by age, energy efficiency, and region of all locally owned chillers in operation in Article 5 countries. The expected energy cost savings which might be anticipated through conversion of chillers of various ages were calculated and compared to the costs of conversion. Replacement costs for a typical chiller are US$150,000-250,000. Since this amount is roughly comparable to the annual operational cost savings as a result of energy efficiency improvements of chillers installed before 1971 (25 years old or older), the benefits of conversion are obvious and no rebate should be necessary. The accelerated conversion of somewhat newer chillers (between 20 to 25 years old) would result in average cost savings of US$124,000-162,000. somewhat less than the replacement cost range indicated above. As a consequence, consideration might be given to a rebate program for chillers installed during 1971-1975 for a total cost to the Multilateral Fund, of US$3-10 million with individual rebates of from US$2,000-7,000 each to help induce an accelerated phaseout. However, due to the substantial returns implied by these estimates, if capital availability is the real constraint, investment loans might be the preferred option.

18. Policy, Institutional and Administrative Matters. For the 17th Meeting of the EC, the Bank has contributed or taken the lead on several policy papers for consideration by the Executive Committee. First, the Bank has revised the paper on Technology Upgrades (UNEP/OzL.Pro/ExCom/16/15) based on written comments from EC members on the criteria and guidelines in relation to inadvertent technology upgrades. The Bank is also preparing a paper examining the feasibility of providing concessional loans to Article 5 countries as a complement to its ongoing investment activities.

III. Budget and Financial Data

19. The tables listed below and presented in the following pages summarize the status of the World Bank's MP Work Program budget, financing commitments and general financial information:

Table III-1: Fund Receipts, Uses and Balances

Table III-2: Work Program Budget Summary

Table III-3: CY95 Planned Approvals and Commitments

20. Fund Receipts, Uses and Balances. Since the last Progress Report and as of May 31, 1995, the Bank had received transfers of funds from the UNEP Treasurer for projects approved at the 12th through 15th Meetings of the EC. These transfers total US$23.68 million. The Treasurer has made allocations for funds which have yet to be transferred to the Bank. The Bank has requested that the remainder of the funds approved at the 12th through the 15th Meetings (plus the approvals through the Small Project Approval Procedure in May) of the Executive Committee be transferred so that it may proceed with commitments through Grant Agreement (a number of which are planned in the next few weeks). The amount outstanding as of May 31, 1995, was about US$43 million. The use of promissory notes is in the final stages of implementation. After some initial difficulties, notes from the French Treasury are expected to be transferred to the Bank in early June. With the use of umbrella agreements, the need for immediate transfer of funds (whether cash or promissory notes) has become more urgent than in the past. Under umbrella agreements, enterprises can access funds as soon as the Bank commits the funds through a fax/telex (a matter of weeks) and the sub-grant agreements are signed (i.e., the subprojects are no longer subject to the full project cycle). The Bank and the UK also discussed Promissory Note format and had reached agreement on a note which would be made transferable from UNEP Treasurer to the Bank. As of May 31 1995, there remained only US$18.789 million in the Ozone Projects Trust Fund which had not yet been committed. These remaining funds plus the outstanding amounts are scheduled for commitment over the next few weeks.

21. Work Program Budget Summary. Table III-2 provides the status of expenditures for the Bank's 1995 Work Program budget as of March 31, 1995. Total expenditures stand at US$1.437 million. The total expenditures as of the end of June 30, 1995, will be known by the time of the 17th Meeting. At its 16th Meeting in March 1995, the EC approved the Bank budget on an interim basis and requested that it prepare a revised budget. The amount approved in March was US$5.244 million, a budget which was more than 10 percent less than the budget requested by the Bank. In revising its budget for the 17th meeting, the Bank undertook the following:

(a) A full assessment of the activities initiated in the first half of 1995 and of the commitments which had been made in terms of project preparation, including carry-over commitments from 1994. Work Program disbursement rate for the first quarter of 1995 was equivalent to US$5.7 million per year, very close to the Bank initial budget request;

(b) A critical review of activities yet to be undertaken and their relevance given the most recent guidance from the EC; and

(c) a review of the impact of the Bank's fiscal year budgeting on the MP calendar year budget.

22. The objective of the Bank was to develop a revised budget within the amount approved on an interim basis. To this end the following rules were applied:

(a) For most countries, the budgets were reduced by 10 percent across the board, except for supervision activities;

(b) Activities in some countries were simply put on hold (Algeria and Egypt, following reconnaissance work); and

(c) The Global Project budgets were significantly reduced.

23. The only country-level budgets which were increased were for China and Thailand, both due to the fiscal year vs. calendar year aberration (it should be noted that both these countries underspent their budgets in 1994) where significant amount were carried over into 1995 (this was confirmed at the end of the first quarter 1995 review in early April 1995, after the EC's 16th Meeting). Therefore, with the budget adjustments described above, it has been possible to prepare a revised budget plan which is contained within the March 1995 allocation. The 1995 budget is therefore proposed to be US$5.2 million, a reduction of 15 percent over the 1994 budget. No additional funds are therefore requested at this time. Work program amendments may be requested at the 18th Meeting of the EC.

24. Actual and Planned Commitments. Table III-3 presents the status of MP project commitments by the Bank for those projects having received final approval by the EC. Total commitments now amount to US$90 million. New commitments and Grant Agreement signature since the last Progress Report are as follows: Egypt (US$2.1 million); India ODS II (US$50 million umbrella agreement); Philippines (US$11.73 million grant agreement was amended into an umbrella agreement of US$30 million); and Venezuela (US$3.1 million for the FAACA project). Additional amounts were committed through existing umbrella grant agreements for Brazil (US$0.162 million); Indonesia ODS I (US$3.466 million) and India (US$3.3 million). The commitments for Brazil and Indonesia were made in a matter of weeks after approval at the EC's 15th Meeting last December while the commitments for the India projects (approved in early May through the Small Project Approval Procedure) are planned for early June 1995. There was substantial progress in the final processing of all remaining grant agreements, with a number of these slated for approval over the next few weeks including: China ODS III (July); Jordan ODS II (July); Uruguay ODS I (June); and Turkey ODS I (July); all umbrella grant agreements. Also slated for final approval in the next quarter are the Argentina ODS I and Malaysia ODS II Projects, both umbrella agreements. The only operation that has slipped is China ODS III, which is now back on track and slated for commitment in July/August.

