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Executive Committee of
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Implementation of the Montreal Protocol

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1995 WORLD BANK WORK PROGRAMME

MONTREAL PROTOCOL

1995 WORK PROGRAM

BANK-IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS

January 1995

THE WORLD BANK
GLOBAL ENVIRONMENT COORDINATION DIVISION
ENVIRONMENT DEPARTMENT

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Executive Summary

1. The World Bank's strategy for 1995 will be to continue its focus on implementation of cost-effective ODS phaseout activities while pursuing opportunities to streamline administrative and project preparation procedures. Following a successful 1994 Work Program implementation, the Bank and its clients are now in the strongest position ever to take full advantage of their experience and lessons learnt in program and project implementation.

2. The focus of the World Bank's Montreal Protocol investment activities in 1995 will be to support the implementation of approved investment operations which will lead to the phaseout of over 30,000 tons of ODS. While most of these savings will be realized in 1996 when projects are fully implemented, total ODS phaseout by the end of 1995 is expected to reach several thousand tons.

3. Consistent with the Three-Year Plan and Budget presented to the Fund Executive Committee (EC) of the estimated volume of new investment projects for 1995 will be in the range of US$95-110 million. New Montreal Protocol investment projects for 1995 are planned in 13 countries, including Argentina, Brazil, Chile, China, Ecuador, India, Indonesia, Jordan, Malaysia, Pakistan, Philippines, Thailand, and Turkey. In ten of these countries, subprojects are expected to be channeled through umbrella agreements. Several of these are already in place (Brazil, Indonesia, Thailand), several are in final stages of preparation and/or negotiations (Argentina, China, India, Jordan) while the others will be initiated during 1995 (Malaysia, Pakistan, Philippines). In addition to the above-mentioned countries, project identification and preparation is also planned in the following countries: Egypt, Turkey, Venezuela and Uruguay. The Bank will be active in 20 countries in total. Work undertaken in Slovenia in 1995 will not be pursued due to its final classification as Article 2. Although not in the Bank's Work Program at the present time, discussions have been initiated with both Morocco and Yemen so that activities could be initiated as soon as they ratify the Montreal Protocol.

4. There continues to be a large number of cost-effective activities eligible for funding in the countries where the Bank is active. The pipeline of projects identified or under preparation includes projects in all sectors which utilize ozone depleting substances (ODS), namely aerosols, foams, halons, refrigeration, solvents, mobile air conditioning and production of substitutes. The Bank will continue to implement its strategy to identify projects in those sectors which represent the most cost-effective means of ODS phaseout, while continuing to respond to the priorities and strategies established locally by its clients for sectoral ODS phaseout. The Bank will also push for development of sector strategies which, in many cases, offer savings and more equitable and sustainable approach to ODS phaseout. Refrigeration (insulation foam and cooling cycle) will remain an important sector for new investment operations, and 1995 should see progress in the development of projects in the production sector.

5. Assistance for the preparation of Country Programs is planned for Nigeria. Supervision of project implementation will also increase in importance given the large number of projects now under implementation.

6. The volume of activities initiated and implemented in 1994 has allowed the Bank to fully develop the capacity to deal with the present level of new business. Measures taken by the Bank to ensure that full capacity is available included: (a) identification and training of additional sector-experts in project identification and preparation procedures of the Bank; (b) preparation of boiler-plate workshops for the training of local consultants; and (c) preparation of a 2-day workshop for new Bank clients focusing on process and procedures for project identification, preparation, funding and execution. During 1995, the Bank will continue to mobilize Project Preparation Advances (PPAs) for those clients who wish to undertake the bulk of project identification and preparation activities or where the Work Program is so large that local involvement in project preparation is essential. This has proven to be a cost effective means of developing ODS phaseout projects while ensuring local ownership.

7. The World Bank Work Program for 1995 has been estimated to cost US$5.9 million, a reduction of about 10 percent over the 1994 Work Program and amendments, an indication of the efficiency gains achieved during 1994 in terms of project processing and project preparation. With the carry over of funds from the 1994 Work Program and amendments obtained in 1994 of about US$2.2 million, the Bank's request for its 1995 Work Program is therefore approximately US$3.7 million. Interest earned on cash balances totaling US$3,143,563 million therefore brings the up-front cash requirement to about US$0.6 million.

8. An important document of the Bank's work in 1995 will be its continued focus on supervision of project implementation, an important part of initiating and accelerating disbursements. To support an effective project supervision program, the Bank will prepare, during the course of the year, guidelines on monitoring and evaluation of projects funded by the Multilateral Fund. These monitoring and evaluation guidelines will also provide the necessary framework for enhanced reporting on project implementation, effectiveness and lessons learned.

9. The status of the Bank's MP portfolio and key indicators of the 1995 Work Program are presented below.

Table 1. World Bank's 1995 Work Program at a Glance

As of January 1, 1995	Number of country clients:	20
	Size of Portfolio:	US$140 million
	- Number of Projects:	28
	- Number of Subprojects:	160
	- Cumulative Disbursement:	US$10.8 million
	- Cumulative ODS Phaseout:	over 600 tons
1995 Work Program indicators	- Number of new grant agreements:	11
	- Expected volume of new business:	US$100-110 million
	- Planned disbursements:	US$30-35 million

I. Introduction and Portfolio Overview

1. Implementation of ozone-depleting substance (ODS) phaseout investment operations funded by the Multilateral Fund for the Implementation of the Montreal Protocol (Fund or MFMP) continued actively in 1994. Initial CY94 Work Program allocation of US$6.5 million for Country Program (CP) support, project preparation and implementation was largely utilized during 1994. This is indicative of the high level of activity which was sustained throughout 1994, although some country-level work was limited due to circumstances were out of the Bank's control. Over US$120 million of new investment projects were identified and reviewed by OORG in 1994. The achievement is due largely to the increase in operational efficiencies and the greater role played by countries in their own project preparation. New investment operations which were not presented to the Executive Committee in 1994 will be presented during the course of CY95.

2. In 1995, the Bank will continue to concentrate its efforts on larger developing country clients where the Bank's local implementation approach is best suited. In addition, further emphasis will be placed on establishing the required local capacity and ODS phaseout policies which have emerged as key prerequisites for sustained ODS phaseout. In response to continued demands from developing country clients, greater emphasis will also be placed on equipping them to play the dominant role in project preparation as opposed to relying heavily on teams of consultants under Bank supervision. More project preparation advances will be sought to serve this objective and additional training activities have been planned as part of the Work Program.

3. Supervision activities are now anticipated in 15 countries where grant agreements have already been signed or where such agreements will be signed in early 1995.

4. Signature of grant agreements will continue at a rate of approximately two per month over the next 4-6 months, a number of which are slated for signature in the first quarter.

5. The targeted level of new investment operations for 1995 is consistent with the Bank's Three-Year Plan and Budget presented to the Fund. The volume of new business is also representative of the systems put in place during 1993 and 1994 to meet the investment objectives of the Fund Plan and Budget.

6. There are presently no large-scale investment operations anticipated in the chemical production sector this year, although more progress on project identification and preparation is expected, pending the adoption of policies on determining incremental costs for this sector. This is consistent with uncertainties regarding Multilateral Fund eligibility and incremental costs for this sector of ODS economic activity. There are, nevertheless, a number of projects which could be completed quickly once the policy framework is established.

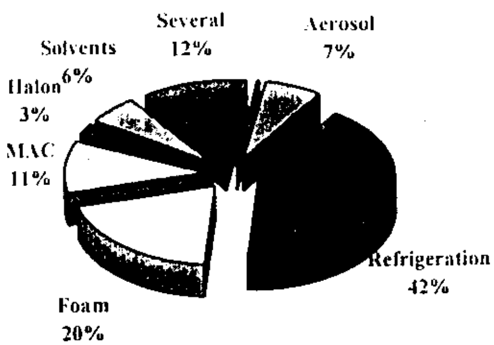
7. Key characteristics of the Bank's MP portfolio are presented in the following figures.

8. In terms of cost effectiveness, the Bank's portfolio has an average cost effectiveness of US$4.24/kg. This compares favorably to the rest of the Multilateral Fund portfolio which has an average cost effectiveness of about US$12/kg.

World Bank Portfolio Montreal Protocol

Figure I.1

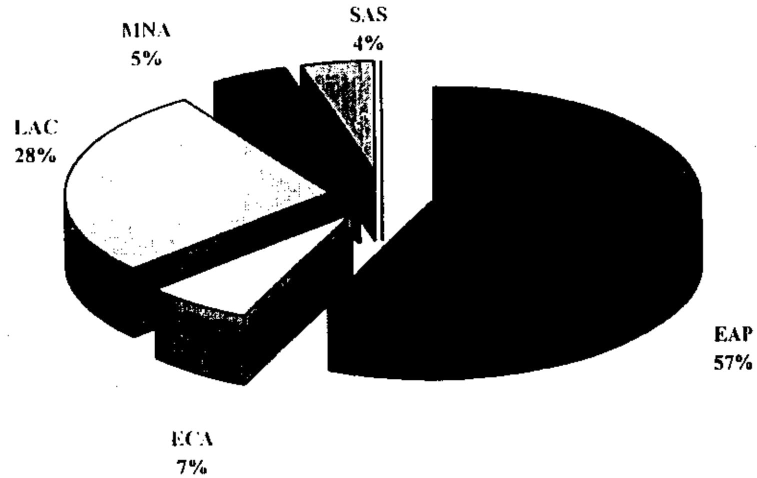
World Bank Portfolio Sectoral Distribution
(as % of total approved funds)



Total Portfolio : US$ 140.77 million

Figure I.2

World Bank Portfolio Regional Distribution
(as % of total approved funds)



SAS	South Asia	ECA	Europe and Central Asia
EAP	East Asia and the Pacific	LAC	Latin America and the Caribbean
MNA	Middle East and the North Africa		

II. Scope of 1995 Work Program

A. Work Program Summary

9. The Bank will have MP-related activities in 20 countries in 1995, a decrease of 2 over the 1994 Work Program. The present number of clients is consistent with Bank's strategy to concentrate its assistance on larger countries best suited to the Bank's local implementation approach which engenders local ownership, increasing likelihood of successful phaseout and keep administrative costs low. Of course, the Bank is always responsive to smaller ODS-consuming countries which seek Bank assistance with ODS phaseout actions. Informal discussions have been held with Morocco and Yemen, and assistance could be initiated during the course of the year.

10. With the substantial gains in capacity both within the Bank and in client countries, delivery of new investment projects in 1995 should proceed smoothly, allowing increased time to be devoted to project supervision, monitoring and evaluation, reporting and the evaluation of complimentary ODS phaseout strategies. This approach is expected to support an acceleration of project implementation and disbursement. The increased emphasis on monitoring and evaluation and the establishment of a project database are key management information and reporting tools for increasing operational productivity. The Bank will therefore draw on actual experience to improve project design and procedures. Experience has proven that significant supervision is required in the early phase of project implementation and that this requirement tapers off as the local project team gains hands-on experience.

11. Whereas support for country programs was most important in 1991, the shift since 1992 has been towards the identification and preparation of ODS phaseout investment operations. In 1993, the first supervision work was initiated and this important activity increased significantly in 1994. Another important shift in the nature of the Bank's MP business is that a growing number of countries are now taking the lead on project preparation work, with support from Bank staff and international experts whenever warranted.

12. The country-by-country review of the CY95 Work Program provides a brief overview of the status of MP implementation in each country and a summary of the activities which are planned for 1995 (see Attachment I and Table II.I). The proposed 1995 Work Program is based on the best available information at the time of preparation. Activities may be adjusted over the course of the year in response to the dynamic nature of the business and the requests of the clients. Discussions on the nature of the assistance and requirements for Bank support are ongoing with many countries, as this is a dynamic process.

13. The 1995 Work Program makes provisions for the following:

(a) support for the preparation or finalization of country program for Nigeria (work delayed due to in-country difficulties);

(b) supervision of project implementation for all projects approved through grant agreements, and the establishment of monitoring and evaluation guidelines;

(c) project preparation, with activities planned in 15 countries;

(d) new investment operations for 13 countries; and

(e) coordination of the Bank's Montreal Protocol activities.

