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

Thirteenth Meeting
Montreal, 25-27 July 1994

WORLD BANK PROGRESS REPORT

This document includes:

- Comments and Recommendations of the Fund Secretariat
- World Bank Progress Report

COMMENTS AND RECOMMENDATIONS OF THE FUND SECRETARIAT

COMMENTS

ODS phase-out

1. The Bank reported the phase-out of 245 tonnes ODS/ODP during this reporting period for projects in the Philippines and Turkey. Three projects in the Philippines (Concepción, Sanyo, and Federal Electric) resulted in the phase-out of a total of 45 tonnes ODS/ODP. It should be noted, however, that the phase-out was reported before the grant agreement for the projects became effective and before any funds were disbursed. Funds for these projects will be disbursed retroactively. With the installation of measures for the 50 per cent reduction of CFC-use in the Arcelik project in Turkey, the Bank reported that about 200 tonnes ODS/ODP have been phased out thus far. Phase-out in another project is projected for the next reporting period.

Grant agreements

2. The Bank requires grant agreements for all investment projects and letter agreements for activities for national execution costing below US $1.5 million. However, disbursements may not necessarily occur following grant agreement signature. If a grant agreement contains conditions, such as approval of a project's procurement procedures, funds cannot be disbursed until the grant agreement is signed and all conditions are met. In the case of the China ODS-I project, the grant agreement was signed on 30 November 1993, but the progress report did not report the grant agreement as "effective" which means that all of the conditions in the grant agreement were not met during the reporting period.

3. In its 1994 Work Programme/Progress Report prepared in January 1994, the Bank stated that signature of grant agreements will continue at a rate of approximately one per month over the next 6-8 months. No additional grant agreements were reported signed as at 13 June 1994.

4. At the Ninth Meeting of the Executive Committee, the Bank stated that it "hoped that the time taken to negotiate grant agreements for monetary disbursement following approval by the Executive Committee [at that time, 11 months] could be reduced to five or six months in the near future" (UNEP/OzL.Pro/ExCom/9/20, para. 51). For grant agreements signed to-date, the time between Executive Committee approval and signature is about 15 months. For grant agreements that have not yet been signed as at 13 June 1994, the average time is also 15 months per investment operation.

5. The Bank currently has 22 "separate investment operations" (activities/projects/sub-projects) for which grant agreements or letter agreements have been signed without remaining conditions. The six separate investment operations included in the China ODS-I project are pending fulfilment of remaining conditions. There are currently an additional 52 separate investment operations that have been approved by the Executive Committee but are awaiting grant agreement signature and fulfilment of any conditions before disbursements can begin.

6. Explanations were provided for the delay in grant agreements such as the need for a new technology transfer agreement for the MCMC project in Egypt, the need to train the financial intermediary in the preparation of procurement specifications in Malaysia, difficulties in the fund transfer mechanism between the Government and the Government-chosen financial intermediary in the Philippines, and the concern of the financial intermediary chosen for Thailand because the three per cent grant administration fee was viewed by the financial intermediary as insufficient to cover the risk to which it would be exposed if grant beneficiaries misused grant funds.

7. Umbrella agreements are currently being negotiated by the Bank for large amounts of money. According to this progress report, an US $45 million umbrella agreement is being negotiated for the India ODS-II project and an US $60 million umbrella agreement is being negotiated for the China ODS-III project. Although the Secretariat has not received a signed copy of an executed umbrella agreement, a draft umbrella agreement was received. Some elements of the draft agreement might deserve further review such as the extent to which monitoring is performed by the beneficiary itself, when international competitive bidding is required, the level of financial commitment included in the agreements, and the possibility of the use of concessional loans through umbrella agreements.

Project execution

8. According to Table I-6, there are ten investment projects (excluding engineering studies and project preparation activities and ODS-I project for China which is not effective) that should be entering the project execution stage since grant agreements have been signed. Under 12 per cent of the funds allocated for investment projects (US $3.8 of $32.3 million) have been disbursed. Disbursements were reported for the first time in ODS-I projects for Brazil (US $1 million), Jordan (US $200,000), and Malaysia (US $200,000). Additional disbursements were reported for the Plásticos Molanca project in Venezuela.

9. An additional US $ 597,000 was internally approved by the Bank as part of the US $4 million Line of Grant to Mexico approved in 1991. Of the US $1.4 million that has been internally approved by the Bank, no additional funds have been disbursed during the reporting period. The Committee decided that more detailed descriptions should be presented of the sub-projects for the line of grant. In this case, information should be provided on these sub-projects such as how much ODS is being phased out, the technology choice, etc. as required for projects costing below US $500,000.

10. The following projects with grant agreements have not yet begun to disburse funds:

Project title	Since Committee Approval	Since Grant Agreement Signature
. Assembly Line Refitting for HFC-134a and CFC-12 Collection and Recycling in Brazil	24 months	6 months
. China ODS-I	24 months	7 months
. Jordan ODS-I	24 months	9 months
. MAC recycling in Mexico	36 months	26 months

11. The Summary Progress Report states that a June 1994 pre-appraisal mission was supposed to select a financial intermediary for the China ODS-III project. The Bank indicated that the financial intermediary for China ODS-I and ODS-II projects no longer wishes to administer Fund projects.

12. The Conversion of aerosol plants to hydrocarbon propellants project in Ecuador was approved for 18 sub-projects for a total cost of US $665,000. The Bank did not provide information about the amount of ODS to be phased out by this project. The progress report states that the Bank has approved one sub-project at a cost of US $146,000 but it did not explain if there will be sufficient funds for the other 17 sub-projects.

Work programme activities

13. The Bank has disbursed 15 per cent of its 1994 work programme (US $991,868) over the first three months of the year according to its progress report.

14. Part II of the Summary Progress Report, "Activities completed, closed, or transferred", indicates that 70 activities have been completed, closed, or transferred. Of those 70 activities, 36 were reported before (all of which were closed for budgetary purposes), another 28 are being reported for the first time but were also closed for budgetary purposes, four were transferred, and two were completed (the two project preparation advances cum engineering studies).

15. While those activities that were previously reported include information about disbursements this time, the volume of closed activities does not appropriately represent progress during the reporting period. Including budgetary closures or transfers with completed projects/activities tends to obfuscate the level of accomplishment. For example, this progress report only includes two completed activities during this reporting period although it is in a section that lists 70 activities.

16. Of the 21 activities in the Bank's work programme for Bank-executed project preparation, 14 disbursed funds during the reporting period. Funds were disbursed for all of the 10 project supervision accounts. Of the four country programme activities, funds were disbursed only for country programme preparation in Argentina. No activities or fund disbursal was reported for institutional strengthening in the Philippines, Tunisia, or Turkey. Since institutional strengthening was approved for Tunisia and Turkey in June of 1992, this has meant that the institutional strengthening, which is intended to assist in project preparation and implementation, in these countries has been delayed by 24 months, and for the Philippines, institutional strengthening was approved in March 1993 which means a delay of 15 months, thus far.

Changes in previous approvals

17. The Bank reported moving activities approved as work programme activities for Bank execution into investment projects that were approved for execution by financial intermediaries. Technical assistance projects approved in the amounts of US $55,000 and US $20,000 have been reallocated into investment projects in China. US $50,000, approved as part of the Bank's project preparation account for Bank execution to train the financial intermediary in Indonesia, are reported to be transferred to the investment project which will be executed by the financial intermediary itself. The Bank also indicated that it planned to transfer approximately 44 per cent (US $375,000) of the funds approved for Bank-executed project preparation in India to the Government of India for national execution.

Small project approval process

18. The Bank's proposal for a "Small Project Approval Process" (SPAP) addresses a problem that does not currently exist, i.e., there are delays in providing funding for projects and activities costing below US $500,000 from the Executive Committee. Projects under US $500,000 can be approved in work programmes once a year, work programme amendments two to four times per year, and inter-sessional approval anytime during the year. The Bank has yet to use more than 80 per cent of its annual work programme request and has reported only a 15 per cent use of its current work programme budget.

19. This proposal suggests employing a new type of grant agreement for projects costing below US $500,000. Grant agreements, however, are time-consuming taking on average 15 months until signature and in some cases, 15 months and beyond before they become "effective".

20. The proposal suggests that cost-effectiveness measurements could be used to determine project eligibility. A cost-effectiveness assessment includes more than the calculation of a measurement. It includes an assessment of component cost items and other indicators of the overall advisability of funding a project.

Note on cost-effectiveness

21. In addition to the comments mentioned in connection with the proposed SPAP concerning the use of cost-effectiveness measurements, the Bank's Note on cost-effectiveness criteria suggests that there is a correlation, and therefore a basis for cost-effectiveness measurements, while the Secretariat's work on cost-effectiveness indicates that there are few correlations of any significance in only a few very specific sub-sectors. Furthermore, since only a few projects have been completed to-date, cost-effectiveness measurements would be based on estimated costs included in project approvals as opposed to the actual costs of implementation.

Coordination

22. There is little mention of coordinating activities with other implementing agencies since a distribution of areas of involvement is not discussed for all of the 19 countries in which the Bank and other implementing agencies have activities. This has the potential for the duplication of effort as activities increase. For example, UNDP and UNIDO are jointly preparing a project supervision computerized monitoring system. However, the Bank is proceeding separately in its effort. Without coordination, two different monitoring systems could be developed and the reporting will be inconsistent.

RECOMMENDATIONS

23. The Fund Secretariat recommends that the Executive Committee take note of, with appreciation, the progress report of the World Bank.

24. It is further recommended that:

(a) Future progress reports should include information about the activities of ozone units created with institutional strengthening resources from the Fund and ozone units should report progress to implementing agencies for incorporation into the Agency progress reports submitted to each meeting.

(b) The World Bank should modify the presentation of its progress report to provide an additional section to its summary progress report tables which provides activities reported as completed at previous Executive Committee Meetings.

(c) The World Bank should also be encouraged to cooperate with other agencies in the development of a reporting format for project supervision activities.

(d) The World Bank should provide project documents for the projects internally approved for the US $4 million Line of Grant in Mexico.

(e) The World Bank should submit all effective umbrella, grant, and letter agreements that are classified as effective to the Executive Committee as part of its progress report.

PROGRESS REPORT

BANK-IMPLEMENTED
MONTREAL PROTOCOL OPERATIONS

FEBRUARY 1994 - MAY 1994

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EXECUTIVE SUMMARY

1. This Progress Report on Bank-Implemented Montreal Protocol investment operations covers the four-month period of February to May 1994.

2. Following the 12th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol, the Bank's portfolio of MP investment operations has grown to almost US$80 million dollars while projects which have been given permission to proceed now amount to over US$20 million. The total number of separate investment operations now stands at 28 (including Project Preparation Advances), 18 of which have been committed (through a PPA letter or grant agreement) and 13 of which are now disbursing.