25. Other Financial Matters for Consideration by the Executive Committee. At its 16th Meeting, the EC asked the Implementing Agencies to examine their activities and investment project portfolios to determine if certain idle activities could not be canceled and money returned to the Multilateral Fund. The Bank, which undertakes this activity regularly on its Work Program budgets (at the end of each

calendar year), initiated a review of its investment project portfolio. Approximately US$2.8 million is being credited to the fund as a result of projects that have been closed, modified, transferred or canceled. Details are provided in Table III-4. Two projects were closed after being completed leaving a balance of US$6,365 to be returned to the Fund. The other adjustments are as follows:

- **Brazil**: a project approved in June 1992 was found to be redundant and is therefore being canceled. The amount credited is US$530,000.

- **Egypt:** following long delays in project approval due to changes in technology partners, the MCMC compressor project was finally committed in May 1995. At the time of grant agreement signature, the ownership of the company had changed since the original project had been approved by the EC. Local ownership had dropped from 100 percent to 75 percent. The grant amount was *correspondly* adjusted from US$2.8 million to US$2.1 million. The EC may consider the implication of this decision and make this a formal policy.

- **China**: following EC-approval of a foam-sector project for UNDP implementation, the Bank has agreed to request the transfer of US$400,000 for the Tianjin Conversion project which had been approved in June 1993 for Bank implementation. The Bank's project becomes redundant given the EC' approval of another project at the same facility.

- **Venezuela**: the chiller retrofit project is being reduced by US$851,000. The Government of Venezuela has informed the Bank that the proposed beneficiary of this component of the grant is not in a position to implement the project at this time.

- **Venezuela**: The budget for the Mobile Air Conditioner project at FAACA was adjusted down from US$3.48 to US$3.1 million after the project was appraised following EC approval.

26. The total credits therefore amount to US$2,867,325. Table III-4 should be considered as formal notification of these credits and the books of UNEP Treasurer and the Secretariat should be adjusted accordingly. This amount can also be credited against project approvals which the Bank may obtain at the 17th EC Meeting.

Table III-1

Fund Receipts, Uses and Balances

(In US$ million)
As of May 31, 1995

	CY91-94 Actuals a/	CY95 Actuals b/	Cumulative Actuals from Inception thru 31 May 1995	CALENDAR YEAR 1995 Planned CY95 Work Prog. c/	CALENDAR YEAR 1995 Est. Cum. Uses thru end-CY95 d/
I. FUND RECEIPTS (through 5/31/95)					
Contributions	$90.096	19.4545	$109.550		$109.550
Investment Income	$5.627	1.05403	$6.682		$6.682
TOTAL FUND RECEIPTS	**$95.723**	**$20.509**	**$116.232**	$0.000	**$116.232**
II. FUND USES					
A. Workprogram Costs					
- CPs and Studies	$1.283	$0.002	$1.285	$0.150	$1.433
- Project Preparation	$7.291	$1.093	$8.384	$3.554	$10.844
- Administrative Costs	$3.051	$0.372	$3.422	$1.350	$4.401
-OORG	$0.426	$0.045	$0.472	$0.191	$0.617
Sub-total WP Costs	**$12.050**	**$1.512**	**$13.562**	**$5.244**	**$17.295**
B. Project Commitments					
- Pre-inv. Activities	$3.685		$3.685	$0.320	$4.005
- Project Financing	$68.265	$15.160	$83.425	$130.000	$198.265
Sub-total Project Costs	**$71.950**	**$15.160**	**$87.110**	**$130.320**	**$202.270**
TOTAL FUND USES	**$84.000**	**$16.672**	**$100.672**	**$135.564**	**$219.565**
III. FUND BALANCES					
EXCESS OF RECEIPTS (USES)	**$11.723**	**$3.836**	**$15.559**		**($103.333)**
FUND BALANCE AT BEGINNING OF PERIOD		$11.723	**$0.000**		
FUND BALANCE AT END OF PERIOD	**$11.723**	**$15.559**	**$15.559** c/		**($103.333)**

a/ As adjusted to reflect final results of CY94 work program costs and project commitments.
b/ Financial data as of May 31, 1994. Includes fund transfers received from UNEP through May 31; actual expenses for work program are through end-March; actual commitments for projects are through end-May.
c/ Cash balance for CY95 is shown in fund balances, i.e. surplus or deficit in brackets; additional fund transfer from the UNEP Treasurer is necessary when a deficit is indicated in this column or the balance is insufficient to cover planned commitments in the following quarter.
d/ Planned approval and commitment by the World Bank of EC authorized project funding and estimated additional projects to be presented to the MP Executive Committee during CY95.
(see Table 4: CY95 Planned Approvals/Commitments)