14. A summary of the proposed activities on a country-by-country basis and sector-by-sector basis is provided in Table II.1. The details of the budget requirements for the CY95 Work Program, including carry-over from 1994, (details in Table II.2A) are presented in Table II.2B. The 1995 Work Program is comparable in size and scope to the 1994 Work Program. The Work Program budget totals US$5.85 million, a decrease of about 10 percent from the cumulative 1994 Work Program. A carry-over balance of US$2.19 million from 1994 results in a CY95 Work Program request of about US$3.65 million. Table II.2B provides a breakdown of budget requests by country and project ID to provide a much clearer sense of the allocation of costs for country program and studies, project supervision and project preparation. The Bank's administrative expenditures in 1994 (including the Ozone Operations Resource Group) were approximately US$1.3 million (including actual disbursements and commitments made in 1994), or about 10 percent less than the estimated budget. The budget for administrative expenditures for 1995 has been estimated at the same level. The Bank has taken a number of measures to further reduce the cost of project processing and maintain the administrative costs of the program in the 3-5 percent range, (including financial agency fees). For example, the Bank has:

- reduced the number of new grant agreements by establishing large umbrella agreements and consolidating projects within countries;

- obtained clearance from its legal department to amend existing grant agreements into umbrella agreements;

- consolidated supervision activities within countries; and

- closed projects which have been completed.

15. The allocation of the budget to its various components is as follows:

Country Program	US$150,000
Project Supervision:	US$907,000
Global Studies:	US$337,468 (already funded)
Project Preparation:	US$3.104 million (includes carryover of US$2.19 million from 1994)
Coordination/Legal/Financial:	US$1.35 million

16. The Bank is also requesting the following funds to be provided as Project Preparation Advances:

China: US$590,000
India: US$70,000

The proposed use of these funds is outlined in the country-level work programs in Attachment I.

17. Therefore, the total fund requested is US$3,658,488 for the work program plus US$660,000 for Project Preparation Advances. The net transfer to the Bank should consider interest earned during 1994 of US$3,143,563. The net transfer requested is therefore US$1,174,925.

18. The tentative list of new investment operations is presented in Table II.1. Project preparation for new investment operations in Brazil, China, India, Indonesia, Philippines and Thailand will, to a large extent, be undertaken locally by the countries themselves. The Bank will contract consultants for the support of these activities and for project preparation in all other countries where such activities are planned. With the exception of project preparation activities in Chile and Ecuador, all other project preparation work is ongoing with well established pipeline of projects.

Table II.1: WORLD BANK MONTREAL PROTOCOL OPERATIONS SUMMARY OF ACTIVITIES FOR CY95

Country	New Investment Operations								Ongoing Activities		
	CY95 (US$ million) *(indicative only)*	Aerosol	Foam	Halons	Refrigeration	Solvents	MAC	Production/ Other	Country Program	Supervision of Project Impl.	Proj. Prep.
Algeria	--										
Argentina	10				X		X	X		X	X
Brazil	8				X					X	X
Chile	8		X	X	X	X				X	X
China	25		X	X	X		X	X		X	X
Ecuador	3									X	X
Egypt	--				X			X		X	
India	10-20	X	X		X	X		X		X	X
Indonesia	6		X		X		X			X	X
Jordan	2	X	X	X						X	X
Malaysia	5				X	X	X			X	X
Mexico	--									X	
Nigeria	--								X		
Pakistan	8-10		X		X					X	X
Philippines	5		X		X	X	X			X	X
Thailand	8-10		X	X	X	X	X			X	X
Tunisia	--									X	
Turkey	3		X		X					X	X
Venezuela	--				X					X	X
Uruguay	--		X		X					X	X

Table II.2A

WORLD BANK--MONTREAL PROTOCOL OPERATIONS
Work Program Budget Summary a/

Country Work Programs	Product ID	CY94 Plan b/ Work Program Budget (US$) CP Studies	Project Prep/Sup.	TOTAL	CY94 Expenses thru 12/31/1994 (US$) CP Studies	Project Prep/Sup.	TOTAL
I. Investment Projects							
1 Argentina ODS I	6ARGMT001	30,000	192,929	222,929	30,000	197,670	227,670
2 Brazil ODS I	6BRAMT001	49,400	164,380	213,780	4,000	111,083	115,083
3 Chile ODS I	6CHLMT001	0	30,208	30,208	0	33,057	33,057
4 China ODS I	4CHAMT001	0	79,000	79,000	0	43,765	43,765
5 China ODS II	4CHAMT002	0	110,000	110,000	0	120,949	120,949
6 China ODS III	4CHAMT003	0	660,000	660,000	0	521,232	521,232
7 Ecuador ODS I	6ECUMT001	0	30,000	30,000	0	45,197	45,197
8 Egypt	7EGTMI1120	0	50,000	50,000	0	0	0
9 India ODS I	8INDMT001	0	70,837	70,837	0	64,800	64,800
10 India ODS II	8INDMT002	0	430,000 d/	430,000	0	188,835	188,835
11 Indonesia ODS I	4INSMT001	0	196,211 e/	196,211	0	172,295	172,295
12 Jordan ODS I	5JORMT001	0	72,900	72,900	0	79,479	79,479
13 Malaysia ODS I	4MAYMT001	25,000	66,610	91,610	25,000	69,413	94,413
14 Malaysia ODS II	4MAYMT002	0	35,815	35,815	0	48,559	48,559
15 Mexico ODS I	6MXCMT001/2	0	52,286	52,286	0	64,915	64,915
16 Philippines ODS I	4PHLMT002	0	136,027	136,027	0	42,349	42,349
17 Tunisia ODS I	5TUNMT001/2	0	76,296	76,296	0	49,341	49,341
18 Thailand Eng.	4THLMT001	0	0	0	0	2,436	2,436
19 Thailand ODS I	4THLMT002	0	129,433	129,433	0	130,253	130,253
20 Turkey ODS I	7TURMT002	0	30,000	30,000	0	21,177	21,177
21 Turkey ODS II	38404	0	100,000	100,000	0	20,858	20,858
22 Turkey ASSAN Foam (IFC)							
23 Uruguay ODS I	6URUMT001		100,000	100,000		58,312	58,312
24 Venezuela ODS I & II	6VENMT001/2	40,040	83,236	123,276	25,000	92,921	117,921
25 Venezuela Central Air Chiller	6VENMT003		28,665	28,665		5,873	5,873
26 Venezuela ODS IV (FAACA)	6VENMT004		47,190	47,190	0	20,345	20,345
27 Venezuela ODS V (AAISA)	6VENMT005		47,190	47,190		18,418	18,418
Investment Projects Subtotal		144,440	3,019,213	3,163,653	84,000	2,223,532	2,307,532
II. Pipeline Projects							
1 Algeria	5ALGMT001	0	100,000	100,000	0	6,961	6,961
2 Egypt ODS I	5EGTMT001	0	25,000	25,000	0	6,116	6,116
3 Guatemala ODS I	6GUAMT001	0	55,000	55,000	0	7,902	7,902
4 Indonesia	4INSMT002	0	220,000 e/	220,000	0	35,743	35,743
5 Mexico	6MXCMT003	0	100,000	100,000	0	7,428	7,428
6 Nigeria		150,000	100,000	250,000	6,480	0	6,480
7 Pakistan ODS I	8PAKMT001		133,191	133,191	0	94,320	94,320
8 Philippines ODS II	4PHLMT003		94,900	94,900	0	0	0
9 Slovenia ODS I	7SLOMT001	50,000	100,000	150,000	50,000	77,915	127,915
10 Thailand ODS II	4THLMT003	0	81,302	81,302	0	13,240	13,240
11 Solvents & Refrig.	1WLDMT001	0	313,499	313,499	0	109,533	109,533
12 Global Aerosol	1WLDMT002	0	349,931	349,931	0	12,463	12,463
Pipeline Projects Subtotal		200,000	1,672,823	1,872,823	56,480	371,621	428,101
III. Admin., Legal, Fin., IFC Costs c/		0	1,118,946	1,118,946	0	1,173,760	1,173,760
OORG			300,000	300,000		206,967	206,967
Sub-total Admin. Costs			1,418,946	1,418,946		1,380,727	1,380,727
Total: CY94 Work Program		344,440	6,110,982	6,455,422	140,480	3,975,880	4,116,360

a/ Includes IFC ($117,723 for CY94 expenditures)
b/ Plan as approved by the Multilateral Fund Executive Committee through December 31, 1994.
c/ Budget amounts for operations coordination, related policy analysis and review legal and financial administration and associated overhead costs.
d/ Of the $775,000 original allocation, $345,000 was converted into a PPA for India ODS II
e/ Total CY94 Work Program original allocation for Indonesia was $296,211, of which $50,000 was converted into part of investment funding for the country; additional authorization of $170,000 was received in July 1994.

Table II.2B

Multilateral Fund of the Montreal Protocol

SUMMARY OF CY1995 WORK PROGRAM BUDGET

	COUNTRY	PROJECT ID	BALANCE/CARRYOVER FROM CY94 BUDGET CP/	PROJECT	TOTAL	CY1995 PLAN/BUDGET CP/ STUDIES	PROJECT PREP/SUPN	TOTAL	CY1995 WORK PROGRAM BUDGET REQUEST CP/ STUDIES	PROJECT PREP/SUPN	TOTAL
	Algeria	5ALGMT001	0	93,039	93,039	0	25,000	25,000	0	-68,039	-68,039
P	Argentina	5ARGMT001	0	5,519	5,519	0	200,000	200,000	0	194,481	194,481
P	Brazil	6BRAMT001	45,400	53,491	98,891	0	230,000	230 000	-45,400	176,509	131,109
I	Chile	6CHLMT001	0	-11,654	-11,654	0	130,000	130 000	0	141,654	141,654
I	China	4CHAMT001	0	35,235	35,235	0	85,000	85 000	0	49,765	49,765
I	China	4CHAMT002	0	-44,310	-44 310	0	85,000	85 000	0	129,310	129,310
P	China	4CHAMT003	0	138,768	138,768	0	640 000	640 000	0	501 232	501,232
I	Ecuador	6ECUMT001	0	-16 212	-16 212	0	40,000	40 000	0	56 212	56,212
I	Egypt (IFC)	7EGTMH120	0	50 000	50,000	0	20,000	20 000	0	-30,000	-30,000
	Egypt ODS I	7EGTMT001	0	12,335	12,335	0	75,000	75 000	0	62,665	62,665
P	Guatemala	6GUAMT001	0	49 462	49,462	0	0	0	0	-49,462	-49 462
P	India	8INDMT001	0	6,037	6,037	0	30,000	30 000	0	23,963	23 963
P	India	8INDMT002	0	235,450	235,450	0	490,000	490,000	0	254,550	254,550
P	Indonesia	4INSMT001	0	-44,331	-44 331	0	90 000	90,000	0	134,331	134,331
	Indonesia	4INSMT002	0	131,569	131,569	0	260,000	260,000	0	128,431	128,431
I	Jordan	5JORMT001	0	-7,049	-7,049	0	40,000	40 000	0	47,049	47,049
I	Malaysia	4MAYMT001	0	-14,045	-14,045	0	57,000	57,000	0	71,045	71,045
	Malaysia	4MAYMT002	25,000	18,051	43,051	0	180,000	180 000	-25,000	161,949	136,949
I	Mexico	6MXCMT001/2	0	-16,971	-16,971	0	20,000	20 000	0	36,971	36,971
	Mexico	6MXCMT003	0	92,572	92,572	0	40,000	40 000	0	-52,572	-52,572
P	Nigeria		143,520	100,000	243,520	150,000	0	150,000	6,480	-100,000	-93,520
P	Pakistan ODS I	8PAKMT001	0	33,213	33,213	0	150,000	150,000	0	115,787	116,787
I	Philippines ODS I	4PHLMT002	0	93,678	93 678	0	280,000	280 000	0	186,322	186,322
	Philippines ODS II	4PHLMT003	0	94,900	94,900	0	0	0	0	-94,900	-94,900
P	Slovenia	7SLOMT001	0	21,415	21,415	0	0	0	0	-21,415	-21,415
I	Thailand	4THLMT001	0	-4,602	-4,602	0	0	0	0	4,602	4,602
P	Thailand ODS I	4THLMT002	0	-7,828	-7 828	0	324,000	324 000	0	331,828	331,828
	Thailand ODS II	4THLMT003	0	68,062	68,062	0	0	0	0	-68,062	-68,062
I	Tunisia	5TUNMT001/2	0	23,334	23,334	0	40,000	40,000	0	16,666	16,666
I	Turkey ODS I	7TURMT002	0	7,236	7 236	0	30,000	30,000	0	22,764	22,764
	Turkey ODS II	38404	0	79,142	79 142	0	100,000	100 000	0	20,858	20 858
P	Uruguay	6URUMT001	0	42,688	42,688	0	60,000	60 000	0	17,312	17,312
I	Venezuela	6VENMT001/2	15 040	-15 376	-336	0	60,000	60,000	-15,040	75,376	60,336
	Venezuela-FAACA	6VENMT004	0	26,845	26,845	0	10,000	10,000	0	-16,845	-16,845
	Venezuela-AAISA	6VENMT005	0	28,772	28 772	0	10,000	10,000	0	-18 772	-18 772
	Venezuela-Chiller	6VENMT003	0	22,792	22,792	0	10,000	10,000	0	-12,792	-12,792
P	Solvents & Refrig.	1WLDMT001	0	203,966	203 966	0	50,000	50,000	0	-153,966	-153,966
P	Global Aerosol	1WLDMT002	0	287,468	287,468	0	287,468	287,468	0	0	0
	IFC	General	0	0	0	0	200,000	200 000	0	200,000	200 000
	S-T Work Program Costs		228,960	1,872,662	2,101,622	150,000	4 348,468	4 498,468	-78,960	2,475,806	2,396,846
			0	0	0	0		0	0	0	0
	Adm/Legal/Financial Costs		0	88,358	88,358	0	1,350 000	1,350,000	0	1,261,642	1,261,642
			0	0	0			0	0	0	0
	GRAND TOTAL		228,960	1,961,020	2,189,980	150 000	5 698,468	5 848,468	-78,960	3,737,448	3,658,488