3. New investment operations have been prepared for presentation to the 13th Meeting of the Multilateral Fund Executive Committee. These include projects for Argentina, Brazil, China, India, Indonesia, Thailand and Venezuela and Work Program amendments for Indonesia and Turkey. Projects presented to the 13th Meeting of the Executive Committee, total about US$22 million.

4. During this last reporting period, the Bank successfully negotiated its second "Umbrella" grant agreement with the Kingdom of Thailand. Also during this period, negotiations were completed with the governments of China, Philippines and Tunisia. Negotiations were also initiated with the governments of India and Indonesia.

5. There was progress in most investment operations and delays in others. Appraisal missions visited China, Indonesia and Tunisia. Project identification, preparation and/or country program missions were fielded to Argentina, Brazil, China, Guatemala, India, Malaysia, Pakistan, Philippines, Slovenia, Thailand, Uruguay and Venezuela.

6. During this period, the Bank also initiated a number of policy and program activities including: (a) Implementation and Performance Review of Bank-Implemented Montreal Protocol Investment Operations; (b) Implementation Strategy for the Preparation and Processing of Small Montreal Protocol Investment Operations Through an Umbrella Grant Agreement; and (c) Establishment of Cost-Effectiveness Criteria.

7. The Ozone Operations Resource Group also convened two Working Group meetings to consider technical developments in two very critical sectors for the Bank's clients: (a) refrigeration and freezer foam technology; and (b) domestic refrigeration. The final recommendations of the OORG Working Groups are in the final stages of preparation and will be published very shortly.

8. Reports from the field also indicate that project implementation is leading to ODS phaseout. The Philippines, Turkey and Venezuela have reported ODS phaseout. Details are provided in the Progress Report.

9. With the introduction of the new financial reporting format (as per EC request), the Progress Report needs to be modified slightly to eliminate duplication, and the Bank looks forward to guidance from the Secretariat on standardizing reporting format for all the agencies.

I. Montreal Protocol Operations Status Reports

A. New Investment Operations and Work Program Amendments for Consideration at 13th Meeting of the Executive Committee

1. Investment projects are being presented for Brazil, China, India, Indonesia, Thailand and Venezuela. There are no requests for permission to proceed and only one request for a Work Program Amendment.

2. Investment projects totaling about US$20 million are being submitted to the 13th Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol. The complete breakdown by country and type of decision requested is provided in Table I-2.

3. As per the Bank's MP Operations guidelines, the proposed investment projects and other pipeline projects have been reviewed by the Ozone Operations Resource Group (OORG). The following projects (Table I-1) were technically reviewed by members of the Ozone Operations Resource Group during the July 1993 through June 1994 period. Early reviews were done along the Technical Review Format that was in place while more recent reviews have adopted the new format proposed by the Executive Committee at its last meeting.

Table I-1: OORG Reviews of Investment Projects

Country - Project	*Bank Task Manager (TM)*	*OORG Reviewers*
Brazil - 1 subproject	Donald Rhatigan	Lambert Kuijpers
Thailand - 2 subprojects	Nadereh Chamlou	Art Fitzgerald
China - ODS Investment Project (III), 4 subprojects	Helen Chan	Mike Jeffs, Harry McCain, Martien Janssen, Phil DiNenno, Mike Harris
India - 4 subprojects	Naimeh Hadjitarkhani	Mike Jeffs, Lambert Kuijpers, Art Fitzgerald, Phil Di Nenno
Indonesia - 2 subprojects	Jessica Poppele	Mike Jeffs
Venezuela - 1 subproject in the Mobile Air Conditioning Sector	Donald Rhatigan	Robert Procter

Table I-2: Summary of World Bank Investment Projects being Submitted to the 13th Meeting of the EC, July 1994

Country	*Project Title & Subprojects by Sector*	*ODS Phase-Out per Year (MT)*	*Type of EC Decision Requested*	*Incremental Cost (US$ million)*
Argentina	Institutional Strengthening	N/A	Final Approval	0.400
Brazil	1 subproject in the refrigeration sector (through an umbrella grant agreement)	270	Final Approval	0.280
China	ODS III Project: 12 subprojects in halon, refrigeration, aerosol and foams sectors (through umbrella grant agreement)	5200	Final Approval	12.210
India	ODS II Project: 4 subprojects in the refrigeration, foam, solvent and halon sectors (through an umbrella grant agreement)	723	Final Approval	2.470
Indonesia	ODS I Project: 2 subprojects in the foam sector (through an umbrella grant agreement)	220	Final Approval	0.617
Indonesia	Work Program Amendment for Project Preparation	N/A	WP Amendment	0.170
Malaysia	1 subproject in the refrigeration sector (through umbrella grant agreement)	100	Final Approval	0.902
Thailand	2 subprojects in the MAC and solvent sectors (through an umbrella grant agreement)	100	Final Approval	0.404
Turkey	Work Program Amendment for Project Preparation	N/A	WP Amendment	0.100
Venezuela	Mobile Air-Conditioning Project	100	Final Approval	4.300
Sub-Total			Final Approval	21.583
Sub-Total			Work Program Amendment	00.270
Grand Total			Total All Decisions	21.853

4. Details on the Work Program Amendment for Indonesia and Turkey are provided in Attachment G. The request for Work Program Amendment is also being presented separately as it forms a separate agenda item for the Fund Executive Committee.

B. Project Processing Status of Investment Operations and Other Activities

5. Status on Country Programs. Table I-3 provides a status of ongoing Country Program (CP) activities for those countries in which the Bank has requested funding in its CY94 Work Program which includes continued support to Argentina, Brazil, Malaysia (update of CP), Nigeria and a new program in Slovenia. The Bank continues to provide support, when appropriate, to country program activities as part of its continuing dialogue with most of its clients.

Table I-3: Status of Country Program Activities

Country Program	*Status*	*Comments/Explanations*
Argentina	Completed.	The GOA completed its Country Program in May 1994 with Bank assistance. CP to be presented to the EC for approval at its 13th Meeting. Upon approval of the CP, this activity will be completed for the Bank.
Brazil	In progress. Draft CP under review.	The GTO (local coordinating body for ozone issues) has finalized a draft CP. Funds made available by the Bank to the GTO, through FINEP, have not yet been utilized.
Malaysia	In progress.	Contracting of local firm has been completed. Update of CP is underway.
Nigeria	No activity.	Discussions with FEPA are continuing. The CP for ODS Phaseout will form part of a comprehensive national environmental plan which FEPA is undertaking with Bank assistance. No new developments since the last Progress Report.
Slovenia	Completed.	The Bank contracted the Slovenian Chamber of Economy and an international consulting firm to prepare the CP for ODS phaseout. A draft was reviewed by the GOS and cleared for presentation to the Fund EC. Presentation to the Fund EC is tentatively scheduled for the 13th Meeting of the EC pending resolution of the eligibility issue.

6. Status of Project Preparation and Processing. A country-by-country update on status of project implementation and other activities is provided in Attachment A. A brief summary of progress for each country is provided in the next paragraphs.

(a) Argentina. Work in Argentina is proceeding well. Argentina's Country Program was completed in May 1994 and is being submitted to the July 1994 meeting of the Fund Executive Committee. Plans have been made for the initiation of formal project preparation activities, the first step being a project preparation workshop scheduled for the end of June 1994.

(b) Brazil. Active project preparation has begun. A February mission to Brazil resulted in the identification of several projects in the refrigeration sector ranging in grant size from US$280,000 to US$3.5 million (incremental capital costs). The projects submitted for preliminary OORG review are the following:

(i) Metalfrio: A UNIDO technical consultant prepared the project document, which the Bank submitted for preliminary OORG review February 7, 1994. The OORG recommendation resulted in a Bank mission scheduled for June 6-10 to conduct a technical review of the project so as to verify conceptual soundness and ensure safe design for use of cyclopentane in foam blowing operation; and

(ii) Embraco: The project document was prepared by the Bank and officially submitted to the MFMP Secretariat on April 4, requesting US$281,000 OTF grant assistance for an HFC-134a compressor oil storage and charging system. The Secretariat returned the project to the Bank on April 11. Relevant changes have been made and the project has been resubmitted for the July meeting of the EC.

New investment projects are being prepared in the refrigeration (Climax-Westinghouse and Refripar) and halon (GESPI) sectors. The Bank has approved the hiring of an independent consultant to assist FINEP in project identification and preparation. The arrangement is proposed to become effective July 1, 1994.

(c) Chile. Some delays were experienced in project implementation during this last period due to the elections, change in Government and uncertainties regarding CONAMA. These uncertainties have been clarified under the new environmental law. CONAMA will be reporting directly to the Presidency. These changes have had, nevertheless, certain benefits in that the budgetary situation has been greatly simplified (no approval through the Binenes Nacionales required). The project team has been operational since November 1993. Computers have been purchased and office space within CONAMA established. The design of the ozone seal is being carried out through public competition. The investment component (TECFIN) is now being launched and initial contacts have been established with industry. The project team has prepared a manual of procedures and is in the process of incorporating the Bank's suggestions.

(d) China. ODS I Grant Agreement: **Beijing Dry Powder Production**: Technology package contract has been signed with a foreign technology supplier. Project engineering should be completed in 1994 for equipment installation in early 1995. **Shanghai and Tianjin CFC Conversions to LPG**: A technical consultant worked with the Chinese in May 1994 to help evaluate the three bids received by Shanghai and four received by Tianjin. The Bank is awaiting final evaluation reports. **Zhejiang Halon Extinguisher Conversion**: Technology investigation tour to select equipment supplier planned for June 1994. **Zhejiang Conversion to Butane**: Plant design has been reconfigured for use of flammable blowing agent, including firebureau approval of planned butane storage tank location. Procurement of foreign equipment delayed due to problem with procurement agency selection. The local financial agent has now resolved this issue.

ODS II Grant Agreement: Negotiations are complete and Bank management approved the project on May 23, 1994. The grant agreement is expected to be signed by June 20, 1994.

ODS III Grant Agreement: Pre-appraisal mission is in progress during June 1994. The major issue is selection of the project financial agent.

Project Preparation Activities: The commercial refrigeration and air-conditioning study tour financed with the second US$300,000 Project Preparation Advance (PPA II), was completed in May 1994 and most of the five project proposals and the phaseout strategy for this sector will be completed by July 1994. PPA III is being used for preparation of project proposals and phaseout strategies for the halon, chemical production and household refrigeration sectors. In addition to the finalization of the eight projects submitted to the 12th EC Meeting, funds are being used to prepare an additional 2-3 aerosol project proposals, 2-3 halon extinguisher conversion proposals, on halon production closure projects, and 3-4 proposals in the production sector. These proposals are in various stages of preparation, but should all be ready by fall of 1994. Finally, PPA III funds are supporting three foam sector project preparation workshops. The first was conducted in March 1994 and seven projects were identified and are under preparation. The second foam workshop is scheduled for July 1994.