Table III-2

WORLD BANK--MONTREAL PROTOCOL OPERATIONS
Work Program Budget Summary

Country Work Programs	Product ID	COS ID	CY95 Plan Work Program Budget (US$) CP Studies	Project Prep/Sup.	TOTAL	CY95 (US$) Revised Plan	a/	CY95 Expenses thru 3/31/1995 (US$) CP Studies	Project Prep/Sup.	TOTAL
I. Investment Projects										
1 Argentina ODS I	6ARGMT001	5920		200,000	200,000	185,000			104,441	104,441
2 Brazil ODS I	6BRAMT001	6213		230,000	230,000	210,000			103,900	103,900
3 Chile ODS I	6CHLMT001	6576		130,000	130,000	130,000			36,039	36,039
4 China ODS I	4CHAMT001	3407		85,000	85,000	75,000			29,225	29,225
5 China ODS II	4CHAMT002	3408		85,000	85,000	75,000			57,237	57,237
6 China ODS III	4CHAMT003	3409		640,000	640,000	650,000			148,488	148,488
7 Ecuador ODS I	6ECUMT001	7030		40,000	40,000	40,000			24,245	24,245
9 India ODS I	8INDMT001	9585		30,000	30,000	20,000			1,013	1,013
10 India ODS II	8INDMT002	31829		490,000	490,000	392,000			41,512	41,512
11 Indonesia ODS I	4INSMT001	40362		90,000	90,000	72,000			36,003	36,003
12 Jordan ODS I	5JORMT001	5238		40,000	40,000	55,000			35,993	35,993
13 Malaysia ODS I	4MAYMT001	4212		180,000	180,000	153,000			111,551	111,551
14 Malaysia ODS II	4MAYMT002	4213		57,000	57,000	51,300			3,928	3,928
15 Mexico ODS I	6MXCMT001/2	7494		20,000	20,000	20,000			18,777	18,777
16 Philippines ODS I	4PHLMT002	4406		280,000	280,000	224,000			24,537	24,537
17 Tunisia ODS I	5TUNMT001/2	5591		40,000	40,000	35,000			6,639	6,639
18 Thailand Eng.	4THLMT001	4648		0	0	0			(1,559)	(1,559)
19 Thailand ODS I	4THLMT002	4649		324,000	324,000	374,000			90,645	90,645
20 Turkey ODS I	7TURMT002	8871		30,000	30,000	30,000			114	114
21 Turkey ODS II	38404	38404		100,000	100,000	80,000			0	0
22 Turkey ASSAN Foam (IFC)									0	
23 Uruguay ODS I	6URUMT001	36004		60,000	60,000	60,000			25,010	25,010
24 Venezuela ODS I & II	6VENMT001/2	8178		60,000	60,000	25,000			(1,327)	(1,327)
25 Venezuela Central Air Chiller	6VENMT003	35713		10,000	10,000	10,000			8,141	8,141
26 Venezuela ODS IV (FAACA)	6VENMT004	35714		10,000	10,000	10,000			7,000	7,000
27 Venezuela ODS V (AAISA)	6VENMT005	35715		10,000	10,000	10,000			8,335	8,335
Investment Projects Subtotal			0	3,241,000	3,241,000	2,986,300		0	919,885	919,885
II. Pipeline Projects										
1. Algeria	5ALGMT001	35993		25,000	25,000	0			0	0
2 Egypt ODS I	5EGTMT001	35703		75,000	75,000	40,000			33,752	33,752
4 Indonesia	4INSMT002	35545		260,000	260,000	220,000	c/		17,305	17,305
5 Mexico	6MXCMT003	7496		40,000	40,000	30,000			0	0
6 Nigeria		15167	150,000		150,000	150,000		2,025	0	2,025
7 Pakistan ODS I	8PAKMT001	34301		150,000	150,000	147,500			41,109	41,109
11 Solvents & Refrig.	1WLDMT001	38677		50,000	50,000	30,000			1,970	1,970
12 Global Aerosol	1WLDMT002	38678		287,468	287,468	100,000			4,119	4,119
Pipeline Projects Subtotal			150,000	887,468	1,037,468	717,500		2,025	98,255	100,280
III. Admin., Legal, Fin., IFC Costs b/			0	1,350,000	1,350,000	1,350,000		0	371,621	371,621
OORG				200,000	200,000	190,668			45,487	45,487
Unallocated					0	0				
Sub-total Admin. Costs				1,550,000	1,550,000	1,540,668			417,108	417,108
Total: CY95 Work Program			150,000	5,678,468	5,828,468	5,244,468	c/	2,025	1,435,248	1,437,273

a/ Plan approved by the Multilateral Fund Executive Committee in March 1995.
b/ Budget amounts for operations coordination, related policy analysis and review legal and financial administration and associated overhead costs.
c/ The approved administrative budget of $5,244,468 included $170,000 for Indonesia PPA II, which has now been transferred to project financing.

Table III-3

CY95 PLANNED APPROVALS/COMMITMENTS
(In US$'million)
As of 31 May 1995

Country	No. of Projs.	Project Type	Total Project Cost		CY95 Planned Appr. Jun	CY95 Planned Appr. Jul-Sep.	TOTAL COMMIT.	ACTUAL APPROVALS CY95	CY94	CY93	CY92
I. EC AUTHORIZED/PROJECTS IN WORK PROGRAM a/											
Argentina	1	Project Financing I	13.47	c/		13.47	13.47				
Brazil	1	Project Financing I d/	5.14	c/			0.00	-0.37	2.58	2.93	
Chile	1	Project Financing I	1.21				0.00			1.21	
China	1	Project Financing I	6.93				0.00			6.93	
China	1	Project Financing II	4.47	d/			0.00	-0.40	4.87		
China	1	Project Financing III	29.38	c/		29.38	29.38				
China		PPA I for ODS I and ODSII	1.50				0.00				1.50
China		PPA II for ODS III	0.30				0.00			0.30	
China		PPA III for ODS III	0.32				0.00		0.32		
Ecuador	1	Project Financing I	1.57				0.00			1.57	
Egypt	1	MCMC (IFC)	2.10	d/			0.00	2.10			
India		PPA for ODSII	0.35				0.00		0.35		
India	1	Project Financing I	1.25				0.00		1.25		
India	1	Project Financing II	8.12	c/			0.00	8.12			
Indonesia		PPA I for ODS I	0.25				0.00			0.25	
Indonesia	1	Project Financing I	8.69	c/			0.00	3.47	5.22		
Jordan	1	Project Financing I	1.50				0.00			1.50	
Jordan	1	Project Financing II	0.37		0.37		0.37				
Malaysia	1	Project Financing I	1.63				0.00				1.63
Malaysia	1	Project Financing II	2.03	c/		2.03	2.03				
Mexico	1	Demonstration Proj.	0.18				0.00				0.18
Mexico	1	Project Financing I	4.00				0.00				4.00
Philippines	1	Engineering Proj.	0.39				0.00	-0.01			0.40
Philippines	1	Project Financing I	11.73				0.00		11.73		
Thailand	1	Engineering Proj.	0.39				0.00				0.39
Thailand	1	Project Financing I	12.50	c/			0.00		12.50		
Tunisia	1	Project Financing I	1.79				0.00		1.79		
Turkey	1	Project Financing I	6.17				0.00		6.17		
Turkey	1	Project Financing II	2.27	c/		2.27	2.27				
Turkey	1	ASSAN Foam (IFC)	0.93			0.93	0.93				
Uruguay	1	Project Financing I	1.23	c/	1.23		1.23				
Venezuela	1	Project Financing I	1.30				0.00			1.30	
Venezuela	1	Project Financing II	0.25	d/			0.00	-0.85	1.10		
Venezuela	1	Project Financing III	3.10	d/			0.00	3.10			
Venezuela	1	Project Financing IV	4.42		4.42		4.42				
WP Sub-total	30		141.20		6.02	48.08	54.10	15.16	47.87	15.98	8.10
II. PROJECT PIPELINE b/											
Pakistan	1	Project Financing I									
PP Sub-total	1		0.00				0.00				
GRAND TOTA	31		141.20		6.02	48.08	54.10	15.16	47.87	15.98	8.10