19. **Relationship to Three-Year Plan and Budget.** At the request of the Fund Executive Committee at its Ninth Meeting, the implementing agencies were asked to provide additional input on the working paper prepared by the Fund Secretariat on a "Proposed Three-Year Plan and Budget of the Multilateral Fund (1994-1996)." The Bank provided its input, highlighting the large number of variables considered in preparing the estimates. In the paper, the Bank reported that it expected that the total number of client countries would level off at about 20-25 over the period under consideration, which is where the number now stands. The Bank also estimated that the potential demand of its clients would be in the order of US$350-475 million over the three-year period. This estimate was based on a "top to bottom" approach, i.e., based on the total ODS consumption levels. The Bank confirmed that by working closely with its clients, it could identify and help prepare projects in the order of US$125-150 million per year on the basis that the Bank's clients must have the institutional arrangements and human resource capacity to coordinate with the Bank throughout its project cycle and oversee implementation of ODS phaseout programs and policies in their countries. The upper limit of the estimate (US$150 million) cannot be accommodated by the present funding level for the three-year period. Therefore, US$100-125 million per year is a realistic objective for 1995. This is consistent with the US$367 million allocated to the Bank in the Three-Year Plan and Budget of the Multilateral Fund.

20. In its presentation to the Fund Secretariat of the Three Year Plan and Budget, the Bank identified the following factors which most influence the ability of the Bank, its clients (and perhaps the other implementing agencies) to handle a growing volume of MP business activities:

(a) ability to streamline the project cycle and provide resources to the countries for project preparation;

(b) ability to reduce red-tape by packaging small projects into large umbrella-type operations;

(c) ability to define and develop generic ODS phaseout interventions which can be replicated and adapted in other countries; and

(d) ability of the Bank's clients to assume an increasingly active role in project identification and preparation and, through local financial intermediaries, to handle project appraisal, funds disbursements and supervision.

21. There has been significant progress on all fronts during 1994. Now, more than ever, there is capacity to prepare new investment operations and process these efficiently.

B. Fund Receipts, Uses, Balances and Cash Flow Requirements and Disbursements

22. Table II.3 provides an update on the receipts, uses and balances of funds received from the UNEP Treasurer into the Ozone Projects Trust Fund (OTF). As in previous years, the OTF will be audited by an independent external auditor before the Annual Report is prepared. There is presently a balance of about US$8 million in the OTF which is not committed. Interest

earnings in 1994 totaled US$3,143,563, an amount which has been added to the funds receipt column for 1994. Therefore, the transfer of funds requested is as follows:

- US$1,174,925, to complete the Work Program budget for 1995 of US$5.85 million, including US$160,000 for Project Preparation Advance to China and India.

- Transfer of promissory notes equivalent to amount now held by UNEP Treasurer on behalf of the Bank (about US$50 million).

Table II.3

MULTILATERAL FUND OF THE MONTREAL PROTOCOL

Fund Receipts, Uses and Balances

	CY91-93 Actuals a/	CY94 Actuals b/	Cumulative Actuals from Inception thru 31 Dec 1994	CALENDAR YEAR 1995 Planned CY95 Work Prog. c/	Cumulative thru Dec 1995 d/
I. FUND RECEIPTS (through 12/31/94)					
Contributions	$85.868	$4.228	$90.096		$90.096
Investment Income	$2.484	$3.144	$5.627		$5.627
TOTAL FUND RECEIPTS	$88.352	$7.371	$95.723		$95.723
II. FUND USES					
A. Workprogram Costs					
- CPs and Studies	$1.142	$0.140	$1.283	$0.150	$1.433
- Project Preparation	$4.645	$2.595	$7.241	$4.348	$11.589
- Administrative Costs	$1.885	$1.174	$3.060	$1.150	$4.210
- OORG	$0.219	$0.207	$0.426	$0.200	$0.626
Sub-total WP Costs	$7.893	$4.116	$12.010	$5.848	$17.858
B. Project Commitments					
- Pre-inv. Activities	$3.020	$0.665	$3.685	$0.500	$4.185
- Project Financing	$21.060	$50.825	$71.885	$130.000	$201.885
Sub-total Project Costs	$24.080	$51.490	$75.570	$130.500	$206.070
TOTAL FUND USES	$31.973	$55.606	$87.580	$136.348	$223.928
III. FUND BALANCES					
EXCESS OF RECEIPTS (USES)	$56.379	($48.235)	$8.144		($128.205)
FUND BALANCE AT BEGINNING OF PERIOD		$56.379	$0.000		
FUND BALANCE AT END OF PERIOD	$56.379	$8.144	$8.144 c/		($128.205)

a/ As adjusted to reflect final results of CY93 work program costs and project commitments.

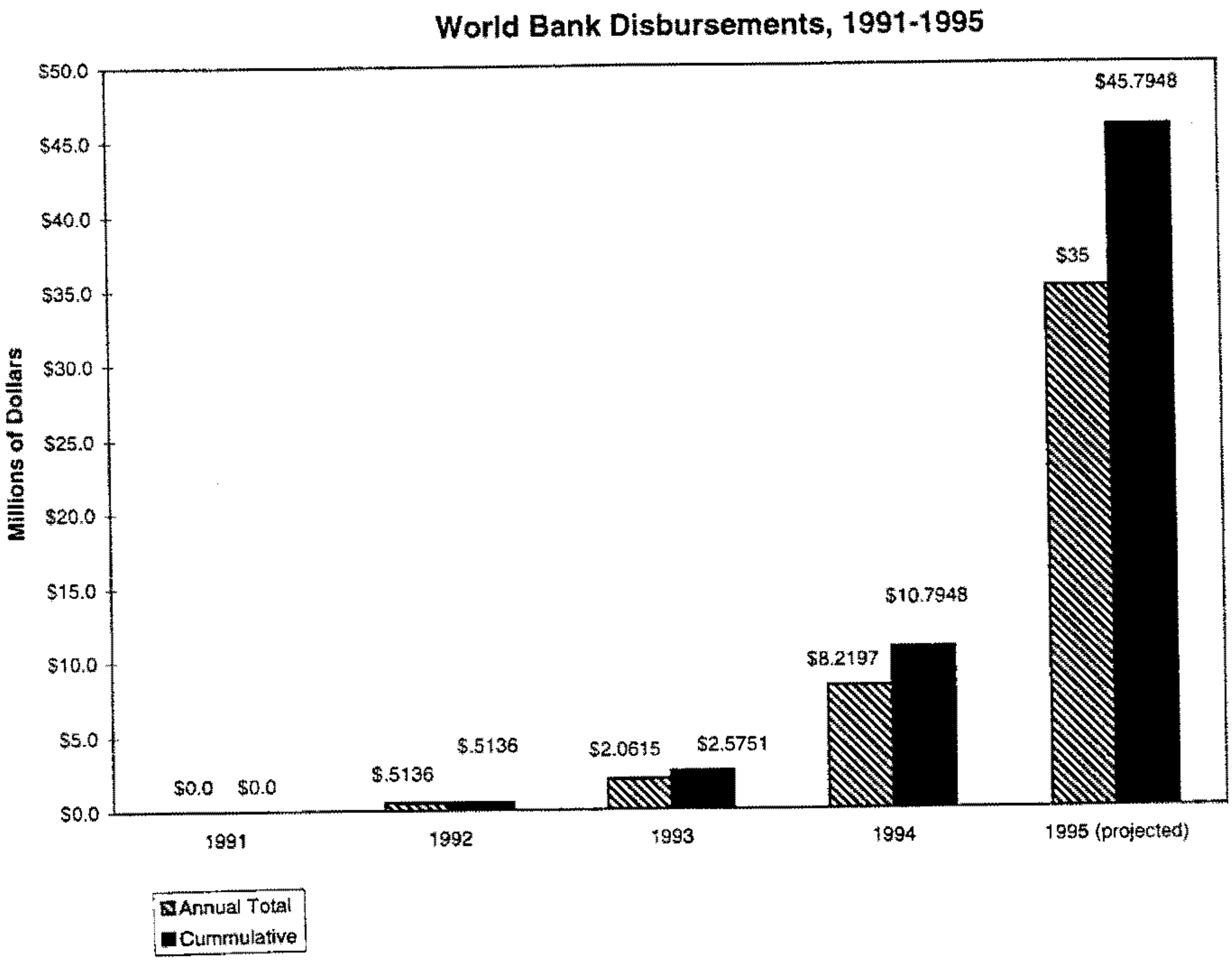
b/ Financial data as of December 31, 1994. Includes fund transfers received from UNEP through December 31, actual expenses for work program are through end-December; actual commitments for projects are through end-December.

c/ Cash balance for CY94 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)

23. **Disbursement**. Disbursements will continue to accelerate throughout 1995 as projects move into implementation (see Figure II.1). Project preparation and implementation arrangements are now being designed to allow and facilitate early disbursements. The progress on disbursement is provided in the bimonthly report issued by the Global Environment Coordination Division "Facing the Global Environment Challenge."

Figure II.1



C. CY95 Approvals and Grant Agreements

24. In 1994, grant agreements were signed with Brazil, Chile, China, Ecuador, Jordan, and Venezuela. The schedule for grant agreement signatures in 1995 is presented in Table II.4. These include grant agreement for Argentina, China, Egypt, India, Malaysia, Turkey, Uruguay and Venezuela.

25. The use of umbrella agreements will add another dimension to the present method of monitoring project approvals and commitments. Projects which will be processed through umbrella agreements will be automatically committed by the Bank (through a notification letter to the recipient Government) once approved by the Multilateral Fund Executive Committee.