(e) Ecuador. The Grant Agreement for Ecuador ODS I was signed by the Bank and GOE on October 18, 1993. Local staff training was initiated in August 1993. Seminars for the private sector have been organized and carried out successfully. A training manual was produced as a result of the seminar. The first subproject for ODS phaseout in the aerosol sector has been cleared for a total grant amount of US$146,000. A grant for a foam-sector subproject has also been approved for an amount of US$246,000. Three additional subprojects have been submitted to the Project Unit for review. Project execution is progressing very satisfactorily and on schedule. Early training of project staff and close cooperation with the private sector are main reasons for successful implementation. In addition, Government support, in terms of staff continuity in spite of changes of Ministers has been instrumental in effective and efficient project execution.

(f) Egypt. The Bank received a letter from the Egyptian Environmental Affairs Agency which indicated that the Bank would be asked to implement projects in the industrial and commercial refrigeration sectors. The Bank is presently planning to visit Egypt at the end of June 1994 on reconnaissance to determine the scope of the Bank activities in Egypt on ODS phaseout projects.

The grant agreement between IFC and MCMC has not yet been signed. In recent months, significant issues relating to the progress and management of the MCMC project have surfaced. These issues and delays have been serious enough for IFC to suspend disbursements of monies from its own local account as well. The most important issue is that the original technical assistance agreement with Whirlpool

Italia is no longer valid, as Whirlpool has closed its IRE compressor operations in Italy. MCMC is currently negotiating a new technical assistance agreement with Electrolux. IFC expects that the outstanding issues will be resolved over the next few months and MCMC will commence production. Once IFC resumes disbursements on its own loan account, it will proceed with signing of the MP grant agreement.

(g) Guatemala. Following a request from the Government of Guatemala, the Bank visited the country to assist with project identification and preparation. Activities are ongoing.

(h) India. The processing of the first and second ODS Phaseout projects for India is proceeding well.

ODS I (US$1.25 million): The Grant Agreement was sent to the Government of India (Ministry of Environment and Forests and others) and the Industrial Development Bank of India (IDBI), the selected Financial Agent in India who will channel funds to the participating enterprises as well as supervise the implementation of the subprojects, on April 14, 1994. The negotiations are completed and grant agreement signature is expected shortly. The two approved subprojects under this grant agreement are ready to proceed as soon as funds are made available for project implementation.

ODS II (Umbrella Grant Agreement): Arrangements to establish project preparation capacity for Montreal Protocol investment operations are proceeding very well with the expected final Bank clearance in August 1994. At the 12th Meeting of the Fund EC, project preparation funds were approved for India as part of the Bank's 1994 Work Program. Of the allocated amount, US$345,000 is being made available to IDBI as a Project Preparation Advance to initiate the identification and preparation of subprojects which will be processed through the umbrella grant agreement. The PPA has been signed by the Country Department Director and is being sent to India for countersignature. As part of activities under India ODS II, the Bank and MOEF have agreed that the first two workshops for the Project preparation would be on aerosol and refrigeration/air conditioning. The first of these workshops is scheduled for August 1994. IDBI is managing the organization of the workshops, and the Bank will be providing the technical experts. The Bank is presently discussing with MOEF a technical assistance and training component which would complement the institutional strengthening projects being implemented by MOEF.

(i) Indonesia. ODS I Grant Agreement: The pre-negotiation package was cleared for negotiations by the Regional Vice President on June 1, 1994. As implementation issues including financial agent selection and disbursement mechanism were agreed during appraisal, negotiations are expected to go smoothly and signing of the US$17 million "umbrella" grant agreement is expected to be complete by mid-July, making way for implementation of the first group of sub-projects to begin the third quarter. Progress has been reported on subproject implementation:

(i) Intitri Foam Subproject: The parent Singapore company is negotiating a technology transfer agreement with Dow for its proprietary carbon dioxide technology; and

(ii) Foamindo Foam Subproject: The company has modified their proposal within the approved budget to include vacuum cooling equipment needed to prevent scorching during manufacture of low density foams.

Project Preparation Activities: Project preparation under the PPA is proceeding well. The consultants are preparing 20 project concepts by early July, 1994, from which the local ODS Phase Out Technical Team will select 12 for final preparation. These 12, if approved, are expected to exhaust the unallocated US$12.5 million included in the ODS I umbrella grant agreement. Additional project preparation resources are being requested to finalize the additional project concepts as well as 3-4 other projects which were identified during execution of PPA contract. Project preparation funds are also being sought to assess and compare the feasibility of various options for supplying quality hydrocarbon aerosol propellants to local aerosol fillers. These projects would become the basis for ODS II.

(j) Jordan. The Grant Agreement was signed in September 1993 and the first supervision mission visited Jordan in February 1994. The Project Implementation Unit was not yet formally organized at the time of Bank supervision. The mission assisted the Project Implementation Unit with the preparation of an action plan for the implementation of the institutional strengthening component, including the preparation of detailed Terms of References for financial and technical consultants which are to be hired for the PIU. The first disbursement to the PIU was also arranged during the mission so that the project office could be organized and staff hired. In order to accelerate start-up of project activities, an aggressive support program was discussed and agreed to, including the visit of a foam sector expert to finalize the appraisal of the foam-sector projects, and two additional visit over the following six months, the next one schedule for June 1994, at which time it is expected to finalize the sub-grant agreements with the participating enterprises. The technical appraisal of the LPG Purification project was also completed during this time period. The final cost of this component was determined to be US$870,000.

(k) Malaysia. ODS I Implementation: **MAC Recycle Project**: The GOM awarded the contract for the MAC recycling subproject to Shoh consultancy through a rigorous competitive bidding process project. No additional progress to report.

Halon Recycle Project: The project has been delayed because the responsible government agency, the Fire Service Department (FSD) lacks technical knowledge to prepare the specs for tendering the recycle equipment. To overcome this barrier, a January supervision mission agreed with the FSD staff, a UNDP halon expert, and a USEPA halon specialist, who were in attendance, that the UNDP expert would assist in writing the specs and that EPA would provide technical training to FSD staff. In April the GOM agreed to EPA's bilateral support offer, but FSD has yet to schedule training. We expect that the Bank project will proceed following EPA's training.

ODS II Grant Agreement: Project Appraisal for an umbrella grant agreement is scheduled for October 1994.

Project Preparation Activities: In addition to finalization of five proposals prepared by Malaysian enterprises (including MELCOM which was submitted for between meeting approval), activities are underway to update the Malaysia CP and to identify and prepare up to 20 project proposals. Both local and international contracts are now in place to proceed with project identification and preparation. A national workshop on ODS phaseout project preparation and the World Bank project cycle is being planned for early August 1994 in Malaysia following completion of the CP update and initial project identification tasks. Approved projects will be implemented under the ODS II umbrella grant agreement.

(l) Mexico. In the last Progress Report the Bank indicated that 4 subprojects had been approved for the US$4 million line of grant. Since that time, an additional three subprojects have been approved. The newly approved subprojects are listed below:

(i) Quimobasico - US$222,615 - Phaseout of CFC-11, 12 and HCFC-22;

(ii) Quimica Omega - US$295,000 - Phaseout of CFC-113 and MCF; and

(iii) Styloptic - US$79,299 - Phaseout of CFC-113.

Although several subprojects have been approved by the Bank, no contracts have yet been signed between the enterprises and the local coordinating body. During the June supervision mission, the Bank was informed by GOM that it was their intention to finalize these contracts over the next few weeks.

(n) Nigeria. After a long interruption of MP activities in Nigeria, it appears that work could resume shortly in this country. The Bank has hired a Nigerian consultant to update background information which will be required to initiate the CP activity. A Bank mission will visit Nigeria in July to review the status of the Environmental Management Project which also includes global environmental components. The mission will seek to clarify the apparently still pending plans to reissue the request for proposals on the country program.

(o) Pakistan. A reconnaissance mission visited Pakistan in November 1993 to discuss and establish the modalities of the Bank's assistance on MP-related issues. This reconnaissance mission was followed-up by a project identification mission in May 1994. Key outcome of this mission are as follows: (i) a financial intermediary has been selected by the Government of Pakistan; (ii) a list of potential participating enterprises will be prepared by the Environment and Urban Affairs Division to allow project preparation to be initiated in parallel to the CP; (iii) local consultants have been identified and will be contracted to assist in project preparation; and (iv) a draft Project Document was presented and discussed with EUAD.

(p) Philippines. ODS I Grant Agreement: A resolution to the fund transfer mechanism issue, which delayed finalization of the grant agreement has now been agreed among the Government, the local financial agent (FA), and the Bank. Signing of the grant agreement is expected in July 1994 and implementation of approved project activities will begin in the third quarter following signing of sub-grant agreements between the FA and beneficiary enterprises. Several participating enterprises have initiated ODS phaseout activities as described below:

Sanyo. Reduction of 5 MT/year complete. Sanyo has reduced CFC-11 consumption in its foam production by 30 percent and ordered in December 1993 a high pressure foaming machine to test further CFC-11 reduction as well as alternative blowing agents (e.g., HCFC-141b).

Concepcion. Reduction of 35 MT/year complete. Concepcion has reduced CFC-11 consumption in its foam production by 50 percent, however an 8 percent loss in thermal efficiency resulted from the change.

Philacor. The first attempt at commercial production with 50 percent reduced CFC-11 foam failed and use was discontinued after three days. The use of 50 percent reduced formula has been supported by ICI polyurethane based on satisfactory experience in Europe, but adhesion problems persisted. ICI has suggested formulation modifications and pre-heating of the cabinet in a special oven. Under terms of their existing agreement with General Electric, Philacor will move to HCFC-141b starting in 1997.

Federal Electric. Reduction of 5 MT/year of CFC-11 complete. In cooperation with Bayer-BASF, Federal has reduced CFC-11 consumption by 50 percent in its foam production. Federal solved the foam adhesion problem by pre-heating their mold assembly before injecting the foam mixture. Thermal efficiency went down 2 percent.

Fortune Tobacco. Fortune has obtained two competitive bids for the patented DIET technology it will use to phase out 350 MT of CFC-11. The company planned to visit plants in China where the technologies are being used in February 1994 prior to making a final selection. Fortune is in touch with the local financial agent to ensure it is in compliance with Bank procurement guidelines.

Project Preparation Activities: In addition to finalization of six "permission to proceed" projects, project preparation activities are planned for the solvent and refrigeration sectors. The Bank has issued a request for bids on the contract to prepare about 20 project proposals. Final selection of the consultants will be completed to begin project preparation in August 1994. Approved projects will be implemented under ODS II umbrella grant agreement.