a/ Investment projects and Project Preparation Advances authorized by the MP Executive Committee thru May 31, 1995.
b/ Planned projects to be presented to the MP Executive Committee. Amounts to be determined.
c/ This project is covered by an umbrella grant agreement; amount shown represents subproject approved amounts to date
d/ Reduction amount for the following projects: Brazil ($530,000), China ODS II ($400,000), Egypt IFC ($700,000), Venezuela Chiller ($851,000) and Venezuela FAACA ($380,000) is as of the 17th MP Executive Committee Meeting.

Definition of Project Types

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

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

Table III-4: ADJUSTMENTS

Country	Proj. Name	New COS Project ID.	Approval Date	Approved Funding	Disbursement umulative Total since Inception	Balance to be returne to EC	Remark
	Committed				US$ million		
Philippines	ODS Phaseout Engineering	PH-MT-	1/14/92	400,000	393,675	6,325	Closed
Thailand	ODS Phaseout Engineering	TH-MT-4648	1/14/92	390,000	389,960	40	Closed
	Subtotal MP Committed			790,000	783,635	6,365	
	PPA						
China	ODS - PPA II for ODS Proj. III		5/17/93	300,000	300,000	-	Closed
Indonesia	ODS PPA I		4/26/93	250,000	250,000	-	Closed
	Sub-total PPA			550,000	550,000	-	
	TOTAL			1,340,000	1,333,635	**6,365**	

Country	Subproject	EC Approv Date	Approved Funding	Balance to be returned to EC	Remarks
Brazil	Refrigeration: Domestic	June 1992	530,000	530,000	Includes in umbrella proj.
China	Tianjin Conversion	June 1993	400,000	400,000	To be transferred to UNDP
Egypt	Refrigeration Domestic	Oct. 1992	2,800,000	700,000	Reduction
Venezuela	Chillers (Instituto Venezolano de los Segur	Oct. 1992	851,000	851,000	Cancelled by country
Venezuela	FAACA	Nov. 1993	3,480,000	380,000	Reduction
	Sub-total		8,061,000	2,861,000	
TOTAL CREDIT				**2,867,365**	

Attachment B

REPORT ON PILOT PHASE OF THE SMALL PROJECT APPROVAL PROCEDURE

Global Environment Coordination Division, Environment Department

The World Bank

Small Project Approval Process

Status and Replenishment Request

For Consideration by the 17th EC Meeting

Background

At its July 1994 Meeting, the Executive Committee (EC) of the Multilateral Fund decided to support, on a pilot basis, the implementation of a streamlined project approval procedure for projects under US$500,000. At that time it was also decided to consider at the 14th Meeting of the EC a proposal to initiate the implementation of this pilot mechanism which is now known as the Small Project Approval Procedure. India's Ministry of Environment and Forests (MOEF) and the World Bank then proceeded to present a Letter of Implementation Strategy for Small Montreal Protocol Investment Operations through an Umbrella Agreement to the October 1994 Meeting of the EC. This letter provided a comprehensive overview of the approach proposed for processing small projects and the basis for establishing the cost-effectiveness criteria. The original Letter of Implementation Strategy and Technical Annex is presented as Attachment 1 of this note.

At its October 1994 Meeting, the Fund EC decided to support the Small Project Approval Procedure (SPAP) on an interim basis and set aside US$4 million to cover the incremental costs of projects which would be approved through this mechanism. The EC also decided that, during the Pilot Phase, all the projects would be submitted to the Fund Secretariat which would review these for consistency with eligibility guidelines and screening for new or unresolved policy issues. The projects would then be sent to members of the Executive Committee for an out-of-cession approval on a non-objection basis.

Status of Pilot Phase

1The Small Project Approval Process has clearly demonstrated the benefits of a streamlined project approval procedures. In May 1995, thirteen (13) foam-sector projects (total cost of US$3.3 million) were approved by the Fund Executive Committee on an non-objection basis. The unit abatement cost of these projects were all within the agreed treshold limit established in the Letter of Implementation Strategy. These projects were then formally cleared by the Bank for implementation (i.e. committed) through a telex dated June 8, 1995, about 4 weeks after subproject approval. The enterprises were then convened to a kick-off meeting with the financial intermediary, the Industrial Development Bank of India (IDBI), and the MOEF. Subgrant agreements are now under preparation and project implementation will be initiated very shortly. The turnaround time on these projects from preparation to implementation will be less than six months, an important achievement. A number of aerosol projects (over 15 projects with total cost of US$2 million) also prepared for processing through the SPAP were discussed with the Secretariat and it was agreed to further address the incremental operating costs aspects of the project proposals.

At the national level, the SPAP generated great interest and enthusiasm amongst enterprises who were reassured by the availability of (albeit limited) resources to support their project should it meet the cost effectiveness criteria. Enthusiasm was further fueled by the prospect of quick processing of the funds through an established umbrella grant agreement. The effect of the SPAP therefore went beyond the simple streamlining of processing and was a medium for generating interest in the Multilateral Fund and in ODS phaseout activities.