Table II.4

CY95 PLANNED APPROVALS/COMMITMENTS
(In US$million)
As of 31 December 1994

Country	No. of Projs.	Project Type	Total Project Cost		CY95 Jan-Mar	CY95 Apr-Jun	CY95 Jul-Sep	TOTAL COMMIT.	ACTUAL APPROVALS CY94		ACTUAL APPROVALS CY93		ACTUAL APPROVALS CY92
I. EC AUTHORIZED/PROJECTS IN WORK PROGRAM a/													
Argentina	1	Project Financing I	13.47		13.47			13.47					
Brazil	1	Project Financing I	5.67	c/				0.00	2.74	c/	2.93	c/	
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	4.87					0.00	4.87				
China	1	Project Financing III	29.38	d/	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)	2.80		2.80			2.80					
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	4.83		4.83			4.83					
Indonesia		PPA I for ODS I	0.25					0.00			0.25		
Indonesia	1	Project Financing I	8.69					0.00	8.69				
Jordan	1	Project Financing I	1.87		0.37			0.37			1.50		
Malaysia	1	Project Financing I	1.63					0.00					1.63
Malaysia	1	Project Financing II	2.03			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.	0.40					0.00					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					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			2.27		2.27					
Turkey	1	ASSAN Foam (IFC)	0.93			0.93		0.93					
Uruguay	1	Project Financing I	1.23		1.23			1.23					
Venezuela	1	Project Financing I	1.30					0.00			1.30		
Venezuela	1	Project Financing II	1.10					0.00	1.10				
Venezuela	1	Project Financing III	3.48		3.48			3.48					
Venezuela	1	Project Financing IV	4.42			4.42		4.42					
WP Sub-total	29		140.77		55.56	9.65	0.00	65.21	51.49		15.98		8.10
II. PROJECT PIPELINE b/													
Indonesia	1	Project Financing II						0.00					
Pakistan	1	Project Financing I											
Philippines	1	Project Financing II											
PP Sub-total	3		0.00					0.00					
GRAND TOTA	32		140.77		55.56	9.65	0.00	65.21	51.49		15.98		8.10

a/ Investment projects and Project Preparation Advances authorized by the MP Executive Committee thru December 31, 1994.
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/ The total amount included $13.5 m of projects already cleared for approval.

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.

D. Coordination

26. **Implementing Agency Coordination**. There were few coordination difficulties between the Bank and the other implementing agencies during in 1994, largely as a result of more frequent meetings and effective coordination, especially during start-up operations (such as in India and Pakistan where the Bank and other agencies have initiated work in parallel and in close cooperation). Furthermore, each agency is developing an expertise with certain types of projects and sectors, therefore improving the effectiveness of project preparation as the agencies replicate successful projects and approaches in all the regions of the world. The Bank is now actively coordinating its activities in Brazil, Egypt and Pakistan with UNIDO.

E. The Ozone Operations Resource Group

27. The following OORG Work Program Summary presents a listing of the principal OORG activities and the associated budget anticipated during CY95. Besides its operational role in the technical review ODS phaseout project proposals, the OORG meets formally twice per year as a group and periodically convenes special sector-oriented OORG Working Groups to address special technology issues as they arise. Resulting OORG sector-based technical recommendations on project preparation for task managers and clients are then documented in a series of OORG publications. The following items present a summary listing of CY95, by functional category:

Operational Technical Reviews of ODS Phaseout Projects

28. OORG sector experts prepare written preliminary concept-stage technical project reviews and final OORG sector project reviews as required for submission for consideration by the Executive Committee. They identify and help direct attention to the timely resolution of key strategic technology transfer issues related to ODS phaseout operations, as commercially viable technological alternatives evolve in developed countries and phaseout opportunities emerge in Article 5 countries.

Special Technical Reports

29. Review the Applicability of HCFC's to the Commercial Refrigeration Sub-Sector. OORG experts will be convened in a Working Group to prepare an up-date for the Executive Committee of the Multilateral Fund on the present state of technology in commercial refrigeration and the tradeoffs confronting Article 5 countries facing the choice between transitional HCFC options and zero-ODS alternatives.

30. Develop a Specification and Design Template Package for the Preparation and Evaluation of MP Projects. OORG has contracted with TERI, an Indian consulting firm, to develop five sector-specific project specification and design packages which would promote greater commonality and consistency in technical approaches to MP project development, while helping to standardize and increase the transparency in preparation of ODS phaseout projects, related technical reviews, implementation monitoring and evaluation. The five specific generic

technological conversion options selected include HFC-134a in domestic refrigeration, cyclopentane and HCFC-141b in domestic refrigeration foam insulation, and methylene chloride and water blown flexible foam applications.

31. Survey to Determine the Potential for a Possible Chiller Rebate Program. Clarify the appropriate cost-effectiveness boundaries, size and geographic distribution of the present eligible population of chiller facilities in developing countries which are likely to qualify for incremental replacement cost financing under such a chiller rebate program. Once the potential demand for such a program has been validated, and the design and verification scheme have been convincingly established, a pilot project proposal will be proposed for possible future demonstration.

32. Regular OORG and Ad Hoc OORG Working Group Meetings

- OORG MACS Working Group Meeting, January 18, 1995 (draft TOR attached)
- OORG Production Working Group Planning Meeting on Hydrocarbon Availability, February 24 (draft TOR outline attached)
- Seventh OORG Meeting, April 10-11, 1995, Washington, D.C.
- OORG Refrigeration Working Group Meeting on Commercial Refrigeration and HCFCs, June/July, 1995 (draft TOR attached)
- Eighth OORG Meeting, October, 1995, Washington, D.C.
- Other OORG Working Group Meetings, as required.

33. Publish OORG Documents

- Regular OORG Meeting Minutes
- Recommendations of the OORG MACS Working Group
- Recommendations of the OORG Production Working Group On Hydrocarbon Availability

- Recommendations of the OORG Refrigeration Working Group on Commercial Refrigeration and HCFCs

- Report on the OORG Chiller Rebate Study

- OORG Background and Information Pamphlet

- Other OORG Reports

34. The proposed budget for CY95 for these activities has been set at US$210,000.

III. SPECIAL INITIATIVES AND CAPACITY BUILDING

35. **Montreal Protocol Operations Team.** The Montreal Protocol Operations Team, located in the Global Environment Coordination Division, is now at full strength and no changes are anticipated during 1995. The Work Program for 1994 necessitated an increased level of funding for increasing the capacity of the MP Operations Team. During the year, three higher level staff (all long-term consultants) were added to the team with responsibility for ozone project in Eastern Europe, special initiatives undertaken by the Montreal Protocol Operations unit, preparing monitoring and evaluation guidelines, and other general support.

36. **Capacity Building.** During 1994, in anticipation of a larger volume of business, the Bank took additional steps to increase its capacity and that of its clients to provide support for project identification and preparation to a larger number of client countries. Activities undertaken to achieve this included:

(a) two consultant training sessions;

(b) increased use of Project Preparation Advances to provide resources to the countries wishing to undertake project preparation activities; and

(c) increased training of Financial Intermediaries;

37. In 1995, the Bank will continue to support this objective with the following activities:

(a) a training in Bank procurement rules and regulations for consultants working on Bank-implemented projects; and

(b) increase in the number of training sessions in support of project implementation in a million of countries, with particular emphasis on procurement and disbursement procedures.

38. **Implementation Performance Review and Task Manager Focus Group.** As an ongoing effort to better understand the MP business and in order to further enhance the effectiveness of MP operations, the Bank undertook an Implementation Performance Review (IPR) of its MP operations. A complete report was issued in late 1994 (Implementation Performance Review of Bank-Implemented Montreal Protocol Investment Operations, December 1994).

39. One outcome of the IPR exercise was the identification of a number of recommendations and follow-up actions to further streamline MP project preparation and implementation. Among the immediate follow-up actions that are being initiated by the Bank is the creation of a Bank-wide Focus Group made up of Task Managers working on MP projects as well as a representative of the Legal Department.

40. The Focus Group will discuss policies and procedures that would further streamline MP project processing and will address coordination of the Bank's requirements with the needs of the client countries and the requirements of the Executive Committee of the Multilateral Fund. The objective is for the Focus Group to issue recommendations on operational issues to the Global Environment Coordination Division and the Legal Department, which will then seek management clearance to proceed with implementing those recommendations. It will also be a forum for identifying agenda items that the Bank would like to see raised with the Executive Committee.

41. Some of the items the Focus Group will address are:

- Standardization of model legal documents including model Grant Agreements, subgrant agreements and project administration agreements;
- Standardization of technical and financial appraisal criteria;
- Disbursement approaches and guidelines for incremental operating costs based on operational experience; and
- Procurement of goods where funding was approved for lowest cost option.

42. **Small Project Approval Process.** In July 1994, the Executive Committee approved a proposal by the World Bank to approve projects under US$500,000 as part of its Work Program as long as it is consistent with the client's Country Program and does not raise any new policy issues. The endorsed proposal requires the Bank to seek clearance from the Secretariat consistent with guidelines and precedent. The Bank and the Government of India are working together to implement the Small Project Approval Process (SPAP). During 1995, subprojects needing funding of less than US$500,000 will be identified and prepared, and approved through the SPAP. This initiative will be further developed in 1995.

43. **MP Program Database and Management Information System**. During 1994 a database of key program information was developed. In 1995, the database will be developed into a Management Information System to monitor various program indicators, evaluate cost effectiveness of programs, and compile unit abatement costs on a sector-by-sector basis, among others. Indicators for the management information system have been identified and programs to tabulate the information as now under development.

44. **Monitoring and Evaluation**. The MP operations team intended to develop monitoring and evaluation criteria to be used by Task Managers and Financial Intermediaries in assessing the progress of ODS phaseout projects both during and after implementation during 1994. Due to other progress priorities, this activity was not undertaken in 1994 but is a priority activity for 1995. Terms of reference have already been drafted outlining the main objective of measuring and evaluating the effectiveness of ODS phaseout projects. Practical guidelines for the design of monitoring and evaluation arrangements to measure and understand the effectiveness of ODS

phaseout projects, considering project objective as well as Article 5 country obligations under the Montreal Protocol, will be developed over the course of the year.

45. **Revision of OP BP 10.21.** With the operational experience acquired in the last two years and the new policies being adopted by the EC, the Bank's operational procedures will need to be updated during 1995.

46. **Legal and Operational Sourcebooks.** In September 1994, the Montreal Protocol team completed the update of volumes I and II of the "Montreal Protocol Operations Source Book." Volume 1, entitled "General Guidelines, Operations and Technical Review Procedures," provides a variety of information including policy papers issued by the Executive Committee, contact lists and samples of grant agreements and other project documents. Volume 2, entitled "In-Country MP Project Implementation Approaches and Strategies," provides samples of subproject documents necessary for project preparation and implementation. The source book is utilized primarily by Task Managers, regional coordinators and other MP staff. If updated materials become available, they may be added to both volumes throughout 1995.

47. In addition, in late 1994, the Montreal Protocol team, in conjunction with the Environmental Affairs Unit in the Legal Department, completed the Handbook of "Sample Grant Agreements and Agreements Establishing the Ozone Projects Trust Fund and the World Bank as an Implementing Agency for the Montreal Protocol." The Handbook will assist those in the Legal Department who prepare grant agreements for both the GEF and the Montreal Protocol.

Attachment I

COUNTRY LEVEL WORK PROGRAMS

CY95

Global Environment Coordination Division, Environment Department

THE WORLD BANK

ALGERIA

I. CY94 Status

Country Program

Algeria's Country Program (CP) was completed in 1993 and was approved at the 11th Meeting of the Multilateral Fund Executive Committee.

Institutional Strengthening

This activity was planned as a follow-up to the Country Program and is being undertaken by UNEP which has received funds for this purpose.

Project Preparation Activities

The Bank will keep a watching brief on political and institutional developments in Algeria and plan project preparation work accordingly. Therefore, for this purpose, US$25,000 will be carried over from the 1994 budget and the remainder will be credited to the Fund.

II. CY95 Work Program and Investment Activities

No investment operations are expected to be presented for EC approval during 1995.

Other Activities

A workshop focusing on project preparation and financial intermediation could be organized as part of the Work Program with Algeria or on a regional basis, as the case may be.

ARGENTINA

I. CY94 Status

Country Program

Argentina's Country Program was finalized in draft format in 1993 and was presented and discussed with the Government of Argentina (GOA) in final draft form in January 1994. The Bank assisted in the final revisions of the CP. The CP was submitted by the GOA and subsequently approved by the Multilateral Fund Executive Committee (MFEC) at its 13th meeting in July 1994.

Institutional Strengthening

An institutional strengthening (IS) project was approved at the 13th EC meeting. The project is to support the Ozone Program Office (OPROZ), a tripartite assembly comprised of the Secretariats of Environment and Natural Resources, Industry, and the Ministry of Foreign Affairs. The Bank endorsed the transfer of approved IS funds to UNDP in order to preclude the need for a Presidential Decree that could have delayed the implementation of the project.

Project Preparation Activities

In tandem with preparation of the Umbrella Grant Agreement between the Bank and GOA now in draft form, the Bank supported project preparation in the interest of achieving the ODS phaseout as scheduled in the CP.