(q) Thailand. ODS I Grant Agreement: Grant Agreement (ODS I) signing is expected in July 1994. This US$40 million umbrella grant agreement is the first Bank project to be negotiated for which a grant agreement will be signed between the Bank and a private local bank selected by the Government to act as financial agent (FA) for the project. This arrangement is expected to expedite disbursements of subgrants to beneficiaries once the agreement is in place. However, some unanticipated issues slowed project negotiations. Specifically, the local FA was concerned that its 3 percent grant administration fee was insufficient to cover the risk to which it would be exposed if grant beneficiaries misused grant funds. Standard language in MP Grant Agreements notes that the grant recipients must repay to the Bank any portion of the grant that is misused. In cases where governments are grant recipients this clause has not been disputed. The Bank project team and the local FA have explored various options for passing this risk on to either the enterprises or the Government and a resolution is expected during the upcoming mission. Implementation of the subprojects is expected to begin in the third quarter following signing by the FA and beneficiary enterprises of subgrant agreements.

Project Preparation Activities: The Thai Airways feasibility study is complete and the Bank will agree with the enterprise during the June mission on a reasonable transitional period for incremental operating costs. The MAC recycling project will also be agreed upon during the June mission. Project preparation is moving forward locally and project identification is underway to prepare approximately 20 project proposals. Contracts will be finalized during the June mission. Approved projects will be implemented under the ODS I umbrella grant agreement.

(r) Tunisia. The Tunisia ODS I Project was appraised in October and the legal documents were forwarded to Tunisia in December 1993. After an exchange of comments and clarifications, negotiations were successfully completed in May 1994 and grant agreement signature is expected in June. In order to initiate project implementation and facilitate disbursement after grant agreement signature, an institutional development specialist was assigned to assist the Agence National de Protection de l'Environnement with the set-up of the Ozone Office. This specialist, funded by the Belgian Consultant Trust Fund, spent four weeks in Tunis providing hands-on assistance and training, including a disbursement seminar in conjunction with the Banque Centrale de Tunisia and workshops on Bank procurement guidelines and procedures. The first supervision mission is tentatively scheduled for July 1994.

(s) Turkey. The Grant Agreement for Turkey ODS I (including the Arcelik refrigeration project) was signed on January 24, 1994. Requests for retroactive disbursements have been received by the Bank and are being processed. Significant progress in implementing the refrigerator foam and compressor components has been reported by Arcelik, including the introduction of 50 percent CFC foam in refrigerator cabinet production. A more comprehensive report has been requested and should be available in July 1994. A supervision mission is visiting Turkey in June 1994 to assess the status of the Arcelik project and to assist the Technology Development Foundation and Ministry of Environment with the set-up of the project preparation mechanism and institutional strengthening component.

The Bank has received two additional refrigerator-sector projects which it has been asked to prepare within the context of an umbrella grant agreement. The June supervision mission will also seek to establish a scope and schedule for the Turkey ODS II project.

Also, IFC has identified a foam sector project in Turkey which would phaseout the use of 400 tons of CFC-11. This foam manufacturer which produces 500,000 m^2 per year of foam sandwich panel is Turkey's largest and accounts for 10 percent on the country's consumption of ODS. Pre-appraisal is planned for late June.

(t) Venezuela. Progress in the CP is linked to the Refrigeration Sector Study that was initiated last May by a refrigeration sector expert. The study will serve as a major input in preparation of the final Country Program document. The inauguration of the new non-ODS technology at the Plasticos Molanca plant is planned for June. A technical mission to carry out a final design check-out was undertaken in May. This will result in the phaseout of over 250 tons of ODS. The US$1.1 million central air conditioner chiller conversion project is expected to enter the negotiations stage in June. Signing will take place in June/July. AAISA's US$4.23 million MAC heat exchanger project will be submitted for the July meeting of the EC. FAACA has revised its cost estimates downwards, and a Memorandum of the Director will be issued in June for US$3.25 million in OTF funding. New investment projects for end of CY94 will likely include the Frigilux, Madosa and Coresmalt/Insanova companies.

(u) Global Solvents. An interim progress report has been issued by ICOLP, the non-profit organization charged of the implementation of the Global Aerosol Project. The final tranche of the Project has been disbursed. Activities are now under preparation for India and Turkey.

(v) Global Refrigeration. Nothing to report since the last progress report.

C. Project Implementation Status: Grant Agreements, Disbursement and Project Impacts

7. Grant Agreements and Project Preparation Advances. The following MP projects have been approved by the Bank's Regional Vice Presidents or Directors. The schedule for Director/RVP approval for the six months horizon is presented in Table I-5.

Table I-4: World Bank Investment Project Grant Agreement Approvals, as of June 10, 1994

Country	*Project*	*Cost (US$ million)*	*RVP or Director Approval*	*Effectiveness*
Mexico	MAC Recycling and Aerosols (Mexico ODS I Project)	0.18	03/09/92	03/10/93
Philippines	Controlled Substances Engineering Project (project preparation)	0.40	01/14/92	06/03/92
Thailand	Controlled Substances Engineering Project (project preparation)	0.39	01/14/92	08/18/92
China	Project Preparation Advance on China ODS I and ODS II	1.50	08/10/92	08/10/92
Malaysia	Halons and MAC Recycling (Malaysia ODS I Project)	1.63	05/29/92	11/06/92
Mexico	Ozone Protection Policy and Institutional Strengthening Project (Mexico ODS II Project)	4.00	11/20/92	12/07/92
Venezuela	Plasticos Molanca (Venezuela ODS I Project)	1.30	04/30/93	05/05/93
Chile	Implementation of Country Program (Chile ODS I)	1.20	06/01/93	10/07/93
Jordan	ODS Phaseout I	1.50	09/16/93	09/17/93
Ecuador	ODS I	1.57	09/93	
China	China ODS I	6.92	11/30/93	
China	China ODS II	5.00	05/23/94	
Brazil	Brazil ODS I (Umbrella Grant Agreement)	10.90	12/17/93	12/17/93
Turkey	Ozone Layer Protection ODS I	6.17	01/24/94	04/23/94

Table I-5: Schedule for Director/RVP Approval Commitments of MP Projects for a Six Months Horizon

Country	*MP Project*	*Task Manager*	*EC Approval*[1]	*Appraisal*	*Planned Director/ RVP Appr.*
China	ODS Phase Out III	Chan	06/93	12/93	11/94
Venezuela	Chiller Retrofit (ODS II)	Rhatigan	10/92	07/93	06/94
Thailand	ODS I	Chamlou	06/93	09/93	07/94
Philippines	ODS I	von Ritter	03/93	04/93	07/94
Egypt	MCMC Compr. (IFC)	Younger	10/92	06/93	TBD
Tunisia	Ozone Layer Protection - ODS I	Steininger	10/92	09/93	06/94
India	ODS I	Hadjitarkhani	06/93		06/94
India	ODS II	Hadjitarkhani	03/94		08/94
Indonesia	ODS I	Poppele	11/93	01/94	07/94
Venezuela	FAACA and AAISA	Rhatigan	11/93	05/94	08/94

Several changes in the planned approval of projects were recorded over the last reporting period. These changes are also reflected in Table III-3 and can be summarized as follows:

- The Venezuela Chiller Retrofit Project was cleared for negotiations in May following a lengthy delay caused by internal difficulties between the main project beneficiary and the local contractor. This was successfully resolved and final approval is imminent. The grant agreements will be forwarded to Venezuela in June 1994.

- The Thailand ODS I umbrella grant agreement negotiations took significantly longer than anticipated as there were many issues which needed to be resolved, mainly concerning the responsibility and liability of IFCT, the local financial agent. Final details are expected to be addressed on an upcoming Bank mission in June 1994.

- Negotiations for the Philippines were recently completed and RVP/Director approval should follow shortly. Changes in Bank personnel also affected the processing schedule over the last two months.

- The situation concerning the Egypt MCMC projects were outlined in an earlier section.

- India ODS I negotiations package was sent to the GOI in April 1994.

- The Indonesia ODS I negotiations package was sent to the GOI in early June, about 1 month behind schedule, due to workload situations of concerned staff. Negotiations and grant agreement signature are expected to be completed in July 1994.

[1] Indicates date of approval of first subprojects for projects that are umbrella grant agreements.

8. With the introduction of umbrella grant agreements, the number of new agreements which need to be negotiated and signed is substantially reduced. The only two new projects which have been added to the list are for India (India ODS II umbrella grant agreement for US$45 million) and China (China ODS III umbrella grant agreement for US$60 million). The schedules for the Argentina (Argentina ODS I), Pakistan (Pakistan ODS I), Slovenia (Slovenia ODS I), Turkey (Turkey ODS II), and Uruguay (Uruguay ODS I) (these projects form the bulk of the pipeline) remain under discussion with the respective governments.

9. Project-Related Disbursements. The following Montreal Protocol projects and project preparation activities have disbursed a total of US$5.06 million as of May 31, 1994:

Table I-6 World Bank Investment Project Disbursements, as of 05/31/94

Trust Fund Number	Project Name	Approved Commit. Amount(US$m)		Effectiveness Date	Disbursement ($US m) Cumulative Total since Inception	
	MP Investment Projects					
21918	Brazil - ODS Phaseout I	2.9300	a/	12/17/93	1.00	
21916	Chile ODS Phaseout	1.2060		10/7/93	0.10	
21921	China - ODS Phaseout I	6.9250		11/30/93	0.00	
21981	China-ODS Phaseout II	4.8650			0.00	
21923	Ecuador - ODS Phaseout I	1.5660		10/18/93	0.15	
21932	Jordan - TA and Investment Proj.	1.5000		9/17/93	0.20	
21925	Malaysia Halons & MAC Recycling	1.6300		11/6/92	0.20	
21924	Mexico MAC Recycling & Aerosols	0.1800		3/10/92	0.00	
21920	Mexico Ozone Protection Policy	4.0000		12/7/92	0.40	
20078	Philippines ODS Phaseout Engineering	0.4000		6/3/92	0.39	
20077	Thailand ODS Phaseout Engineering	0.3900		8/18/92	0.39	
21934	Turkey - ODS Phaseout I	6.1650		1/24/94	0.60	
21919	Venezuela ODS Phase out I -Plasticos Molanca	1.3000		5/5/93	1.18	
	Subtotal MP	**33.0570**			**4.61**	
	PPA					
21927	China ODS Phase-out - PPA I for ODS Projs. I & II	1.5038		8/10/92	0.25	b/
21917	China ODS Phase-out - PPA II for ODS Proj. III	0.3000		5/28/93	0.10	
21937	China -ODS Phase-out-PPA III for ODS Proj. III	0.3200		2/16/94	0.00	
21929	Indonesia ODS PPA	0.2500		8/5/93	0.10	
	Sub-total PPA	**2.3738**			**0.45**	
	TOTAL MP	**35.4308**			**5.06**	

a/ Approved commitment authorized for disbursement under the $10.9 m umbrella agreement for this project.
b/ Previously reported as $0.35 m; the reduction of $100,000 reflects the amount refunded by China to the OTF PPA.

10. Project Impacts. As the various ODS phaseout projects move into the implementation phase, the Progress Report will provide additional details on the actual impacts (both quantitative and qualitative) of the projects on ODS phaseout and on the capacities of the institutions which are involved in the ODS phaseout activities.