Next Step and Replenishment Request

It is proposed that the SPAP be replenished. It is proposed that an additional amount of US$3 million be set aside for this purpose. Given the carryover from the first US$4 million, available resources would total about US$3.7 million. ***The only significant change would be that the cost effectiveness thresholds utilized to determine eligibility through SPAP would be based on the Fund's prevailing cost effectiveness threshold at the time of project presentation to the Executive Committee.***

Following this proposed extension of the SPAP Pilot Phase, it is proposed that, at its 18th Meeting, the Executive Committee consider the further expansion of this mechanism (possibly to China or other countries), and that the original processing steps (identified in Chart 1 of the Letter of Implementation Strategy) be considered for implementation. This would mean that the SPAP would essentially move from *ex-ante* to an *ex-post* review of projects by the Executive Committee and its Secretariat. Under this mechanism, the Bank would report to the EC on the status of project approvals through an SPAP window, and the amounts of resources committed. Requests for replenishments would be presented on an as-needed basis.

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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Washington, D.C. 20433
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Cable Address: INDEVAS

August 29, 1994

Dr. Omar El-Arini
Chief Officer
Multilateral Fund for the Montreal Protocol
Montreal, Canada

Dear Dr. El-Arini:

Letter of Implementation Strategy for
Small Montreal Protocol Investment Operations
Through an Umbrella Agreement

At its July 1994 meeting, the Executive Committee (EC) of the Multilateral Fund decided to support, on a pilot basis, the implementation of a streamlined project approval procedure for projects under US$500,000. At that time it was also decided to consider at the 14th Meeting of the EC a proposal to initiate the implementation of this pilot mechanism.

The World Bank and the Government of India's Ministry of Environment and Forests (MOEF) are pleased to present for the consideration of the EC a Letter of Implementation Strategy (LIS) for Montreal Protocol Investment Operations.

The attached Letter and Technical Annex will provide the Executive Committee with a comprehensive overview of the approach proposed for processing small projects and the basis for establishing the cost-effectiveness criteria (the mechanism is referred to as the Small Project Approval Procedure). The Letter of Implementation Strategy also proposes to process about 10-15 projects on the basis of an advance of US$4 million, to underwrite the mechanism, from the Multilateral Fund to be approved at the upcoming meeting of the EC.

Also attached is a brief Introductory Note which provides the rationale for the streamlined project approval procedure and the details of the general processing and administrative arrangements. With the assistance of the Fund Secretariat and Executive Committee, we look forward to the successful implementation of this mechanism.

Regards,

(for)

Ken Newcombe
Chief
Global Environment Coordination Division
Environment Department

Attachments

cc: Mr. Tan Meng Leng, Chairman, Multilateral Fund
Mr. John Whitelaw, Vice-Chairman, Multilateral Fund

IMPLEMENTATION STRATEGY FOR THE PROCESSING AND APPROVAL OF SMALL MONTREAL PROTOCOL INVESTMENT OPERATIONS

General Guidelines and
Details of Implementation
(Including Pilot Phase)

Introduction

1. This note provides the background, context and details of the mechanism for the establishment of the **Implementation Strategy for Small Montreal Protocol Project Approval and Processing (hereafter referred to as "SPAP")**. The details of the step-by-step procedure, which would be applicable to both the pilot and operational phases of the SPAP, are outlined in the two attached flowcharts.

2. This note also serves as an introduction to the Letter of Implementation Strategy which has been prepared by India's Ministry of Environment and Forests (MOEF), which is piloting this new project procedure with the World Bank. Its purpose is also to provide the background leading to the implementation of this mechanism and the criteria for program implementation.

Background

The Parties to the Montreal Protocol have granted the implementing agencies of the Multilateral . und the authority to approve project whose total incremental cost is less than US$500,000. However, the Multilateral Fund Executive Committee (EC) has not yet developed the policies (in the form of clear cost effectiveness guidelines) for extension of this authority to the implementing agencies. Consequently, implementing agencies have had to use the same resources as those employed on large projects to secure funding and approval of the numerous small projects with total incremental costs less than US$500,000.

4. At the EC's 12th Meeting, the World Bank proposed to develop a project processing concept which would further streamline the project approval procedure and accelerate the flow of funds to the Bank's client countries. A more detailed concept of this approach was presented to the EC at its 13th Meeting at which time the Executive Committee agreed to support the approach.

5. As the phaseout of ODS becomes more complete with implementation of large readily identified projects, phaseout activities will shift towards residual smaller projects, many of which will be in the small scale industries and unorganized sectors. A mechanism is needed to permit processing of such projects without draining available technical resources and extending ODS phaseout schedules.

6. Also, as the in-country mechanisms of developing countries for Montreal Protocol project identification, preparation and implementation become operational, the capacity to assume a larger role in the project cycle will increase and additional efficiency gains will be possible through the adoption ıd implementation of streamlining mechanisms such as the SPAP.

Criteria

.. The SPAP is a project approval process which will accelerate the approval of small projects under US$500,000 and, implemented within the context of an umbrella agreement, will accelerate project implementation, disbursements and ODS phaseout.

8. The SPAP is intended to service project authorizations in the under US$500,000 total investment cost category. Other criteria must also be considered, as the intention is only to expedite funding of projects which have a reasonable degree of justification and cost effectiveness, not to service all project under the US$500,000 limit.

9. Accordingly, the following additional criteria will be considered in the implementation of this program:

(a) the SPAP should be managed as a facilitative mechanism for small scale industries which choose to adopt non-ODS technologies and procedures. It is not intended to exclude projects from further consideration utilizing the existing project approval and funding mechanism, nor is it to be a requirement for processing small projects;

(b) the SPAP should consider consuming sector projects only (i.e., refrigeration, foam, aerosols, solvents, halon) but not producer or supporting projects without direct ODS savings (i.e., polyol, alternatives, compressors). This should not impose a problem as such projects usually exceed US$500,000 and require extensive preparation and analysis;

(c) only focus on projects where the majority (i.e., 50+ percent) of incremental costs are incremental capital costs, as such projects generate the most immediate need for funding, a feature the SPAP should be designed to satisfy;

(d) all projects considered under the SPAP should be for one-time funding of a full phaseout of ODS by the affected enterprise. This requirement is intended to avoid creation of "back-door" for funding via subdividing larger projects into less than US$500,000 components; and

(e) projects which have unit abatement costs exceeding agreed to guidelines should not be considered for funding under the SPAP but should be prepared for authorization by the MPEC if considered to be justified for other reasons.

10. The selection criteria for the sectors and sub-sectors and for the projects which would be channeled through the SPAP are provided in the Technical Annex to the Letter of Implementation Strategy.