Investment Activities

On the basis of the CP, technical and engineering support from the Bank, and Bank assistance to determine eligibility in accordance with MP guidelines, the country prepared seven projects which the Bank submitted on behalf of the GOA to the 15th meeting of the MFEC. The projects approved for funding were in the domestic refrigeration and automobile air conditioning (MAC) sectors and amount to US$13.5 million.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

Continued project preparatory work will continue in CY95 in tandem with completion of the Grant Agreement between the Bank and GOA. The draft Grant Agreement which the Bank will submit to the GOA during the first quarter of CY95 is required in order to obtain the legally mandated Presidential Decree authorizing signature of the Grant Agreement and subsequent transfer of grant funding for ODS phaseout objectives. The ODS phaseout schedule defined in the CP will continue to be used in future project prioritization. The World Bank's proposed budget for its support of the above-mentioned activities is as follows:

Project Preparation:	US$170,000
Supervision:	US$ 30,000
TOTAL:	US$200,000

Investment Activities

In CY95, the Secretaria de Industria (SI) and the National Institute of Industrial Technology (INTI) project unit will prepare 10-15 subprojects in commercial and domestic refrigeration, mobile air conditioning (MAC), and compressors for which an estimated total funding request will be approximately US$10 million. Disbursements for CY95 are estimated at US$3 million assuming the Grant Agreement is effective during the second quarter of CY95.

Other Technical Assistance

The SI is assigned responsibility for the administration of approved funds and the INTI assists in the project preparation. The cost of local administration and project preparation will be funded through the approved 3 percent provision included in MFEC approvals.

Discussions have been initiated about holding specialized seminars to keep the affected sectors and the public appraised of the latest technology choices and to present special issues related to technology choices in an objective manner.

BRAZIL

I. CY94 Status

Country Program

The Brazil Country Program was approved by the Executive Committee at its 13th meeting. The Bank facilitated its preparation and provided comments.

Implementation Arrangements

The project became effective on March 17, 1994. Under the Grant Agreement, FINEP, a financial intermediary linked to the Ministry of Science and Technology is responsible for project implementation in Brazil. During 1994, discussions were held with the Brazilian Government and the other implementing agencies concerning appropriate arrangements for cooperation on MP operations in Brazil. These discussions culminated in a document dated December 13, 1994 setting out the terms of agreement on how each agency would operate in the various ODS sectors in Brazil.

Institutional Strengthening

FINEP has sufficient staff for the identification and preparation of projects. The Bank held discussions on how to maximize the impact of FINEP's activities in the specific sectors selected for emphasis and began planning for a workshop to be held with FINEP dealing with ways to make project preparation more strategically based and more effective in Brazil. The budget for the Bank's share in this workshop is approximately US$38,000 including staff costs.

Investment Activities

During CY94, three subprojects prepared by FINEP with Bank assistance were approved by the EC, namely the EMBRACO Ester Oil Charging Subproject (US$220,200); REFRIPAR, Sao Carlos Domestic Refrigeration Manufacturing Subproject (US$162,000); and the Metalfrio Domestic Refrigeration HFC Substitution Subproject (US$2.36 million). The total for these approved subprojects was approximately US$2.7 million.

II. CY95 Work Program and Investment Activities

The Bank's activities in CY95 will consist of (a) providing assistance with preparation of individual subprojects; (b) continuing to build FINEP's capacity to implement the project; and (c) supervision of FINEP and of subprojects under implementation.

Investment Activities

FINEP has submitted preliminary proposals for nine additional subprojects with a proposed total cost of US$28.7 million and has a pipeline of some 13 additional subprojects that have been identified and are under preparation. Of these, at least six subprojects are considered likely to be submitted for consideration by the EC during CY95. The total request to the Executive Committee for investment projects in Brazil during CY95 is expected to be approximately US$8 million. Disbursements are expected to reach US$5 million during CY95.

The Bank's budget to support CY94 activities is:

Supervision:	US$ 30,000
Project Preparation:	US$200,000
TOTAL	US$230,000

CHILE

I. CY94 Status

Institutional Strengthening

The Ozone Team appointed in December of 1993 established itself as a fully operational unit by the first quarter of CY94. By mid-year, the team delivered a satisfactory progress report indicating the status of each activity supported under the Grant Agreement. A training program intended for plant managers, technicians, and operators was designed to closely support the objectives of the investment program. A first seminar is planned for plant managers and will describe the nature of the investment program.

Investment Activities

Delays in the initiation of the investment program were due partly to uncertainties about the budgetary autonomy of CONAMA (National Environmental Commission) under which the Ozone Team operates. CONAMA is now under the Office of the President and is therefore capable of handling project management independently. The process of selection of a financial intermediary took place during the year. However, considering the relatively small flow of funds involved in the current program, the winning financial institution demanded higher compensation than available during contract negotiations. This prompted CONAMA to re-evaluate the role of the intermediary in view of CONAMA's new legal powers. With a favorable national legal opinion and the Bank's no objection, CONAMA is now directly responsible for managing the transfer of investment funds. The investment program was officially launched in December 1994 with the distribution of a procedural guidance document to current users of ODS. With two applications for the first program tranche already received, it is expected that available funds will be fully committed by the third quarter of 1995.

Other Assistance

Under the Country Program, a contest for the "ozone seal," a logo for ozone conscious manufacturing drew 240 participants. An award of US$3000 was handed to the winning design in June 1994. The seal has been legally registered to protect its use and the bidding process for private certification firms that will approve the use of the seal is underway. A public awareness was carefully developed and its timing was arranged so that the ozone seal could be disseminated through the campaign. After pre-qualification of publicity firms, the bidding for the campaign took place in December of 1994. The contract is being awarded to the winning firm in January of 1995.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

In anticipation of a rapid commitment of funds under the first phase of the investment program, CONAMA has requested Bank assistance for preparation of a second phase program. The budget for the planned Bank's support will be US$100,000 for preparation of Phase II.

The Phase II Program will follow the same design features of the first phase by allocating grants on the basis of a fixed cost-effectiveness ratio. It is anticipated that the Ozone Team will work to establish sector strategies and associated cost-effectiveness limits. A total investment fund of US$8 million (including resources to cover administration costs) is estimated to be necessary for this follow up phase and is likely to be requested from the Multilateral Fund in the third quarter of 1995.

Investment Activities

The Bank will continue to supervise the implementation of Phase I. The budget for this will be US$30,000.

Cumulative disbursements are expected to reach US$600,000 by the end of CY95. These disbursements include about one third of the resources allocated to the investment program (i.e., about US$170,000) with total ODS phaseout expected to range between 70 and 90 metric tons.

PEOPLE'S REPUBLIC OF CHINA

I. CY94 Status

Country Program

The Country Program was approved by the EC in March 1993. To date, two ODS projects, the first and second tranches of a third ODS project and three Project Preparation Advances have been approved by the EC (one of which was eventually utilized to cover actual project implementation).

Institutional Strengthening

Institutional strengthening has been included in all three ODS projects through the provision of technical assistance to (a) improve overall capabilities of NEPA's Project Management Office (PMO) in its management of ODS phaseout projects and coordination of the Country Program; and (b) to strengthen the financial agent's (the China Investment Bank, CIB) ability to appraise and supervise ODS subprojects. Funds are provided to NEPA and CIB for training and workshops/seminars for staff involved in ODS phaseout operations. The Bank conducted a disbursement and a procurement workshop in November 1994 to help familiarize all clients with Bank procurement and disbursement procedures.

Project Preparation Activities

The first Project Preparation Advance (PPA I), in an amount of US$1.5 million, became effective in August 1992 to help preparation of subprojects under ODS I and II. The balance of funds not used will be disbursed to the three subprojects which are expected to be completed by the second half of 1995.

PPA II, in the amount of US$300,000, was approved in May 1993 to help finance preparation of the industrial refrigeration subsector strategy study and subprojects. A draft subsector strategy paper has been prepared. Six subprojects were prepared and approved by the EC at the 15th meeting in December 1994. While only 83 percent of the PPA has been disbursed to date, most of the funds have been spent. Full disbursement is expected before the closing date in May 1995.

The third ODS project, which will be in the form of an Umbrella Grant Agreement, with an expected grant of US$60.1 million, is at its final stage of preparation. So far, twenty-two subprojects under ODS III have been approved by the EC for a total amount of about US$30 million.

Investment Activities

The first ODS project, with a grant of US$6.925 million, became effective in April 1994 for five subprojects in the foam, halon and aerosol subsectors. The subprojects are at different stages of implementation.

The second ODS project, with a value of US$4.865 million, became effective in August 1994 for ten subprojects based on reduced-ODS technology in foam applications. Nine subprojects have started implementation activities. Three of these nine are expected to be completed in 1995. In late 1994, the tenth subproject, the Tianjin Factory, changed its project scope and design from 50 percent CFC-technology to 100 percent CFC-free technology. It is finalizing its revised project design. Upon agreement with the Secretariat, the Bank will transfer this subproject to UNDP for implementation.

Other Activities

A total of US$520,000 was approved by MPEC in 1993 for the preparation of subsector strategy studies in the aerosols, foam, halon substitutes, household refrigeration, mobile air conditioning and production subsectors. The funds are also being used for the identification and preparation of subprojects in these subsectors. To date, six subsector strategy studies have been prepared. The amount is divided into two. First, a PPA III of US$320,000 was signed in February 1994 and managed by NEPA. About 42 percent has been disbursed so far; though actual expenditure to date is much larger. The delays in disbursement is due to NEPA's unfamiliarity with the Bank disbursement procedures. Second, US$200,000 is managed by the Bank to hire foreign consultants to help Chinese agencies in preparation activities. About 70 percent has been utilized. As most activities for this preparation fund have been completed, the remaining amount will be fully utilized during 1995 for additional project preparation.

II. CY95 Work Program and Investment Activities

Overall, objectives are to: (a) under ODS I, complete two of five subprojects and begin installation of equipment for the remaining three; (b) under ODS II, complete procurement for nine subprojects; (c) for ODS III, finalize Grant Agreement and bring it to effectiveness in early 1995; and initiate implementation of all 22 subprojects approved by MPEC in 1994; (d) agree with GOC on subsector strategies for six subsectors and prepare 20-25 subprojects consistent with strategy goals for remaining funding under ODS III; (e) begin identification and preparation of subprojects using the subsector approach in the commercial refrigeration subsector; and (f) initiate discussions on scope and institutional arrangements of ODS IV.

Project Preparation Activities

Project preparation activities include (a) ODS III negotiations, Grant signing and effectiveness; (b) identification and preparation of 20-25 subprojects for the balance of US$30 million under ODS III; (c) assistance to GOC to finalize the six draft subsector strategy studies, (d) dissemination of information on ODS phaseout objectives and processes in China, including a video production on China ODS program aimed at clarifying some ODS phaseout issues and questions often raised regarding the ODS phaseout program; and (e) initiation of ODS IV.

The negotiation package for ODS III will be ready by the end of January and the Grant is expected to be signed in early March 1995. The CIB is currently preparing subproject appraisal reports for these subprojects already approved by the EC in 1994, most of which are expected to be ready for Bank review and approval in February and March 1995. Another ten subprojects in different subsectors are under preparation. The entire ODS III project is expected to be fully committed by the end of 1995.

Identification of a fourth ODS project will start around mid-1995. The subproject pipeline is very strong and ODS IV should be large enough to cover two year's subproject commitments.

In order to help client agencies to identify and prepare subprojects under ODS III and IV, funds are necessary for preparation activities including: (a) conducting workshops in different subsectors to identify subprojects, disseminate ODS phaseout objectives and program, clarify eligibility requirements and processing procedures to ministries and enterprises; (b) preparing feasibility studies for small scale enterprises to develop closure and compensation package in the halon and CFC production subsectors; and (c) preparing feasibility studies and a Work Program to develop new subprojects in the commercial refrigeration sector.

Investment Activities

Substantial supervision is needed to avoid further subproject implementation delays. Additional technical assistance will be provided through workshops on project processing, disbursement and procurement. There are 15 subprojects already under implementation and another 22 subprojects will start implementation during 1995. Consultants and sector experts will be needed to assist enterprises resolve implementation issues. Bank staff and consultants will also visit project sites and discuss with officials on subproject progress. Assurances will be sought from local environmental agencies that all safety and other environmental measures are followed. With these objectives in mind, it is expected that about US$10 million will be disbursed and 1,030 tons of ODS will be phased out in 1995.