Venezuela - Plasticos Molanca. The Plasticos Molanca project is, for all practical purposes, completed. Commissioning of the new non-ODS foam injection machine was completed in May 1994, in cooperation with the Japanese technology supplier. This important project will phase out over 200 tons of ozone depleting substances. Full scale production using the new technology is expected to begin in June 1994.

Turkey - Arcelik. Production of HFC-134a compressors has been initiated on a pilot scale basis by Arcelik, the largest Turkish manufacturer of domestic refrigerators. The firm has also implemented the 50 percent CFC foam project leading to an immediate reduction of some 200 tons of CFC-11.

Philippines - Refrigeration-sector projects. Sanyo, conception and Federal Electric have reported on the successful implementation of 50 percent CFC foam technology resulting in the phaseout of 45 tons per year. Details were provided in the country-level report.

II. OPERATIONAL, POLICY AND OTHER ISSUES

11. Implementation Performance Review. The Bank has been active as an implementing agency of the Multilateral Fund for almost three years. The first two years were characterized by ongoing adjustment of operational procedures to accommodate the new business and changes in operational guidance from the Multilateral Fund. During the first two years the Bank developed a centralized unit to coordinate activities, implemented new internal procedures such as the use of "Umbrella" grant agreements which provide the legal umbrella through which to channel large numbers of small subprojects, expanded the use of Project Preparation Advances to expedite funding for engineering studies and project preparation activities, and developed in-country project implementation strategies to encourage local ownership of ODS phaseout activities.

12. While the progress has been substantial and has been recognized by both client countries and members of the Executive Committee of the Multilateral Fund, disbursements of funds for project implementation have yet to meet the expectations of the members of the Executive Committee. This has left an impression with some Parties to the Protocol that there are significant issues in the Bank's MP investment operations that are having negative consequences for MP project implementation.

13. The Bank has therefore elected to undertake an Implementation Performance Review (IPR) of MP investment operations in order to document the issues and problems which have arisen during the identification, preparation and implementation of MP projects and how these were or are being addressed. The findings will provide a comprehensive overview of the issues which the Bank and its clients have faced over the last two to three years. Some issues and constraints to disbursement will be generic to MP operations and may be generic to the Bank. Other issues will be unique to particular clients. The review will establish the responsiveness of the Bank in dealing with issues and will define an action plan for the Bank and its MP clients for ongoing improvement in ODS phaseout operations. A sample report focusing on operations in four countries (Brazil, Indonesia, Tunisia and Venezuela) will be submitted to the Executive Committee in July 1994. The final report will be submitted to the Executive Committee in September 1994. It is expected that the Bank's IPR will be of value to the fully independent review of MP governance, structure and funding mechanism which will be completed by mid-1995 and is required by the Parties to the Protocol. Furthermore, the Bank will also establish a Focus Group of task managers, legal staff, disbursement specialist and MP operations specialists, in order to address any outstanding operational issues which have been identified by the IPR exercise.

14. The approach for conducting the IPR includes introductory discussions with each Bank division with MP activities and preparation of a detailed project history in matrix form which outlines the issues at each stage of project preparation and processing. The matrix will be reviewed by the division and, when warranted, discussion will be held with client country representatives to get input on their experiences, perceptions and recommendations. In order to ensure the required balance and insight for the IPR and to benefit from the Bank's experience to date on MP operations, an Advisory Group has been established consisting of Project Advisors,

Division Chiefs, Task Managers and representatives from the Bank's Global Environment Operations Committee (GEOCOM). The Advisory Group will be a sounding board on the approach and strategy adopted for the IPR, will identify sensitivities and pitfalls of the approach within the Bank and with the client countries, will review draft reports and will clear the final report prior to submission to the Executive Committee. At the first meeting, the Advisory Group endorsed the methodology being used to conduct the IPR and recommended expansion of the IPR to include a review of Bank processes and procedures through a focus group to identify options and solutions.

15. The Terms of Reference for this Implementation Performance Review are presented in Attachment C. This activity has been initiated and a Bank-wide kick-off meeting was held in April 1994. This was further followed by a meeting of the Advisory Group which has been established to ensure the integrity and utility of this MP IPR exercise. A sample report of the Implementation Performance Review output is being prepared for presentation to the 13th Meeting of the Fund EC.

16. Streamlining of Project Approval Procedures. During the 11th Meeting of the Fund Executive Committee in Bangkok, Thailand, the Bank participated in discussions pertaining to the streamlining of activities of the Fund Executive Committee. During these discussions, the paper prepared by the Secretariat and the USA/Canada paper were discussed at length. The Bank also tabled additional proposals on the streamlining of operations. The EC decided to consider the Bank's paper at the next EC meeting. The Bank's proposal consists of the implementation of an EC-sanctioned project approval procedure, where the approval of subprojects of values of less than US$500,000 is delegated to the implementing agencies.

17. During the 12th Meeting of the Fund EC, the Bank proposed to develop a project processing procedure which would further streamline the project approval procedure and accelerate the flow of funds to the Bank's client countries. The Bank's proposal, supported by several members of the EC, is now referred to as the Small Project Approval Process initiative. The Bank also agreed to report to the 13th Meeting of the EC with more details on the methodology and procedures which would be involved in elaborating the Small Project Approval Process Initiative (SPAP). This proposal was a refinement of the paper which the Bank had tabled at the Eleventh Meeting of the Fund EC and for which consideration was deferred to allow the EC members sufficient time for its consideration.

18. This initiative has been developed into a concept which the Bank is now piloting with the Government of India's Ministry of Environment and Forests (MOEF). The objective of the SPAP is to establish a framework for expediting processing and approval of small ODS phaseout projects, with the objective of accelerating disbursement for cost-effective ODS phaseout projects. The SPAP is the key to a streamlined process for projects under US$500,000 (as provided for in the London Amendments to the Montreal Protocol). The SPAP can only be applied in association with an implementing strategy consistent with the CP which establishes a relative order of priority for cost effective ODS phaseout activities. The country level implementation strategy will provide for boundaries on a sector and sub-sector basis above which projects will not be considered for this mechanism, but will be processed through the regular channel, i.e., presented for approval at the EC meeting. The SPAP and associated implementation strategy

would invariably be established within the framework of an umbrella grant agreement which the Bank has already negotiated with its client. The most likely scenario would be that a Letter of Implementation Strategy would be processed in parallel to an umbrella grant agreement, and that this Letter would outline the sectoral cost-effectiveness criteria and SPAP procedural arrangements.

19. The major steps for the implementation of this streamlined mechanism were outlined during the 12th Meeting of the Fund EC and can be summarized as follows:

(a) the Bank would prepare and negotiate an umbrella grant agreement with its client;

(b) in parallel, the Bank would initiate the preparation and negotiate an SPAP agreement with its client on sector-specific cost effectiveness boundaries, which would serve as the basis for approval of projects under US$500,000 by the Bank;

(c) the SPAP would then be presented to the EC so as to be reassured that the cost-effectiveness boundaries will ensure that projects approved through the SPAP mechanism meet reasonable cost-effectiveness criteria;

(d) on the basis of the EC's clearance of the SPAP, an advance would be made to the Bank from which it could begin funding projects which are submitted through this facility;

(e) on a regular basis, the Bank would report back (including project documentation) to the EC on the projects which it had approved and request a replenishment of the account served to fund the SPAP projects; and

(f) the cost effectiveness criteria would then be revised on a regular basis with the Bank's clients and submitted to the EC for clearance.

20. The detailed Terms of Reference for the SPAP initiative are presented in Attachment C. Discussions with MOEF on approach and methodology were initiated during a Bank mission last May. Initial indications are that the SPAP approach would provide for substantial efficiency gains. Agreement on sector-specific cost effectiveness criteria will prove to be the challenging part of the process.

21. Technical Review. The Bank has introduced to its OORG experts the new technical review format which was approved by the Fund Executive Committee. Training on the new technical review format will be conducted in October 1994 at the next full meeting of the OORG experts. Several projects which have had preliminary reviews with the previous format remain in the pipeline. Technical reviews for new projects will be based on the new format. Although a certain transition period is expected.

22. Monthly Operations Report. The Bank's MP Operations team has been issuing a Monthly Operations Report (MOR) since July 1993. The MOR outlines the progress and issues on Bank implemented MP investment operations. The preparation of certain segments in the monthly

reports has proven time consuming and repetitive. In order to provide a better product to its readership, the Global Environment Coordination Division will now be issuing a bimonthly report on Global Environmental Operations, including ozone layer protection activities under the Multilateral Fund and Global Environment Facility.

23. Policies for the Chemical Production Sector. The Bank has initiated discussions with China, India and Venezuela on projects in the sector of production of non-ODS as substitutes for CFCs. The Bank has prepared project concepts which it presented at the 11th Meeting of the Executive Committee. At the 12th Meeting of the EC, permission-to-proceed was granted to the first production-sector project in China and the EC supported the establishment of a group of experts to develop operational policy issues for the production sector. Although this group of experts has yet to meet, it is clear that it will be very difficult to address the production sector on a project-by-project basis, which would most likely lead to high risk scenarios in terms of new investment projects. The approach to dealing with the production sector at a country level needs renewed attention and an innovative and operationally-sustainable approach.

24. Implementing Agency Coordination. The Bank, UNDP and UNIDO have consulted extensively (mainly in the field through close cooperation between the Resident Missions) on coordinating their MP assistance to Argentina and Pakistan where new technical assistance and investment operations are now being developed.

25. Outcome of OORG Working Group Meetings. During the Fifth Ozone Operations Resource Group (OORG) Meeting on February 17, 1994, it was decided to convene three OORG working group meetings in early May to follow up on issues raised by evolving technological developments in several key ozone depleting substance (ODS) consuming sectors.

26. The Second OORG Refrigeration Working Group met on May 9, 1994, in Hannover, Germany, to review its original October 1992 recommendations and provisional 1993 recommendations concerning hydrocarbon use in refrigeration circuits. A major effort was undertaken to compare the various options in terms of comparable measures of cost-effectiveness in the conversion of both compressors and refrigerator appliances to low or zero-ODS alternatives. The discussion began with a review of the differing status of technology options in major market regions including Europe, the US, and Japan; refrigerant and lubricant prices and availability; and capital investments required for effecting alternative conversions. Of particular interest to the group was the need for technology transfer licensing agreements with qualified and experienced licensors, as well as the business liability and safety risks concerned with the use of flammable refrigerants.

27. Perhaps the most remarkable outcome of the meeting was the Working Group's recommendation of two zero-ODS technologies - HFC-134a and isobutane - for implementation in Montreal Protocol-funded projects in developing countries. The Group endorsed HFC-134a for all household refrigerator and freezer applications and isobutane for many applications (certain applications such as no-frost refrigerators may never be possible due to possibly unavoidable safety risks). In any event, the experts recommended that stringent safeguards and rigorous technology transfer agreements be built into developing country projects whenever flammable hydrocarbons, such as isobutane, are contemplated.