Mechanism

11. The proposed mechanism which has been developed to implement the SPAP is depicted in Charts 1 and 2. The steps involved are simple, and only differ slightly from the establish business procedures for processing of Montreal Protocol investment operations.

12. The backdrop of the SPAP in an umbrella agreement within which the funds will be channeled the participating enterprises. Once the Bank and country-client have agreed on an implementation mechanism and have negotiated an umbrella grant agreement, funds can be advanced from the Multilateral Fund to underwrite the Letter of Implementation Strategy which would have been reviewed by the Fund EC. Additional advances would be made to replenish the window in the umbrella grant agreement which is dedicated to this mechanism on the basis of periodic reports by the Bank to the EC on the status of commitments.

13. Chart 2 provides the step-by-step details of project (or subproject) processing for the under and above US$500,000 categories. The under US$500,000 column represents the processing of projects covered by a Letter of Implementation Strategy. As represented, the mechanism is further streamlined in that the project preparation activities are coordinated locally (as is the case in India for all project preparation activities). The proposed mechanism also eliminates the need for the Bank to prepare documentation for formal EC approval and consists in the review of project documents prepared in accordance with established guidelines and eligibility criteria.

once fully implemented after the pilot phase has been completed

14. During the trial period, projects which are cleared by the Bank for processing through the SPAP will be forwarded to the Fund Secretariat which will review the projects to determine whether new policy issues arise and whether the proposed activities meet the general eligibility criteria.

15. Upon final clearance of the project, the Bank will inform the recipient country through a formal communication that the project has been approved and that funds may be disbursed for the implementation of the project.

Small Project Approval Procedure

Diagram of Key Processing Steps

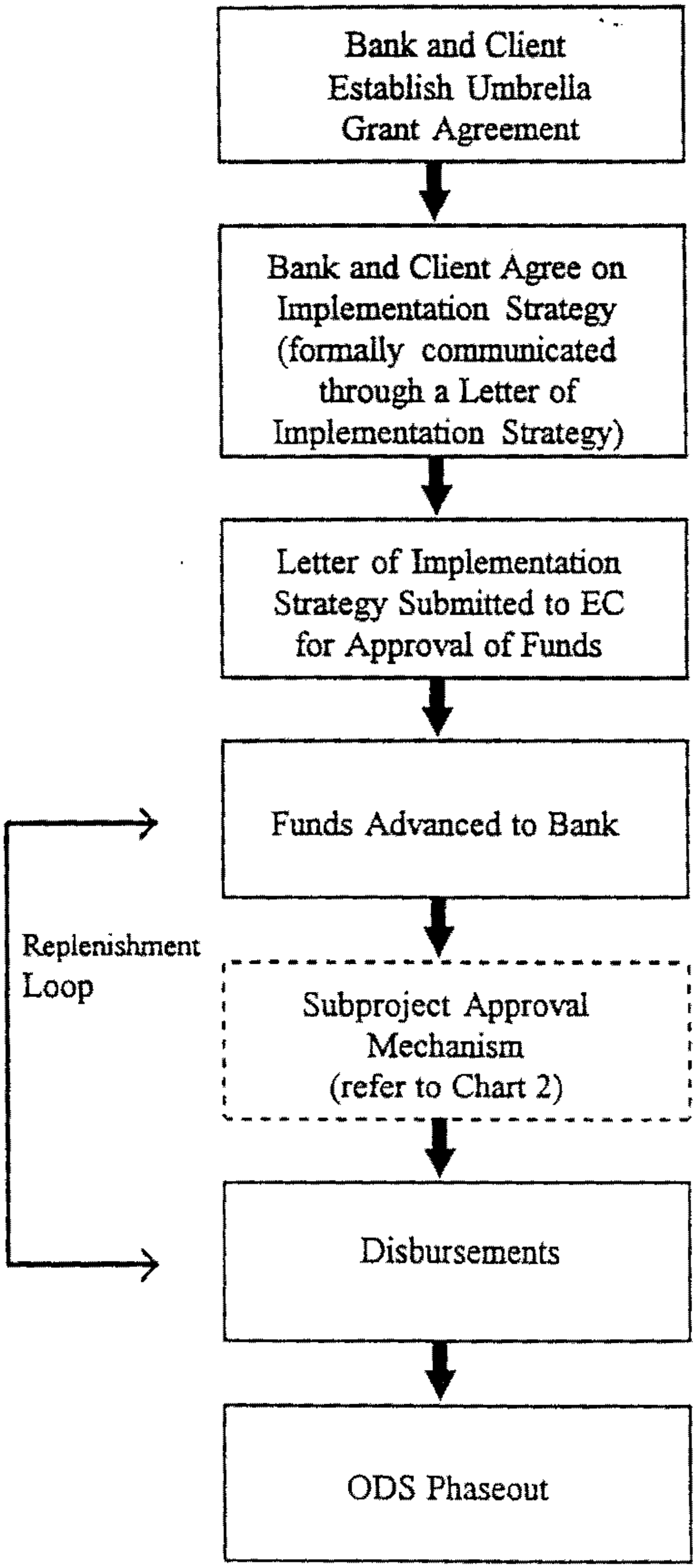
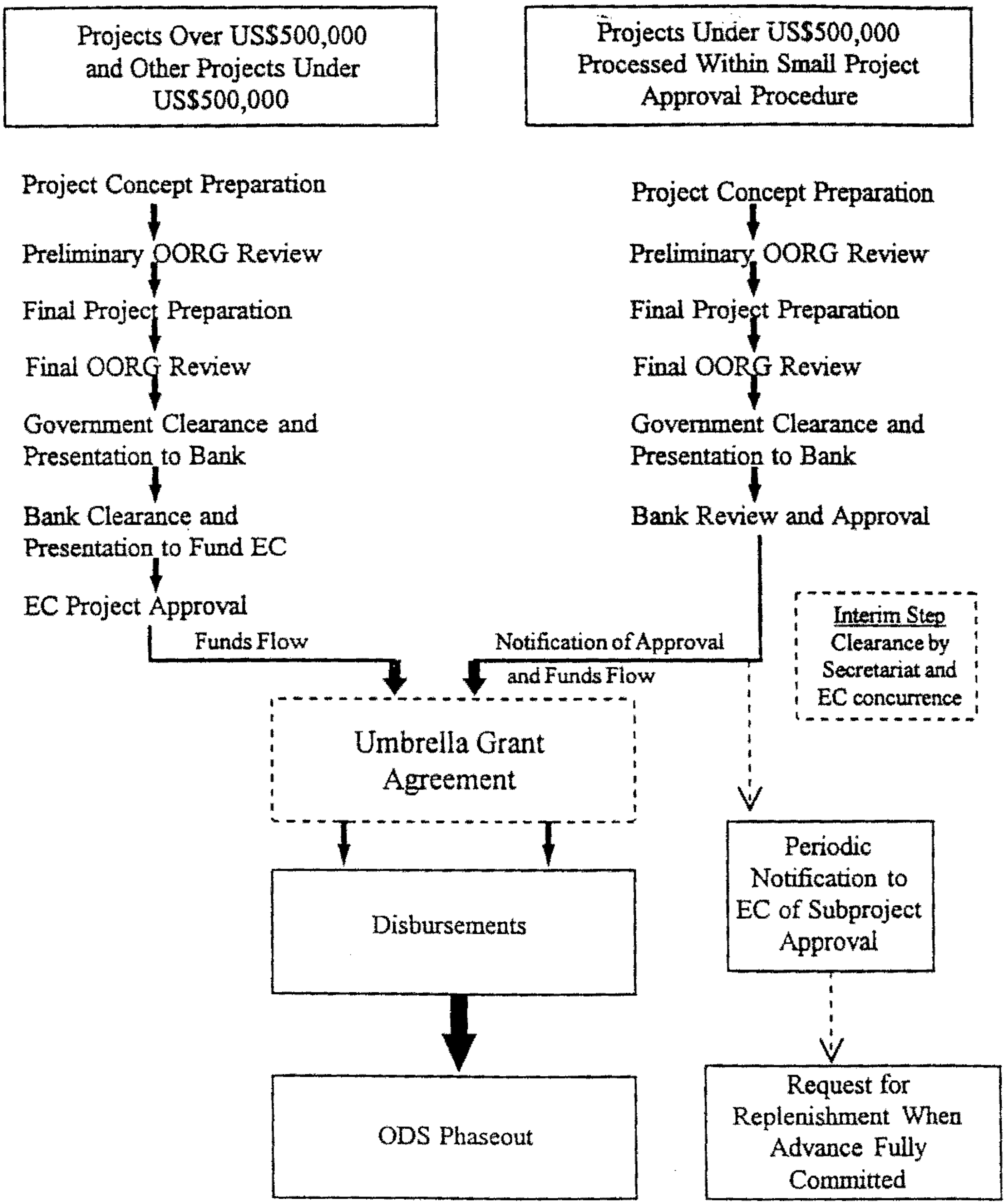