ECUADOR

I. CY94 Status

Implementation Arrangements

Project execution is moving ahead without any problems. The Project Coordinating Unit (PCU) is continuing to carry out its activities successfully. The staff training program has been completed successfully. Workshops for potential project beneficiaries on alternative technologies and safety procedures were carried out as planned and were instrumental in convincing private sector industries of the benefits of the project and that it was possible to work with the Project Unit (within the Ministry of Industries) efficiently. The public awareness campaign has been successfully carried out. Two video commercials were produced and have been broadcast during the last five months free of charge. In the cities of Quito and Guayaquil about 60 percent of grammar and high schools have received booklets and stickers about ozone protection.

Investment Activities

About 67 percent (US$912,000) of the funds allocated for sub-grants (US$1.36 million) has been committed and about 46 percent has been disbursed. Three out of the four project beneficiaries correspond to the three major refrigerator manufacturing industries. Their subprojects consist of introducing alternative technology in the manufacture of foam for insulation. The fourth beneficiary is the major producer of aerosols. Three additional enterprises in the aerosol subsector are expected to request financing to replace CFCs with compressed air. Another enterprise which builds cold storage rooms for various industries and ships has already applied for financing to change technology in the manufacture of foams.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

In CY95, the Bank will assist the Government of Ecuador in the preparation of detailed technical reports for proposed subprojects. Estimated cost for this activity will be US$40,000.

Investment Activities

The Bank will conduct two missions to supervise the ongoing ODS project. It is estimated that the project will be completed ahead of its original target date, with the last disbursements in 1995. Approximately US$8,700 will be required for these activities for CY95.

EGYPT

I. CY94 Status

Country Program

Egypt's Country Program was approved by the Executive Committee in 1992.

Project Preparation Activities

Upon request of the Egyptian Environmental Affairs Agency, a reconnaissance mission v isited Egypt in November-December 1994 to evaluate possible investment potential in the commercial and industrial refrigeration sectors. The mission's findings indicate that the Bank's participation in Egypt's ODS phaseout in these sectors is limited to actions required to decrease ODS consumption during refrigerator and air conditioner servicing and maintenance among refrigeration users, there being no factory conversions, as virtually all system components are imported.

II. CY95 Work Program and Investment Activities

The mission proposed to reduce CFC emissions associated with servicing of commercial and domestic refrigeration, and non R-22 air conditioning. This can be done through Montreal Protocol Multilateral funding of training, technical assistance and purchase/installation of appropriate collection/reuse equipment for users. However, the success of this project depends primarily on the creation of a regulatory framework to support the project proposal.

The mission recommended the preparation of a feasibility study for the design of a recovery/recycling program, including emphasis on the need for a regulatory framework as a prerequisite for any investment.

The estimated cost for this activity is about US$75,000.

INDIA

I. CY94 Status

Project Preparation Activities

The first PPA, in the amount of US$345,000 was signed on June 28, 1994. Two project preparation workshops have been conducted to date.

The streamlined Small Project Approval Process (SPAP) of less than US$500,000 (pilot program in the amount of US$4 million) was approved for India by the Multilateral Fund Executive Committee for a six-month pilot basis.

Investment Activities

The first ODS phaseout project, in the amount of US$1.25 million, was successfully negotiated, and the Grant Agreement was signed on August 29, 1994.

In 1994, a total of eight subprojects in the amount of about US$5 million was approved by the Multilateral Fund Executive Committee for India.

The Grant Agreement for ODS I became effective on October 6, 1994. Two enterprises, however, have not signed the subgrant agreements yet. The delay is due to a clause that has concerned the enterprises regarding the ownership of assets created as a result of the grant. This issue is being discussed by Ministry of Environment and Forests (MOEF), Industrial Development Bank, India and the enterprises, and is expected to be resolved shortly.

II. CY95 Work Program and Investment Activities

Country Program

MOEF is committed to updating its Country Program during CY95 and has requested Bank assistance in securing funding for sectoral strategy papers from the Fund, and for support of technical experts to complement local consultants' work. In this regard, the Bank has included supplementary funding (US$70,000) for preparation of two strategy papers, (refrigeration and solvents), has identified technical experts, and made provisions for their time in its CY95 budget proposal.

Project Preparation Activities

It is difficult to estimate the output for CY95, as the PPA is still going through the teething phase, and despite two project preparation workshops, project preparation is progressing slowly. However, a few individual consultants have been identified, who could assist with project preparation activities and feasibility reports. The earlier work in aerosol projects is now producing results and reasonable progress in solvent projects is being made.

The Work Program for CY95 is comprehensive and covers several activities, i.e., PPA for Small Industrial Bank of India (SIDBI), support to several strategy papers and project preparation, appraisal, and supervision. The first priority in 1995 for the Bank is to proceed with negotiations and sign the second Grant Agreement. In addition to preparation and appraisal of activities for US$10-15 million in new investment projects, the CY95 Work Program for India includes the following activities:

- Successfully complete the SPAP pilot program by preparing cost-effective projects in foam, aerosol, and solvent sectors, and utilize the allocated amount of US$4 million.

- GOI had requested the Bank to include SIDBI in ODS phaseout activities so that small scale industries (SSIs) (i.e., subprojects under US$100,000 grant) could also benefit from MP funding in switching to non ODS substances. SIDBI has asked the implementing agencies to request a PPA from MFEC for project preparation including model subprojects for SSIs. This initial assistance to SIDBI includes a PPA proposal in the amount of US$70,000 for aerosol and foam sectors. The Bank still needs to agree with MOEF and SIDBI on the exact scope and number of deliverables under the PPA.

Investment Activities

In addition to the PPA for SIDBI and support to four strategy papers in aerosol, production sector (already funded under PPA), refrigeration and solvents to be funded as part of CY95 Work Program, India's Work Program will include continued project preparation, and appraisal under the first PPA, and supervision of projects that will commence implementation.

The ODS II Umbrella Grant Agreement will cover about 40-50 subprojects, covering about a two-and-a-half to three-year commitment period. Disbursements of about US$4.5 million during CY95 are anticipated.

The budget request can therefore be summarized as follows:

Supervision of ODS I:	US$ 30,000
Preparation and Supervision of ODS II	US$ 60,000
Support to project preparation:	US$400,000
PPA to SIDBI	US$ 70,000
TOTAL	US$860,000

The disbursement target for 1995 is US$2 million.

INDONESIA

I. CY94 Status

Country Program

The Country Program, was prepared with assistance from UNDP, and endorsed by the Executive Committee in March 1994.

Institutional Strengthening

In March 1994, the EC approved US$50,000 for financial agent training. A work program has been agreed and training will start following Grant effectiveness. The UNDP institutional strengthening program for the State Ministry of the Environment (SME) was launched in mid-1994.

Project Preparation Activities

The consultants hired under PPA I prepared 14 subprojects. Of these, 12 were submitted to the EC and 9 approved. Three solvent projects, which previously would have qualified for funding, were deferred until after the EC established a cost effectiveness threshold. Two additional subprojects were approved in 1994. Thus, by the end of 1994, 17 subprojects had been approved by the EC, totaling US$8.6 million, with a planned ODS phaseout of some 2,000 ODP-weighted tons.

Grant Agreement

Negotiations for the Umbrella Grant Agreement were protracted, largely because agencies within GOI raised the possibility of establishing a revolving fund rather than disbursing funds as grants. The concept was eventually abandoned, and an Umbrella Grant Agreement for US$17 million was signed in late 1994.

II. CY95 Work Program and Investment Activities

The main objectives of the 1995 program are to implement approved subprojects, prepare additional subprojects, and to develop policy for a timely and complete phaseout of ODS. Following implementation of ODS I some 30 percent of Indonesia's ODS consumption will remain (about 2,000 ODP-weighted tonnes), largely in the chillers, MACs, solvents and total-flooding halons sectors.

Institutional Strengthening

The Financial Agent training program will be initiated in the first quarter of 1995. The Bank will continue its dialogue with the Ozone Unit of SME, focusing on:

- Efforts to ensure the rapid implementation of approved subprojects.
- Prioritization of beneficiaries for further Bank-supported ODS phaseout projects.
- Mechanisms to control the import of ODS, in preparation for total phaseout in 1997.

The Bank will review the need for additional assistance for SME as the Ministry's existing funds are depleted. The Bank's requirements for these activities are included under subproject supervision below.

Project Preparation Activities

To meet the 1997 deadline for total phaseout, a second Umbrella Agreement (ODS II) and a third Project Preparation Advance (PPA III) will be required. Preparation of ODS II will begin in the second quarter of 1995, with target approval at the end of the first quarter of 1996. The request for PPA III will be submitted in the third quarter of 1995, so that subproject preparation may begin in the fourth quarter of 1995.

In CY95, the total amount requested for preparation of ODS II is US$96,610.

Subproject preparation will include revision of proposals not approved in 1994 (3 solvent and 3 household refrigerator projects), and preparation of new proposals under PPA II. Six to eight new proposals in the foam, MAC manufacturing, household refrigeration, tobacco and correction fluids sectors will be prepared. In addition, a hydrocarbon purification feasibility study will be conducted, and a work program for the small foam manufacturers' technical assistance project will be prepared. By the end of the year, 11-13 proposals will be submitted for approval, which may be sufficient to fully commit ODS I.

To complete these activities, the Bank requests US$240.140.

Investment Activities

ODS I will become effective in January 1995. The Financial Agent will initiate appraisals in the first quarter of 1995. After Bank and SME approval of subproject appraisals, subgrant agreements will be signed, and disbursement will commence at the end of the first quarter of 1995. It is estimated that US$1 million will be disbursed by the end of the second quarter of 1995 and disbursements will reach US$4 million by the end of the year. These disbursements will be associated with phaseout of 900 ODP-weighted tons. Subproject technical audits will be conducted by a consultant who will ensure that equipment has been installed, and training conducted according to the terms of the subproject appraisals and agreements.

The requested supervision resources amount to US$90,130, and cover the investment and technical assistance subprojects, maintenance of the policy dialogue with SME, as well as US$30,000 for technical audits.

HASHEMITE KINGDOM OF JORDAN

I. CY94 Status

Country Program

The Country Program was approved by the Executive Committee in 1993.

Institutional Strengthening

The US$100,000 approved by the Executive Committee to support the strengthening of the Project Implementation Unit (PIU) for FY94 was applied towards operational expenses related to the purchase of office equipment, rent, staff monthly salaries, consultant fees and others.

The request for additional funding (US$100,000) of the Institutional Strengthening Project was deferred for the next July 1995 meeting.

Investment Activities

The signing of the sub-grant agreements under Phase I was completed in August 1994. These companies experienced minor procurement difficulties (i.e., lack of understanding the procurement methods) during the process. This delayed the expected disbursement at the end of December 1994. Four companies have proceeded with the opening of bids.

Under Phase II, the Executive Committee approved three foam projects (US$418,000). The other aerosol project proposals (US$709,800) for Haddad & Sons, JADICO and Arab Center for Pharmaceuticals are being revised for submission to the Fund.

II. CY95 Work Program and Investment Activities

Institutional Strengthening

The PIU has requested halon and foam specialists to evaluate the potential investment projects in these areas.

Project Preparation Activities

Under Phase III, a large foams manufacturer (Al Hussam Plastics) and another foams company in Aqaba have indicated interest in the ODS phaseout project. Two new aerosol projects (Jordan Industrial Petrochemicals and Jordan Chemical Products) are under preparation for CY95. The total project cost is estimated at about US$2 million.

Investment Activities

The Bank expects to finalize soon the Umbrella Grant Agreement for the increase of the grant amount from US$1.5 million to US$5 million.

The forecast of disbursement for the first quarter of 1995 is US$475,000 and for the second semester CY95 is about US$567,000. Disbursement of the grant balance under Phase I will be completed during the first quarter of 1996.

III. Implementation and Supervision

Two country visits are scheduled for CY95, tentatively in April and October to supervise the projects. The budget required for these activities has been set at US$40,000.

MALAYSIA

I. CY94 Status

Country Program

The CP was updated during CY94 by CETEC, a local consultant group. A draft update was submitted to the Government of Malaysia (GOM) and the Bank in December 1994.

Institutional Strengthening

The IS component is being implemented by UNDP. The Ozone Desk has been established and one full-time staff has been assigned to the unit; the Department of Environment (DOE), however, has experienced difficulties in hiring additional staff.