28. There was a general consensus also that at the present stage of technological development, the relative energy efficiencies of the various refrigerant options were similar, though still very much on the learning curve. While further technological advances could be anticipated, it was not possible to predict whether or not any of the options would derive a long term advantage in terms of energy efficiency. On the other hand, the hydrocarbon options require a larger compressor and safety design features must be built in - each of which increases the overall unit abatement cost (UAC) of the alternative.

29. While the cost of hydrocarbon alternatives may be higher than HFC-134a due to the need for additional safety investments, certain hydrocarbons such as isobutane may have compensating virtues of special interest to the consumer, namely: (a) the relatively low corrosiveness and high quality (exceptional stability) of the refrigerant enhances the overall technical reliability of the appliance (a critical factor especially in developing countries); and (b) remarkable operating noise reduction (4 db noise reduction, according to one manufacturer).

30. The Second OORG Foam Pre-Insulated Pipe Working Group met in Fredericia, Denmark on May 11, 1994. The meeting was convened by the World Bank and hosted by the Danish Ministry of the Environment. The principal aim of the meeting - to review the Working Group's original recommendations of December 1992 in light of the rapid pace of relevant technological developments within the sector since that time. At that time, the Working Group was much less certain about the efficacy of carbon dioxide blown foam pre-insulated district heating (DH) pipe technology. In addition, the monitoring and testing protocols for various critical technical pipe parameters such as aging and "creep" were still being developed and evolving. Recently, however, the resulting European Standard governing DH pipes, CEN 253, has been agreed and now for the first time all options may be compared on a common accepted international standard.

31. In addition to the establishment of reliable standards, during the past year and a half research has generated the data necessary to define and measure (a) the expected thermal lifetime; (b) thermomechanical behavior of foaming agents (creep); and (c) thermal conductivity over product lifetime. A major conclusion resulting from this research is that as halogens are eliminated (i.e., as the blowing agent concerned approaches zero ODS in character), its chemical lifetime is extended. It has also been confirmed that there are no major differences in thermomechanical behavior of either carbondioxide-blown or cyclopentane-blown foams relative the CFC-11-blown foam.

32. All of the CFC-free foam pre-insulated DH pipe systems considered (HCFC 141b, HFC-134a, cyclopentane, carbon dioxide) are either comparable to or better than CFC-11. Similarly, their thermomechanical properties are either comparable or result in even less pipe-distorting "creep" than CFC-11 systems. As a result, any of the commercially available CFC replacement technologies can match or improve upon the CEN 253 standard, provided a carefully optimized DH system is designed and implemented. In addition, the "halogen-free" options - cyclopentane and carbon dioxide - provide the best results overall with regard to expected thermal lifetime and reduction of creep. Some manufacturers have also been able to equal the thermal conductivity

of CFC-11 (0.027 W/m K) with either cyclopentane or carbondioxide through the adoption of continuous production technologies. Such results suggest that even greater improvements may be possible as more experience is gained.

33. The Second OORG Refrigerator/Freezer Insulating Foam Working Group met in Washington, D.C. on May 17, 1994. The working group confirmed its October 1993 findings that there are major differences in trends underway in major regional markets. Europe is expected to be virtually entirely converted to cyclopentane in order to achieve a zero-ODS solution in the earliest possible timeframe. Meanwhile, the US market, driven predominantly by energy efficiency concerns and associated regulatory taxes, has opted primarily for HCFC-141b technology, a clearly transitional solution. Japan is pursuing both of these options as well as vacuum insulating panel (VIP) technology and at least one Japanese manufacturer is planning on introducing cyclopentane technology in developing countries within the Asia region. Of particular note, however, was the finding that cyclopentane has now been adopted by at least one manufacturer in each market region - including the U.S - and current prospects are for continuing expansion as experience grows and opportunities are identified in developing and developed countries.

34. Several working group members affiliated with manufacturers confirmed the finding that HCFC-141b technology tended to be relatively more expensive and hence less cost-effective in terms of unit abatement cost (UAC) due to the fact that relatively sophisticated liner systems are necessary in order to combat HCFC-141b's tendency to cause blistering of the liner and cracking under stress with standard liners. Some manufacturers also report slower production speed when using HCFC-141b. Whether or not standard liners can be used with cyclopentane, on the other hand, depends upon the particular refrigerator/freezer model concerned, but most manufacturers have found that cyclopentane works well with standard liners.

35. A principal concern of developing country manufacturers will, of course, be the availability of sufficient numbers of cyclopentane rigid foam blowing technology suppliers and/or other experts to oversee and ensure the successful transfer of the technology to such enterprises. With the transition to "flammable" materials such as cyclopentane in foams and (possibly) isobutane in refrigeration circuits, many enterprises in the industry are faced with a transition from what has been essentially a "metal-bending" operation into the less familiar world of "applied chemical" manufacturing - with new behavioral and production engineering concerned with flammability and safety. This will entail changes in attitudes and worker training support in order to ensure successful enterprise adjustment.

36. Another concern of particular interest to developing country manufacturers will be assurance that sufficient supply and quality of cyclopentane will be available at reasonable prices. As a consequence, the working group included within its recommendations a request that the OORG Production Working Group addresses the future availability, quality, and cost/price of hydrocarbons, such as cyclopentane, in developing countries. An identical recommendation was endorsed by the OORG Refrigeration Working Group for a similar review of the availability, quality and price of isobutane.

37. Upcoming Events. MP meetings and other events of importance to Bank operations are provided below (Table II-1) for a 6 month horizon:

Table II-1: Montreal Protocol Activities - 6 Month Horizon	
Meeting/Event	***Place and Date***
Implementation Committee Meeting	Nairobi, July 4
Open-Ended Working Group Meeting	Nairobi, July 8
OORG Chiller Working Group Meeting	Washington, D.C., July 15
13th Meeting of the Fund Executive Committee	Montreal, July 24-28
14th Meeting of the Fund Executive Committee	Nairobi, September 30
Meeting of the OORG	Washington, D.C., October
6th Meeting of the Parties	Nairobi, October 3-5

III. Budget and Financial Data

38. The tables listed below and presented in the following pages present the status of the World Bank's MP work program budget, financing and commitments:

Table III-1: Fund Receipts, Uses and Balances

Table III-2: Work Program Budget Summary (Part A and B)

Table III-3: CY93 Planned Approvals/Commitments

39. Fund Receipts, Uses and Balances. Since the last Progress Report, the Bank has received transfers of US$2.812 million for its 1994 work program activities from the Multilateral Fund. Transfer of funds for projects approved at the 12th EC Meeting is expected later this year when the grant agreements are expected to be signed. Additional commitments of over US$11 million were made since the beginning of the year.

40. Work Program Budget Summary. Table III-2 provides the status of expenses on the Bank's 1994 Work Program budget as of 31 May 1994. Total expenses stand at slightly over US$1 million. Several Project Preparation Advances (Argentina, India, Malaysia, Philippines and Thailand) are now being prepared and will utilize a substantial portion of the 1994 Work Program budget.

41. Planned Commitments. Table III-3 presents the status of MP project commitments by the Bank for those projects having received final approval by the Executive Committee. Commitments for 1994 include China ODS II (US$4.87 million), China PPA III (US$0.32 million), Turkey ODS I (US$6.17 million). India ODS I (US$1.25 million), Tunisia ODS I (US$1.79 million), Venezuela Chiller Retrofits (US$1.1 million) and India PPA I (US$0.345 million) are slated for commitment by the end of 2Q94. Rescheduling of other commitments was addressed in an earlier section of the report.

19. Financial Report. The annual financial report for Bank MP activities for the period ending December 31, 1993, is presented in Attachment E. The format is that proposed by the UNEP Treasurer and adopted by the EC.

20. Audit of OTF. As in previous years, the Bank's Ozone Projects Trust Fund was audited by an independent accounting firm. The Report of Independent Accountants is presented in Attachment F.

Table III-1

MULTILATERAL FUND OF THE MONTREAL PROTOCOL

World Bank Work Program

Fund Receipts, Uses and Balances

(in US$ million)

As of May 31, 1994

	CY91-93 Actuals a/	CY94 Actuals b/	Cumulative Actuals from Inception thru 31 May 1994	CALENDAR YEAR 1994: Planned CY94 Work Prog.	CALENDAR YEAR 1994: Estim.Cum.Uses thru end-CY94 c/
I. FUND RECEIPTS (through 5/31/94)					
Contributions	$85.868	$2.812	$88.680		$88.680
Investment Income	$2.484	$0.817	$3.301		$3.301
TOTAL FUND RECEIPTS	$88.352	$3.629	$91.981		$91.981
II. FUND USES					
A. Workprogram Costs					
- CPs and Studies	$1.142	$0.020	$1.162	$0.344	$1.487
- Project Preparation	$4.645	$0.651	$5.296	$4.817	$9.462
- Administrative Costs	$1.886	$0.250	$2.136	$1.119	$3.005
-OORG	$0.219	$0.091	$0.310	$0.300	$0.519
Sub-total WP Costs	$7.893	$1.012	$8.905	$6.580	$14.474
B. Project Commitments					
- Pre-inv. Activities	$3.020	$0.320	$3.340	$0.550 d/	$3.340 e/
- Project Financing	$21.060	$11.030	$32.090	$80.000 d/	$74.687 e/
Sub-total Project Costs	$24.080	$11.350	$35.430	$80.550	$78.027
TOTAL FUND USES	$31.973	$12.362	$44.335	$87.130	$92.501
III. FUND BALANCES					
EXCESS OF RECEIPTS (USES)	$56.379	($8.732)	$47.646		($0.519)
FUND BALANCE AT BEGINNING OF PERIOD		$56.379	$0.000		
FUND BALANCE AT END OF PERIOD	$56.379	$47.646	$47.646		($0.519)

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

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

c/ Cash requirement projected 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 and when a grant agreement is to be signed.

d/ Actual and planned projects to be presented to the MP Executive Committee during CY1994.

e/ Actual workprogram costs and project commitments thru May 1994 and planned project approvals/commitments by Bank Management through end-CY94 (see Table 4: CY94 Planned Approvals/Commitments) during CY1994.