Chart 2

Subproject Processing Within Umbrella Agreement



Attachment D

LIST OF PROJECTS FOR CONSIDERATION AT THE 17TH EXECUTIVE COMMITTEE MEETING

Global Environment Coordination Division, Environment Department

The World Bank

WORLD BANK- MONTREAL PROTOCOL INVESTMENT PROJECTS

List of Subprojects to be Presented to the 17th Executive Committee Meeting

Company	End Use/Sector	Alternative Technology	Reduction ODS (MT)	Grant* Requests US$million	Grant ** Effectiveness $/kg ODP	Comments
ARGENTINA						
Neba	Domestic Ref.	HFC-134a/ Cyclopentane	29	0.7427	13.49	
Briket	Domestic Ref.	HFC-134a/ Cyclopentane	30	0.7698	13.75	
Piragua (Tivoli)	Domestic Ref.	HFC-134a/ Cyclopentane	61	1.2671	13.75	
Aurora	Domestic Ref.	Isobutane/ Cyclopentane	53	1.9627	11.03	
Autosal-Liebherr	Domestic Ref.	Isobutane/ Cyclopentane	22	0.9720	13.02	
Sistemaire	MACs	HFC-134a	60	4.0581		
SUBTOTAL			255	9.7724		
BRAZIL						
Recrusul	Rigid Foam	HCFC-141b	201	1.6132	7.83	
Termolar	Rigid Foam	HCFC-141b	16.3	0.1310	7.83	
M. Agostini	Rigid Foam	HCFC-141b	11	0.0890	7.83	
Sao Rafael	Rigid Foam	HCFC-141b	14	0.1124	7.83	
Multibras	Dom. Ref.	HCFC-141b and 134a	90	1.2400	13.76	
Randon	Rigid Foams	HCFC-141b	14.5	0.1164	7.83	
Embraer	Solvents	Aqueous	58	0.9337	26.77	
SUBTOTAL			162.5	4.2357		
CHINA						
Penglai PU Plastic Plant	foam	Methylene Chloride	70	0.3504	4.86	
Liangzhu Foam Plastic Plant	foam	Methylene Chloride	120	0.1703	1.38	
Zhenjiang #5 Plastic Plant	foam	Methylene Chloride	150	0.2792	1.80	

* Includes contingency and financial agency fee.