Project Preparation Activities

The Government requested the Bank to prepare an ODS phaseout investment project and assist in the preparation of a first batch of subprojects. The Bank hired ICF, an international consulting firm and CETEC to identify and prepare 15-18 subproject proposals. A workshop was conducted in September 1994 and about 15 potential subprojects have been identified so far.

A draft project proposal for an umbrella-type ODS project was prepared by the Bank in January 1994 and revised in September based on discussions with the Government. The Bank expected an official endorsement of the project concept from the Government by December 1994.

Investment Activities

The Grant Agreement for this project was signed in November 1992. The Government has since hired Shoh Consultant, a local implementing agent for the MAC recycling component, to undertake the procurement and execution of the program. In December 1994, the Government approved the procurement of 200 MAC recycling machines. The Halon recycling component is being implemented by the Fire Service Department. The bidding process for procuring the recycling equipment is still underway.

Three new subprojects, one household refrigerator and two aerosol projects, were approved for funding in 1994. These will be included under the Umbrella Grant Agreement currently being prepared.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

By June 1995 the Bank expects to have finalized preparation of approximately 7 subproject proposals for submission to the EC, totaling approximately US$5 million. Subprojects will address ODS phaseout in the MAC manufacturing, chiller maintenance, and solvent user sectors. Another 8 potential subprojects have been identified which still need to be confirmed. ICF is the lead consultanting firm for this effort. The total budget for ICF and local support is US$170,000 of which US$119,000 remains to be disbursed in CY95.

The Bank expects to sign an Umbrella Grant Agreement for a second ODS Phaseout Investment Project with the Government which would use CETEC as local implementing agent during CY95. Preparation of the agreement will continue once the Bank receives Government endorsement of the project concept. Given past experiences with delays in processing projects and subprojects, disbursement estimates for CY95 are cautious: assuming that a Grant Agreement is signed and effective by June 1995, disbursement can be estimated at about US$0.75 million, considering the amounts for retroactive financing and initial implementation of phase out investments. Reduction of ODP during CY95 will amount to an expected 150mt in the three approved subprojects.

To process the Umbrella Grant and complete preparation of additional subprojects, the Bank will require US$205,000.

Investment Activities

For the ODS Recycling Project, the Bank will request an extension of the Grant closing date by 12 months because as a result of delays in the approval of consultant selection and equipment procurement, implementation of the project has fallen well behind schedules. With the purchase of MAC recycling equipment approved by the Government, the Bank expects disbursements of about US$0.8 million during CY95. Substantial ODS reduction can only be expected in CY96 after installation and training programs have been completed. Providing that processing of the Umbrella Grant Agreement proceeds as expected, supervision of the project would begin in July 1995. Activities would initially include support to CETEC to accelerate appraisal activities as well as to familiarize all parties with Bank procurement and disbursement procedures. Additional training support may be requested for CETEC.

To supervise activities under both the Recycling Project as well as the Umbrella Agreement, the Bank has budgeted US$73,100.

MEXICO

I. CY94 Status

Institutional Strengthening

The United States Environmental Protection Agency (USEPA) has been responsible for institutional strengthening of the Ozone Protection Unit.

Investment Activities

During CY94, 3 supervision missions visited Mexico to assist in the implementation of the two projects (Ozone Protection Pilot Recycling and Training Project, and Ozone Projection Policy and Institutional Strengthening Project) which have been seriously delayed due to various reasons including institutional weakness, lack of cooperation between the Ozone Unit and the Financial Agent, and a lack of high-level Government support for the projects. Each mission spent considerable time clarifying responsibilities among agencies and negotiating agreements to move the project forward. Each subsequent mission, however, found no substantial action had been taken and had to renegotiate deadlines.

The Bank recommended canceling both grants in mid-1994 if serious efforts to move the projects forward from the Mexican side were not made. Since then, seven subgrant agreements between the Government of Mexico (GOM) and enterprises were signed (June 1994) and approximately US$200,000 was disbursed (December 1994) under the investment component of the Policy project. In addition, a strategy for implementation of tradable permits was drafted in July 1994. Under the Recycling project, however, the subgrant agreement for the recycling project has not yet been signed, nor has there been any selection for the consultant to undertake the aerosol safety program. No disbursements were made under the Recycling project during CY94.

II. CY95 Work Program and Investment Activities

An Action Plan to be discussed with the GOM in CY95 seeks to remedy the present situation of stalled project execution by proposing, inter-alia, that MP projects be executed by NAFIN, the financial agent, rather than INE, the current agency. Elements of the plan are as follows:

- NAFIN, in addition to acting as the financial intermediary, will be responsible for identifying, preparing and supervising the implementation of subprojects.

- NAFIN will use technical consultants funded under the Multilateral Fund to aid with technical details.

- INE will be responsible for regulation policies, conducting public education about the importance of ozone layer protection, monitoring compliance with Mexico's phaseout schedule, representing Mexico at international meetings and implementing the planned tradable permits system.

- INE will have a "no objection" environmental review of all subprojects.

Project Preparation Activities

The Bank has approved subproject investments totaling approximately US$2.1 million. INE has requested the Bank's assistance in developing a pipeline of subprojects for the uncommitted resources of US$1.5 million under the investment component of the Policy project. If the proposed action plan is acceptable to the GOM, the Bank could undertake a subsequent mission to identify subprojects so as to commit all grant resources under the investment component of the Policy project. Future MP operations will depend on the outcome of the agreed action plan.

Investment Activities

For CY95, it is expected that approximately US$2 million will be disbursed to enterprises which recently signed subgrant agreements with the GOM under the Policy project. This is supported by the fact that beneficiary enterprises are now more familiar with the Bank's procurement procedures. This estimate is based on an average implementation schedule of 18 months for all subprojects that have signed subgrant agreements (June 1994). Given that there are no additional subprojects in the pipeline, however, disbursements to new projects are not expected for CY95. The same situation applies for the technical assistance component of the Policy project.

With regard to the Recycling project, given the delays in implementation, it is expected that only US$75,000 of the total grant amount of US$180,000 will be disbursed in CY95.

The Bank will need US$60,000 to undertake the proposed activities during CY95.

NIGERIA

I. CY94 Status

Work on the Country Program was delayed due to in-country difficulties.

II. CY95 Work Program and Investment Activities

A consulting firm has been selected to prepare the Country Program. This is expected to proceed in the first quarter of 1995 and be completed by the end of the year.

PAKISTAN

I. CY94 Status

Country Program

UNEP has been mandated to assist Pakistan with the preparation of the Country Program. The Environmental and Urban Affairs Division (EUAD) has hired a local consulting company to conduct the work for the Country Program. The Country Program is expected to be completed by June 1995.

Institutional Strengthening

US$270,000 was approved by the Executive Committee for UNDP to assist EUAD to manage and coordinate the country's ODS phaseout program. It is expected that institutional strengthening requirements will be identified in 1995.

Other Technical Assistance

The Government of Pakistan have asked UNIDO to assist with subproject preparation workshops.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

The focus of the Bank efforts will be on the identification and preparation of ODS phaseout subprojects. A sectoral approach has been agreed with EUAD. The first tranche of subprojects will be in the refrigeration and foam sectors. Several enterprises have already been identified, and the Bank is assisting with subproject preparation.

It is anticipated that the first tranche of subprojects will be presented to the Multilateral Fund in 1995. US$50,000 has been requested for financial agent training under the Pakistan ODS Phaseout Project.

The budget required to support this work is US$50,000.

PHILIPPINES

I. CY95 Work Program and Investment Activities

Institutional Strengthening

The Institutional Strengthening Project is Bank implemented and forms part of the Grant Agreement for the ODS Phaseout Investment Project (ODS I). A draft workplan and budget has been received and implementation can start once the Grant Agreement is declared effective.

Project Preparation Activities

The Grant Agreement for ODS I was signed on October 6, 1994. The financial agent for the project is Landbank of the Philippines (LBP). Once the Bank receives the final revised version of the Operating Policy Guidelines, the Grant will be declared effective and disbursements will start.

Investment Activities

A first batch of 10 subprojects was approved by the Fund EC before the signing of the Grant Agreement. Another 6 subprojects received permission to proceed.

A US$150,000 grant for project preparation was approved by the EC in 1993 to prepare a second batch of subprojects. During 1994, the Bank and the Government of the Philippines (GOP) discussed preparation of additional ODS phaseout projects, however, initiation of new project preparation activities was postponed until after the ODS I Grant Agreement becomes effective.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

Agreement will be reached with the Government on which sectors the preparation of a second batch of subprojects should focus. In that context, development of sector strategies which would integrate policy measures, training and subproject financing will be discussed. The proposed budget for this effort during CY95 is US$230,000. This includes US$150,000 for consultants for which funds were approved in November 1993, but activities and disbursement have yet to commence. In addition, the Bank is requesting an additional US$80,000 to support processing of the projects and to amend the existing Grant Agreement so that it can be used as an Umbrella Agreement. For CY95, an estimated US$5 million will be requested in funding for new subprojects, including approximately US$2.5 million for refrigeration projects which received a permission to proceed in 1993.

Investment Activities

The key objective for CY95 is the implementation of the already approved subprojects under ODS I and submission of revised proposals for four domestic refrigeration projects which had received permission to proceed in 1993. This will involve the following key steps: (a) receive final OPGs from GOP; (b) declare Grant Agreement effective; (c) establish the Special Account for disbursement of funds; (d) receive appraisal reports endorsed by the Government for the already approved 10 subprojects; (e) sign sub-grant agreements between LBP and the project proponents; and (f) start subproject implementation and disbursement.

Given past experience with delays in the process, disbursement projections have to be cautious. Assuming that the Grant Agreement will become effective in February 1995 and that disbursements to subprojects will begin by May 1995, total disbursements during 1995 can be estimated to be approximately US$2.5 million, a large share being absorbed by the US$4.7 million tobacco fluffing subproject for which the Bank has already reviewed and endorsed a draft contract with a technology supplier. Reduction in ODP can be estimated at approximately 150mt annually, assuming that the tobacco fluffing operation drastically reduces its current 350mt/year consumption towards the end of the year and the solvent projects are fully implemented by mid year.

For supervision activities US$50,000 will be required, including funds to support rapid appraisal of the first set of subprojects.

KINGDOM OF THAILAND

I. CY94 Status

Institutional Strengthening

UNDP is currently implementing an institutional strengthening project for the Department of Industrial Works (DIW) which includes among others, hiring of consultants and training for staff. With the recent transfer of the ODS function within DIW, the Bank has offered its assistance to support the unit. Discussions to identify specific needs are under way. With regard to the financial intermediary, upgrading the Industrial Finance Corporation of Thailand's (IFCT) appraisal staff's technical skills relevant to ODS sectors is crucial and was initiated by the Bank through provision of an ODS expert. Additional technical support will be provided to IFCT to expedite subproject appraisal following effectiveness of the Grant Agreement.

Project Preparation Activities

The Umbrella Grant Agreement was signed on August 8, 1994. The main conditions for effectiveness have been fulfilled except the provision of a legal opinion which is under preparation. Due to the latter, the date of effectiveness of the project was postponed to February 8, 1995.

A pipeline of 12 projects approved by the Fund EC was in place prior to the signing of the Umbrella Grant Agreement. Some of the project proponents have already implemented the projects and are awaiting funding from the Grant (see Supervision).

The preparation of the second batch of subprojects is slightly behind schedule, both due to the delays in putting the umbrella arrangement in place as well as difficulties identifying eligible enterprises. Otherwise, the contract with the local and the international consultant was negotiated, signed and the work has begun. Both sets of consultants, Chula Unisearch, the domestic consultant, and ICF, the international consultanting firm, are working on the list of potential subprojects. There will be some deviation from the negotiated terms of reference with both of these consultants to reflect the actual availability of projects in each subsector.

II. CY95 Work Program and Investment Activities

The emphasis during this calendar year would be fourfold: (a) the supervision of the approved batch of subprojects (ODS I - Phase I); (b) development of a new set of subprojects (ODS I - Phase II); (c) development of a subsector policy dialogue to access approaches for meeting needs of smaller ODS users; (d) and further institutional strengthening of IFCT and DIW. These activities will be staff-intensive and will require the recruitment of short-term experts in various subsectors, such as refrigeration, foams, MAC, etc.