Table III-2

ORLD BANK–MONTREAL PROTOCOL OPERATIONS

Work Program Budget Summary a/

ntry Work ograms	Product ID	CY94 Plan b/ Work Program Budget (US$) CP Studies	Project Prep/Sup.	TOTAL	CY94 Expenses thru 3/31/1994 (US$) CP Studies	Project Prep/Sup.	TOTAL
vestment Projects							
Brazil ODS I	6BRAMT001	49,400	164,380	213,780	0	28,017	28,017
Chile ODS I	6CHLMT001	0	30,208	30,208	0	11,520	11,520
China ODS I	4CHAMT001	0	79,000	79,000	0	6,741	6,741
China ODS II	4CHAMT002	0	110,000	110,000	0	86,346	86,346
China ODS III	4CHAMT003	0	660,000	660,000	0	83,105	83,105
Ecuador ODS I	6ECUMT001	0	30,000	30,000	0	8,683	8,683
Egypt	7EGTMH120	0	50,000	50,000	0	0	0
India ODS I	8INDMT001	0	70,837	70,837	0	52,554	52,554
India ODS II	8INDMT002	0	775,000	775,000	0	25,070	25,070
Indonesia ODS I	4INSMT001	0	128,899	128,899	0	54,460	54,460
Jordan ODS I	5JORMT001	0	72,900	72,900	0	36,209	36,209
Malaysia ODS I	4MAYMT001	0	35,815	35,815	0	23,221	23,221
Mexico ODS I	6MXCMT001/2	0	52,286	52,286	0	52,755	52,755
Philippines ODS I	4PHLMT002	0	136,027	136,027	0	21,571	21,571
Tunisia ODS I	5TUNMT001/2	0	76,296	76,296	0	612	612
Thailand ODS I	4THLMT002	0	129,433	129,433	0	28,261	28,261
Turkey ODS I	7TURMT001	0	30,000	30,000	0	4,394	4,394
Venezuela ODS I & II	6VENMT001/2	40,040	83,236	123,276	0	28,908	28,908
Venezuela ODS III (FAACA)	6VENMT004		47,190	47,190	0	130	130
Venezuela ODS IV (AAISA)	6VENMT005		47,190	47,190		0	0
stment Projects Subtotal		89,440	2,808,697	2,898,137	0	552,556	552,556
Pipeline Projects							
Algeria	5ALGMT001	0	100,000	100,000	0	6,586	6,586
Argentina ODS I	6ARGMT001	30,000	192,929	222,929	20,000	16,314	36,314
Egypt ODS I		0	25,000	25,000	0	0	0
Guatemala ODS I		0	55,000	55,000	0	0	0
Indonesia ODS II	4INSMT002	0	167,312	167,312	0	0	0
Malaysia ODS II	4MAYMT002	25,000	66,610	91,610	0	20,035	20,035
Mexico	6MXCMT003	0	100,000	100,000	0	520	520
Nigeria		150,000	100,000	250,000	0	0	0
Pakistan ODS I	8PAKMT001		133,191	133,191	0	22,037	22,037
Philippines ODS II	4PHLMT003		94,900	94,900	0	0	0
Slovenia ODS I	7SLOMT001	50,000	100,000	150,000	0	17,192	17,192
Thailand ODS II	4THLMT003	0	81,302	81,302	0	1,456	1,456
Uruguay ODS I	6URUMT001		100,000	100,000		650	650
Venezuela Central Air Chiller	6VENMT003		28,665	28,665		6,631	6,631
Solvents & Refrig.	1WLDMT001	0	313,499	313,499	0	6,862	6,862
Global Aerosol	1WLDMT002	0	349,931	349,931	0	0	0
line Projects Subtotal		255,000	2,008,339	2,263,339	20,000	98,284	118,284
Admin., Legal, Fin., IFC Costs c/		0	1,118,946	1,118,946	0	250,037	250,037
OORG			300,000	300,000		90,991	90,991
Sub-total Admin. Costs			1,418,946	1,418,946		341,028	341,028
l: CY94 Work Program		344,440	6,235,982	6,580,422	20,000	991,868	1,011,868

Includes IFC

Plan as submitted to the Multilateral Fund Executive Committee at its 12th Meeting on March 28-30, 1994.

Budget amounts for operations coordination, related policy analysis and review

legal and financial administration and associated overhead costs.

CY94 PLANNED APPROVALS/COMMITMENTS
(In US$ million)
As of 31 May, 1994
Table III-3

Country	No. of Projs.	Project Type	Total Project Cost	Planned Bank Approvals/Commitments CY1994 Apr-Jun	Jul-Sep	Oct-Dec		TOTAL COMMIT.	CY94 ACTUAL (Jan-May)	ACTUAL APPROVALS CY93		CY92
I. EC AUTHORIZED/PROJECTS IN WORK PROGRAM a/												
Brazil	1	Project Financing I	2.93							2.93	c/	
Chile	1	Project Financing I	1.21							1.21		
China	1	Project Financing I	6.93							6.93		
China	1	Project Financing II	4.87						4.87			
China		PPA I for ODS I and ODSII	1.50									1.50
China		PPA II for ODS III	0.30							0.30		
China		PPA III for ODS III	0.32						0.32			
Ecuador	1	Project Financing I	1.57							1.57		
Egypt	1	Project Financing I	2.80			2.80		2.80				
India	1	Project Financing I	1.25	1.25				1.25				
India	1	Project Financing II	3.61		3.61			3.61				
Indonesia		PPA I for ODS I	0.25							0.25		
Indonesia	1	Project Financing I	4.55		4.55			4.55				
Jordan	1	Project Financing I	1.50							1.50		
Malaysia	1	Project Financing I	1.63									1.63
Mexico	1	Demonstration Proj.	0.18									0.18
Mexico	1	Project Financing I	4.00									4.00
Philippines	1	Engineering Proj.	0.40									0.40
Philippines	1	Project Financing I	11.73	11.73				11.73				
Thailand	1	Engineering Proj.	0.39									0.39
Thailand	1	Project Financing I	11.67		11.67			11.67				
Tunisia	1	Project Financing I	1.79	1.79				1.79				
Turkey	1	Project Financing I	6.17						6.17			
Venezuela	1	Project Financing I	1.30							1.30		
Venezuela	1	Project Financing II	1.10	1.10				1.10				
Venezuela	1	FAACA	3.48		3.48			3.48				
Venezuela	1	AISA	0.62		0.62			0.62				
WP Sub-total	23		78.03	15.87	23.93	2.80		42.60	11.35	15.98		8.10
II. PROJECT PIPELINE b/												
Argentina	1	Project Financing I										
China	1	Project Financing III										
Indonesia	1	Project Financing II										
Malaysia	1	Project Financing II										
Pakistan	1	Project Financing I										
Philippines	1	Project Financing II										
Slovenia	1	Project Financing I										
Thailand	1	Project Financing II										
Turkey	1	Project Financing II										
Uruguay	1	Project Financing I										
Venezuela	1	Project Financing V										
PP Sub-total	11											
GRAND TOTAL	34		78.03	15.87	23.93	2.80		42.60	11.35	15.98		8.10

a/ Investment projects and Project Preparation Advances authorized by the MP Executive Committee thru May 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 totalling $10.9 m and agreed in principle by the Executive Committee. Subsequent sub-projects ($7.97 m) will be submitted to the EC for final 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.

Filename: 94APPR3.XLS

SUMMARY PROGRESS REPORT - PART I: ACTIVITIES UNDERWAY

has been included in the

Consolidated Progress Report UNEP/OzL.Pro/ExCom/13/8

Attachment B

NOTE ON THE IMPLEMENTATION PERFORMANCE REVIEW OF BANK-IMPLEMENTED MONTREAL PROTOCOL INVESTMENT OPERATIONS

(as of June 10, 1994)

Global Environment Coordination Division, Environment Department

THE WORLD BANK

Implementation Performance Review

of

Bank-Implemented Montreal Protocol Investment Operations

Terms of Reference

April 1994

Global Environment Coordination Division
Environment Department

BACKGROUND

1. The World Bank has been an implementing agency of the Multilateral Fund for the Implementation of the Montreal Protocol for almost three years. Although the first two years were characterized by a number of operational difficulties, in part due to the newness of this business for the Bank and in part to the lack of operational guidelines from the Multilateral Fund, this last year has seen substantial progress in the establishment of an operationally sustainable Montreal Protocol Multilateral Fund (MFMP) program of assistance managed by the Bank. This progress is characterized by the finalization of a large number of grant agreements which has completely eliminated the backlog, and by an anticipated increase in the volume of new business in CY1994.

2. This progress has been acknowledged by our clients and even by some members of the Executive Committee of the Multilateral Fund. Disbursement of MFMP funds for project implementation have yet to take off in line with the expectations of the members of the Executive Committee although they are consistent in level with Bank experience from regular operations. This has left an impression with some Parties to the Montreal Protocol that there remains significant bottlenecks in the Bank's business procedures which does not allow it to be more reactive in terms of project implementation. At Executive Committee (EC) meetings, the Bank has been under increasing pressure to substantially improve its disbursement record and to achieve ODS phaseout in the field. This pressure is quite understandable. The Bank's operational unit charged with managing the MP work program Bank-wide also had higher expectations of performance and is concerned to understand relative shortfalls in expectations to which the regions had also subscribed.

3. A full review of the MP Multilateral Fund governance structure and performance as a funding mechanism will be initiated later this year by the Parties to the Protocol. The MP Parties review is required to be completed in early 1995 and is a requirement of the Parties to the Protocol for presentation to their 1995 annual meeting in September/October and will consider inter alia the roles of the implementing agencies and their effectiveness to deliver resources to their clients for ODS phaseout projects. In preparation for this exercise, and to assuage the fears of the Fund EC that the Bank is oblivious to the need for accelerating implementation of ODS-phaseout activities, the Bank will undertake an Implementation Performance Review (IPR) of all MP investment operations which have been approved to date by management. This IPR will serve as an important input to the MP Parties review of the funding mechanism and be presented in September 1994 to the EC meeting just prior to the 1994 annual meeting of the MP Parties. The scope, objectives and methodology proposed for the IPR exercise are outlined below.

PURPOSE

4. The purpose of this exercise is to document and establish the implementation issues which have arisen during the identification, preparation and implementation of MP investment operations and how these were dealt with or how they are being addressed now. Implementation issues on the Bank side and client side should be identified and analyzed. These findings will provide a comprehensive overview of the issues which the Bank and its clients have faced over the last two years, establish the level of responsiveness which the Bank has demonstrated in dealing with these issues, and define an action plan for the Bank and its MP clients for ongoing improvement in ODS phaseout implementation.

SCOPE AND OBJECTIVES

5. All Bank MP investment operations will be covered by this comprehensive review.

6. The specific objective of the IPR is to identify a set of commitments/actions on the part of the Bank and its clients to further strengthen the implementation mechanism and to understand the extent to which present quality improvement measures are likely, in due course, to adequately address concerns identified as a need to be supplemented and complemented by additional adjustments in Bank internal procedures and practices and in-country dialogue; as well as additional measures required to assist clients with implementation of MP investment operations.

PARTICIPANTS

7. The IPR exercise will be coordinated by ENVGC and will require the participation of Task Managers, Division Chiefs and a selected number of Project Advisors.

METHODOLOGY

8. The process for achieving this output will be initiated through a Bank-wide MP Operations meeting. The IPR will be initiated in each country where the Bank has established MP operations. The approach will be standardized as much as possible so that the participating Country Departments have a good understanding of the approach and an expected final product. The steps proposed are as follows:

(a) introductory discussion with each Division (Task Managers, Division Chiefs, Project Advisors, ENVGC);

(b) detailed preparation of project history and preparation of draft issues/action matrix;

(c) discussion of draft matrix with TM, division chiefs and project advisors;

(d) establish a country-level action plan through dialogue with clients on the review when and where warranted regarding client experience, perceptions and recommendations for Bank and client improvement in business practices, capacity, etc.