** Based on agreed calculation method (net of FA/agency fee and safety-related costs for domestic refrigeration).

TMTBLPRJ.XLS

Company	End Use/Sector	Alternative Technology	Reduction ODS (MT)	Grant* Requests US$million	Grant ** Effectiveness $/kg ODP	Comments
Yifeng PU Plastic Plant	foam	Methylene Chloride	60	0.2371	3.84	
Chang Ling(Group) Co. Ltd.	HHRef.	Cyclopentane	430	4.6010	8.76	
Zhuzhou FF Eqmt Factory	halon	ABC DCP AFF	200	0.3024	0.00	
Shanghai Autom. AC Fact.	MAC	HFC-134a	361	1.6920	17.53	
Yueyang Hengli AC Eqmt. Co.	MAC	HFC-134a	434	1.8210	15.95	
Guangzhou Haohua Auto. Co.	MAC	HFC-134a	274	2.2784	15.61	
Shangh. Ek Chor Gen. Ma. Co.	MAC	HFC-134a	361	0.9610	17.53	
SUBTOTAL			2460	12.6928		
INDIA						
Titan Industries Ltd. (IFC)	Watch Manufacture/ Solvents (CFC-113)	Electroplating	14.6	0.2369	19.73	
Bharat Seats Ltd.	Foam		55	0.6630	13.70	
Kunststoff Polymers Ltd.	Foam		30	0.2465	8.20	
Lloyd Insulations Ltd.	Rigid Foam		83	0.6190	6.40	
Pfeda Synthetics Ltd.	I.S. Foam		30	0.3358	12.50	
Polyflex	Molded Foam		40	0.2337	5.30	Can also be considered through SPAP I.
PUR Polyurethane Ltd.	Molded Foam		17	0.2003	10.40	Can also be considered through SPAP I.
Peal Polymers	EPE Foam		35	0.2762	7.50	Can also be considered through SPAP I.
SDC Polyurethanes Ltd.	Rigid Foam		24	0.1885	7.20	
Vijayjyot Seats Ltd.	Molded Foam		49	0.3581	6.60	
Modi Xerox	Solvent	Aqueous	6	0.2407	38.50	
Excel Industries	Solvent	Solvent	400	0.6290	2.91	
Real Value	Halon	ABC Powder	180	0.7886	1.48	
BPL	Refrigeration	HFC-134a/GP	1814	2.9930	13.76	
Subros (adjustment)	MAC	HFC-134a	--	0.0513	--	FA fee was not added to project
Accra Pak	Aerosols		54	0.1337	2.49	
Aerosol D'Asia	Aerosols		18	0.0716	3.86	
Aero Industries	Aerosols		50	0.1255	2.94	
Aeropres	Aerosols		27.7	0.1514	4.40	
Asian Aerosols	Aerosols		25	0.0937	3.64	
Aero Pack	Aerosols		20.4	0.0716	3.38	

* Includes contingency and financial agency fee.

** Based on agreed calculation method (net of FA/agency fee and safety-related costs for domestic refrigeration).

Company	End Use/Sector	Alternative Technology	Reduction ODS (MT)	Grant* Requests US$million	Grant ** Effectiveness $/kg ODP	Comments
Ultra Tech	Aerosols		30.8	0.0722	2.27	
Aerol Formulation	Aerosols		31	0.7160	2.24	
Meenakshi Aerosol	Aerosols		22.5	0.1020	4.40	
Stella	Aerosols		105	0.2775	2.56	
Texas Enterprise	Aerosols		31.3	0.0722	2.24	
Attarwala	Aerosols		30.7	0.1384	4.38	
My Fair Lady	Aerosols		59.5	0.1175	1.92	
Small Project Approval (Replensihment	Several		0	3.0000	0.00	
Small Fillers	Aerosol	HAP	TBD	0.1430	NA	
SUBTOTAL			3,283.5	13.2039		
INDONESIA						
Garuda	Solvents (TCA)	Aqeous	16.33	0.3478	38.50	
INTI	Solvents (TCA)	Aqeous	9.72	0.1656	38.50	
Markindo Theco	Solvents (TCA)	Aqeous	21.6	0.3837	38.50	
Topjaya	Domestic Refrigeration	HFC-134a/ HCFC141b	99.8	1.2900	12.54	
National Gobel	Domestic Refrigeration	HFC134a/ Cyclopentane	110.2	1.5620	13.74	
Sharp Yasonta	Domestic Refrigeration	Cyclopentane	134.3	2.0810	13.76	
SUBTOTAL			391.95	5.8301		
JORDAN						
Institutional Strengthening			0	0.1000	NA	
Five Star	Foam	Met. Chloride	779	0.0660	3.40	
SUBTOTAL			779	0.1660		
MALAYSIA						
AE Technologies	TCA/Solvent Cleaning	Hydrocarbons	168	0.0586	3.49	
Eng Teknologi	TCA/Solvent Cleaning	Hydrocarbons	33.6	0.1332	38.50	
ASHRAE Malaysia	Chillers	Recycling	105	0.9900	9.15	
Tenco	Aerosols		350	0.2151		
Mondial	Solvents - TCA	Hydrocarbons	850	0.3269	3.84	

* Includes contingency and financial agency fee.

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Company	End Use/Sector	Alternative Technology	Reduction ODS (MT)	Grant* Requests US$million	Grant ** Effectiveness $/kg ODP	Comments
Widetech	Solvents - TCA	Hydrocarbons	290	0.6077	20.35	
Starfoam	EPS/EPE Foam	CO2/butane	66	0.3504	5.15	Seeking discretionary funding.
Nippondenso	MAC	HFC-134a	120	2.4950	20.18	Seeking discretionary funding.
Transfreeze	Rigid Foam	141b/H2O	12	0.2450	20.02	
Penang Trading	Rigid Foam	141b/H2O	11	0.2480	22.76	
APM	MAC	HFC-134a	80	1.3000	0.00	
Bang Seng Li	TCA/Solvent	Hydrocarbons	33.6	0.1332	38.50	
SUBTOTAL			2119.2	7.1031		
PAKISTAN						
Master Enterprises	**Foam**	Methylene Chloride/water blown system	205	1.4023	1.36	
Razi Sons	**Foam**	HCFC-22/water blown systems	60	0.6001	1.59	
SUBTOTAL			265	2.0023		
PHILIPPINES						
Philacor, Concepcion, Sanyo, Trans Union (Umbrella)	Household Refrigeration	HFC-134a	92	2.7100	13.76	Given permission to proceed in 1993.
SUBTOTAL			92	2.7100		
THAILAND						
	Solvent Training			0.1250		Given permission to proceed in 1994.
TURKEY						
Pekel Teknik	Domestic Refrigeration	HFC-134a, cyclopentane	86	0.7367	3.36	
Tek-iz Izolasyon ve Yapi Elemanlari Sanayii (IFC)	Sandwich Panels/ Rigid Foams	Cyclopentane	183.5	1.1080	6.26	
SUBTOTAL			269.5	1.8447		
TOTAL			**10,077.7**	**59.5611**		

* Includes contingency and financial agency fee.

** Based on agreed calculation method (net of FA/agency fee and safety-related costs for domestic refrigeration).