Institutional Strengthening

IFCT has expressed its interest in developing a competent cadre of staff. This may include recruitment of a refrigeration engineer and training of staff in various technical aspects of project appraisal and implementation supervision. It was agreed with IFCT that once the project is in operation, the Bank and IFCT would make a joint assessment of training and staffing needs and draw up an appropriate plan. No additional funds would be requested for these training which would be financed by IFCT resources.

DIW will also need to be strengthened. With the recent transfer of the ozone desk in November, it was too early to establish the type of assistance that could be offered. The next mission will attempt to initiate this discussion and potentially develop a program. A proposal may be submitted after agreement of such a program and funding requested.

Project Preparation Activities

Chula and ICF are in the process of recruiting eligible projects. Under the agreed contracts, a total of 20 projects will be delivered within 9 months of the contract. To date, about 14 projects have been identified in the commercial refrigeration, MAC, solvents and foam sectors. The consultants will also prepare projects in the tobacco sector if CFC is still in use. Considering the high level of foreign ownership of likely project proponents and the typical costs for conversions in sectors still using ODS, eligible incremental costs for Phase II projects are expected to require US$8-10 million in grant financing. It is therefore unlikely that the Grant Agreement will be fully committed in 1995. In addition to preparation of the projects identified by Chula and ICF, the consultants will also be responsible for follow-up work on projects previously identified for which concepts were prepared but processing remains incomplete. These include Phase II of the four household refrigerator projects, AP National Phase I and II and projects in the chiller sector.

The number of single large CFC users is declining to the extent that it may be useful to initiate the dialogue with the Government on methods of reaching out to second and third tier users and/or find alternative ways of phasing out CFCs without going the cost intensive route of individual project preparation. One approach that may be worth exploring is to identify key subsectors which still consume substantial CFCs with large number of users, which may not volunteer for the phaseout activity. One such example could be the rigid foam sector. The Bank could help the Government formulate appropriate policy to conduce specific subsectors to switch to non-CFC use.

To prepare and process Phase II projects and engage in sector-specific policy dialogue, the Bank will require US$252,000 for 1995. This amount includes the US$150,000 which was approved in June 1993 for project preparation activities. While consultant contracts have been signed to for this work, funds have yet to be disbursed.

Investment Activities

Once the Grant Agreement becomes effective, it is expected that the Bank will be disbursing a large amount in a short span of time since implementation of several of the large approved projects is well underway and in some cases complete. Prompt disbursement will merit considerable work on both disbursement and procurement issues especially as they relate to retroactive financing. About US$8.5 million will be disbursed in CY95. However since several of the projects make ODS phaseout possible but do not actually eliminate ODS, including the two compressor and four Phase I household refrigerator projects, phaseout will be limited to about 200 tons. A few project proponents plan to revise their proposals to reflect developments in CFC alternatives. These projects will require technical review prior to disbursement. To "jump start" the work of IFCT and supervise implementation of phase I projects, US$52,000 is requested

REPUBLIC OF TUNISIA

I. CY94 Status

Country Program

The Country Program has been prepared with support from the World Bank. The final draft has been translated into French and provided to the Government of Tunisia (GOT) for their review and submission to the EC. There have been no significant changes, although given the delay from the time the data was collected to the time the Government decided to submit the document, the data is somewhat out of date. However, the essence of the strategy and program remain the same and it will be up to the Secretariat to decide whether the CP should be updated and to provide financing for this.

Institutional Strengthening

A 'Unité de Projet Ozone' (UPO) has been established within the Agence National de Protection de l'Environnement (ANPE) in the Ministry of Environment, for which a Project Director and a full-time Project Manager (PM) have been appointed. The PM has been instrumental in assisting the enterprises in moving forward with the implementation of their components. In addition, the PM has recruited a technician and an accountant for the unit. An office has been identified and equipment is being acquired for the unit. In addition, a professional Project Manager with 15 years of experience with Bank projects has been identified to work part-time in providing guidance to the PM and contracting for this consultant, as well as for a secretary, is in process.

Investment Activities

The current project of US$1.79 million including four demonstration subprojects and one technician training and recycling component, is currently underway following grant agreement signature and effectiveness.

Subproject agreements between the enterprise and the implementing agency, ANPE, have been signed for three of the five technical subprojects. Letters of invitation for technical assistance for three subprojects have been distributed, however it has been difficult to identify individual consultants who are capable of carrying out the required work and familiar with non-ODS technology. Component coordinators and technicians have been nominated for two subprojects (Refrigeration and Rigid Foam). For one subproject (technician training and recycling program), the original coordinator will need to be replaced. The PM is preparing to meet with the Director of the Professional Training Institute to see if they will be able to identify a new coordinator.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

The focus of CY95 will be to work on implementation of the current project and supervision. Project preparation for a second project will be a more important part of the later half of CY95. The preparation of new investment projects is the responsibility of the PM working in conjunction with component coordinators which represent each dominant ODS utilizing sector in the country. To date, it is envisaged that several subprojects would be required in the refrigeration sector, several in the foam sector and probably only one in the aerosol sector. As the international technical consultants become identified and start working with the coordinators on each component, subprojects for future investment should start evolving. This will become further defined in mid to late CY95.

Investment Activities

Total disbursements in CY95 could approach US$0.7 million.

TURKEY

I. CY94 Status

Institutional Strengthening

The Ministry of Environment is now proceeding with activities funded under this component.

II. CY95 Work Program and Investment Activities

The 1995 Work Program for Turkey includes finalization of the second project, preparation of new investment operations and supervision of ongoing investment activities.

The Bank's budget for CY95 activity is US$100,000.

Project Preparation Activities

The current project will develop the framework for a sectoral approach to ODS phaseout. An umbrella project is proposed to fund eligible subprojects. Three subprojects have already been prepared and appraised for funding. Finalization of project and legal documents are targeted to be completed by mid-1995.

Investment Activities

The main beneficiary of investment component of ODS I, Arcelik, A.S. aims to complete the project by mid-1996.

The Ministry of Environment and the Technology Development Foundation would implement, respectively, sectoral policy/regulatory framework and preparation of new investment operations.

The Bank budget for this task is US$30,000.

REPUBLIC OF URUGUAY

I. CY94 Status

Project Preparation Activities

The Government of Uruguay (GOU) requested the Bank to assist in the identification of investment projects, and a reconnaissance mission visited Uruguay in January 1994. In conjunction with the preparation of the Umbrella Grant Agreement between the Bank and the GOU now in draft form, the Bank supported project preparation activities leading to the preparation and submittal of four projects to the Multilateral Fund Executive Committee.

Investment Activities

Four projects were submitted by the Bank on behalf of the GOU to the 15th meeting of the EC and approved by the MFEC for US$1.23 million in funding.

Two projects in the domestic refrigeration sector received EC approval for US$773,210 in funding, and two projects in the foams sector received approval for US$455,350.

II. CY95 Work Program and Investment Activities

Institutional Strengthening

The GOU's ozone program assigns responsibility for the administration of approved funds to the Ministry of Housing, Land and Environment (MVOTMA) and the Government Ozone Technical Commission (COGO) assists in project preparation activities. COGO was created with institutional strengthening resources and is already functioning with a highly trained staff and the technical knowledge required for project implementation. The cost of local administration and project preparation will be funded through the approved 3 percent provision included in MFEC approvals. The Bank's support to COGO will consist of guidance and supervision of the procedures for processing and disbursement of approved projects.

Project Preparation Activities

Continued project preparatory work will continue in CY95 in conjunction with completion of the Grant Agreement between the Bank and GOU. The World Bank's proposed budget for its support of the above-mentioned activities is as follows:

Project Preparation:	US$40,000
Supervision:	US$20,000
TOTAL:	US$60,000

Investment Activities

In CY95, MVOTMA and COGO will prepare a sector analysis of the commercial air conditioning sector. Several small scale projects in the sector will be identified and projects prepared for an estimated total funding request in the US$1.5 million dollar range. Disbursements for CY95 are estimated to range between US$500,000 and US$750,000 assuming the Grant Agreement is effective during the second quarter of CY95.

VENEZUELA

I. CY94 Status

Investment Activities

The first MP funded project in Venezuela (Plasticos Molanca) closed on December 31, 1994 with an undisbursed balance of US$35,000. The Bank allows a grace period of four months for the beneficiary to continue withdrawals. After that period, any unused funds will be canceled and returned to the Multilateral Fund.

The Central Air Chiller project comprising four subprojects for a total of US$1.1 million was approved in October 1992 A subproject to the Chiller project may be canceled if issues which arose during CY94 and are delaying subproject implementation cannot be resolved forthwith.

The pre-negotiation package of the FAACA project for an amount of US$3.1 million has been issued and was cleared within the Bank. Once FAACA presents a financial plan acceptable to the Bank, the grant agreement will be signed, most likely in the first quarter of 1995.

II. CY95 Work Program and Investment Activities

Project Preparation Activities

A refrigeration sector study conducted in CY94 identified 14 enterprises that could qualify for MP funding. No estimation of incremental costs was undertaken to determine the possible level of funding required, but a Bank mission for a more in-depth appraisal is planned for CY95.

Signing of an Umbrella Grant with the GOV is dependent on resolving the tax exemption issue. FONDOIN, the local counterpart and the Bank are exploring several options.

Investment Activities

Activities in CY95 will focus on supervision of approved projects.

Preparation of the final documentation for the US$4.4 million AAISA project is being finalized and signing is expected in April 1995. The reason for this late signing date is that the beneficiaries have had difficulty in submitting a financial plan to the Bank.

Planned disbursement levels are as follows:

Central Air Chiller	US$300,000 (assuming that one subgrant is not canceled)
FAACA	US$2 million
AAISA	US$3 million

IFC
Country Level
Work Programs

CY95

EGYPT

I. CY94 Status

The Grant Agreement with MCMC has yet to be signed even though the funds for the compressor project were approved by the EC in October 1992 and the appraisal completed in mid-1993. The MCMC project suffered from several technical and management problems (including losing Whirlpool as the technology partner). This led to IFC suspending disbursements on its associated loan about a year ago. With a major European manufacturer taking an interest in late-1994, the project is now back on track. The technical and management agreement between MCMC and the European manufacturer has already been signed and restructuring of MCMC's debt is likely to be finalized shortly.

II. CY95 Activities

Project Preparation Activities

No project preparation is expected during CY95.

Investment Activities

Signing of the Grant Agreement with MCMC and commencing implementation of the project will be the priority for CY95. The major European manufacturer intends to purchase 25 percent of MCMC and will provide the appropriate technical assistance for the manufacture of HFC-134a compressors. The Grant Agreement with MCMC is expected to be signed and the first tranche of US$1 million disbursed by mid-year. The total grant amount will also be reduced from US$2.8 million to US$2.1 million to account for the European manufacturer's partial ownership of MCMC. Disbursement of the entire grant is expected to be swift, as MCMC has already spent a large share of the grant of HFC-134a equipment.

INDIA

I. CY94 Status

Project identification and preparation was initiated in CY94. Preparation of two projects in the solvents sector was initiated in late CY94.

II. CY95 Activities

Project Preparation Activities

Preparation of the two projects in the solvent sector is expected to be completed by mid-year. After obtaining GOI approval, the two projects will be submitted to the EC for approval at the July 1995 meeting. Funding for these two projects is expected to be about US$1-1.5 million. Additional projects are being vetted and the possibility of undertaking a project in the refrigeration sector with MP, bilateral, and GEF assistance is currently being explored. Project preparation is likely to be initiated during CY95, but is unlikely to be submitted to the EC for approval until CY96. The MP share is expected to be US$2-3 million.

Investment Activities

Activities will depend on the status of project approval during CY95.

TURKEY

I. CY94 Status

Project identification and preparation was initiated in CY94. A grant of US$925,000 was approved by the EC in December 1994 for Assan Demir ve Sac Sanayi, a manufacturer of sandwich insulation panels.

II. CY95 Activities

Project Preparation Activities

Project identification and preparation will continue. A second project valued at about one million dollars is expected to be submitted for EC approval in late CY95 or early CY96.

Investment Activities

The appraisal and Grant Agreement for the Assan project will be completed by mid-year at the latest. It is expected that conversion at the enterprise will be complete by the first quarter of CY96. The grant is expected to be fully disbursed in the same time frame. The project is slated to eliminate 180 tons of CFC-11 each year after conversion.