(e) review of Bank-wide findings and compilation into summary table highlighting findings and proposed actions. A Focus Group consisting of Task Managers, legal staff, disbursement specialists and MP operations specialists will be convened to address the operational issues which require follow-up; and

(f) establishment of monitoring system to review progress in implementation of action plan.

Output

9. The final output will be a comprehensive table for each country which will identify the difficulties encountered during the project processing step. This matrix will identify the difficulties which were encountered and what action has been (or will be) taken to correct the situation.

Schedule

10. This exercise is expected to be completed over a four-month period, with the final report available in September 1994. An extract of this report will need to be completed by July 1994, so that it may be discussed at the meeting of the Multilateral Fund Executive Committee.

11. The tentative schedule is as follows:

April 14:	MP Operations Meeting - IPR kickoff
April 18:	Preparation of draft matrix and working documents
April 25:	Final Schedule issued by ENVGC Preparation of Case Study (possibly Indonesia)
April 25 - July 30:	Meetings with Country Departments
July 15:	Sample Report to 13th EC Meeting
August 15:	Draft Final Report
September 15:	Final Report

12. ENVGC is considering preparing a case study on Indonesia which will serve as an example for use by other Divisions undertaking this exercise.

Attachment C

NOTE ON AN IMPLEMENTATION STRATEGY FOR THE PREPARATION AND PROCESSING OF SMALL MONTREAL PROTOCOL INVESTMENT OPERATIONS THROUGH AN UMBRELLA GRANT AGREEMENT

(as of June 10, 1994)

Global Environment Coordination Division, Environment Department

THE WORLD BANK

Note on an

IMPLEMENTATION STRATEGY FOR THE PREPARATION, PROCESSING AND APPROVAL OF SMALL MONTREAL PROTOCOL INVESTMENT OPERATIONS THROUGH AN UMBRELLA GRANT AGREEMENT

- A STREAMLINED APPROACH -

Presented to the Thirteenth Meeting of the Executive Committee of the Multilateral Fund

Global Environment Coordination Division
Environment Department

World Bank

IMPLEMENTATION STRATEGY
FOR THE PREPARATION, PROCESSING AND APPROVAL OF
SMALL MONTREAL PROTOCOL INVESTMENT OPERATIONS
THROUGH AN UMBRELLA GRANT AGREEMENT

1. At the Twelfth Meeting of the Executive Committee (EC) of the Multilateral Fund for the Implementation of the Montreal Protocol (Multilateral Fund), the World Bank proposed to develop a project processing concept which would further streamline the project approval procedure and accelerate the flow of funds to the Bank's client countries. The Bank's proposal, supported by several members of the EC, is now referred to as the Small Project Approval Process (SPAP) initiative. The Bank also agreed to report to the Thirteenth Meeting of the EC with more details on the methodology and procedures which would be involved in elaborating the SPAP. This proposal was a refinement of the paper which the Bank had tabled at the Eleventh Meeting of the Fund EC and for which consideration was deferred to allow the EC members sufficient time for its consideration.

2. This initiative has been developed into a concept which the Bank is now piloting with the Government of India's Ministry of Environment and Forests (MOEF). The objective of the SPAP is to establish a framework for expediting processing and approval of small ODS phaseout projects, with the objective of accelerating disbursement for cost-effective ODS phaseout projects. The SPAP is key to a streamlined project processing for projects under US$500,000 (as provided for in the London Amendments to the Montreal Protocol). The SPAP can only be applied in association with an implementing strategy consistent with the Country Program which establishes a relative order of priority for cost effective ODS phaseout activities. The country level implementation strategy will provide for boundaries on a sector and sub-sector basis above which projects will not be considered for this mechanism, but will be processed through the regular channel i.e., presented for approval at the EC meeting. The SPAP and associated implementation strategy would invariably be established within the framework of an Umbrella Grant agreement which the Bank has already negotiated with its client.

3. The major steps for the implementation of this streamlined mechanism were outlined during the Eleventh Meeting of the Fund EC and can be summarized as follows:

(a) the Bank would prepare and negotiate an Umbrella Grant agreement with its client;

(b) in parallel, the Bank would initiate the preparation and negotiate a SPAP agreement with its client on sector-specific cost effectiveness boundaries which would serve as the basis for approval of projects under US$500,000 by the Bank;

(c) the SPAP would then be presented to the EC so that it may reassure itself that the cost-effectiveness boundaries will ensure that projects approved through the SPAP mechanism meet reasonable cost-effectiveness criteria;

(d) on the basis of the EC's clearance of the SPAP, an advance would be made to the Bank from which it could begin funding projects which are submitted through this facility;

(e) on a regular basis, the Bank would report back to the EC on the projects (including project documentation) which it had approved and request a replenishment of the account served to fund the SPAP projects; and

(f) the cost effectiveness criteria would then be revised on a regular basis with the Bank's clients and submitted to the EC for clearance.

4. The detailed Terms of Reference for the SPAP initiative are presented in Attachment A. Discussions with MOEF on approach and methodology were initiated during a Bank mission in May. It will require an additional 3-4 months to finalize this pilot effort. Initial indications are that the SPAP approach would provide for substantial efficiency gains. Agreement on sector-specific cost effectiveness criteria will prove to be the challenging part of the process.

IMPLEMENTATION STRATEGY FOR THE PREPARATION, PROCESSING AND APPROVAL OF SMALL MONTREAL PROTOCOL INVESTMENT OPERATIONS THROUGH AN UMBRELLA GRANT AGREEMENT

- A STREAMLINED APPROACH -

TERMS OF REFERENCE AND PROPOSED METHODOLOGY

April 1994

Objectives

1. The objective of this activity (hereafter referred to as the "Small Project Approval Process") is to prepare a framework for streamlined processing of small Montreal Protocol investment projects (less than US$500,000) in India under a World Bank umbrella grant agreement. In cooperation with India's Ministry of Environment and Forests (MOEF), this framework is to pilot a Small Project Approval Process (SPAP) which would allow the Bank to approve and disburse funds to India on the basis of its approval authority agreed to by the Parties to the Montreal Protocol within the framework of an umbrella agreement, and for projects which meet pre-set cost-effectiveness criteria.

2. The objective of the SPAP is to establish a framework (i.e., administrative arrangement) for approving and processing relatively small projects in a streamlined fashion. The SPAP will be a pivotal element in establishing a highly streamlined project processing procedure where the Bank will seek full authority to approve projects under US$500,000 and disburse to the country on the basis of an advance it has received from the Multilateral Fund. The SPAP will, on the basis of India's Country Program for ODS Phaseout and/or sector-specific and/or national priorities, establish a list of highly cost effective ODS phaseout activities. In addition, the SPAP will provide for boundaries on a sector and sub-sector basis above which projects will not be considered for this mechanism, but will be processed through the regular channel. These boundaries will provide assurances to the Fund Executive Committee that only those projects which meet pre-approved cost-effective criteria will be channeled through the streamlined mechanism. The proposed boundaries will also be subject to review from time to time in order to adjust for the available pipeline of projects and reflect on the experience gained with the mechanism.

Background

3. The Parties to the Montreal Protocol have granted the implementing agencies the authority to approve projects whose total incremental cost is less than US$500,000. However, the Multilateral Fund Executive Committee has not yet extended this authority to the implementing agencies. One reason may be that the EC has yet to establish clear cost effectiveness guidelines. Consequently, in order to secure approval and funding, small projects have had to be prepared and reviewed using the same resources as those for much larger projects. As the Bank and MOEF further establish their operational modalities for MP projects, effective processing of small projects will depend more and more on the nature of the project approval procedure that is in place. This will ultimately impact the speed of project approval and rate of disbursement.

4. At the 12th meeting of the Fund EC, the Bank proposed a streamlined project approval and implementation mechanism utilizing umbrella agreements to expedite the financing process. Such agreements were proposed to incorporate cost-effectiveness boundaries for projects below US$500,000 (UNEP/OzL.Pro/ExCom/12/37 item 89). The representative from India was particularly supportive of this concept and offered to cooperate with the Bank to make it operational and prove its effectiveness in the Indian context.

5. ENVGC is in the process of analyzing the primary measure of cost effectiveness, "Unit Abatement Cost", for various ODS phaseout activities. Data from this report will provide useful source data for consideration in setting cost effectiveness goals. Data from this report will provide useful source data for consideration in setting cost effectiveness goals. Nevertheless, because of cross-sectoral linkages, cost effectiveness boundaries will vary from across sectors and relative cost-effectiveness (between sectors) must be considered to ensure that whole sectors are not left until much later if progress in such sectors is in fact critical to progress in other sector where cost-effectiveness measures appear more attractive.

Work Program

6. The key steps required to achieve the objectives of this undertaking can be summarized as follows:

- Documentation of UAC of MP Projects in Bank Portfolio.
- Undertake reconnaissance mission and initiate preparation of the SPAP.
- Discuss and agree with MOEF on scope and work program.
- Propose cost effectiveness guidelines to be incorporated in the SPAP and seek agreement with MOEF.
- Prepare draft SPAP.
- Submit for approval by MOEF.
- Presentation to Fund EC for their consideration at next meeting.

7. In cooperation with MOEF, the Bank will develop and agree on a work program which would lead to an agreement with the MPEC for approval and implementation of small projects (<US$500,000) as outlined in an umbrella agreement. The work program is to include the necessary actions, approvals, and an approximate completion schedule for each program item.

8. The next important step is the reconnaissance mission to be undertaken by the Bank's consultant. Upon completion of this mission, the consultant will prepare a report of findings including:

(a) a summary of priority sectors for ODS phaseout in India with key data and discussion on ODS consumption, phaseout expectations, technology requirements, unique features, cross-sector linkages, and parameters with cost effectiveness impact;

(b) a comparison of cost effectiveness for India projects vs. projects previously approved by MPEC in similar sectors elsewhere;

(c) proposed cost effectiveness boundaries for use in qualifying small projects for direct approval and funding under the umbrella agreement; and

(d) policy issues which need further definition and agreement for proper use of the streamlined project approval and implementation procedure in India.

9. The consultant will assist ENVGC and SA2CI in securing timely approval of the proposed approval and implementation procedure by MPEC. This streamlined approach should be incorporated into the MOD for the India ODS II Project if it is completed on time. Finalization of the MOD is not contingent to the completion of the SPAP activity.

10. The activities included in this TOR are to be restricted to those sectors in which ODS are consumed directly. Producers of alternatives and supporting materials are to be specifically excluded from this procedure at this time.

Timing

11. The activities is to be initiated in May by the next Bank MP mission with the assistance of a consultant. Completion of this activity will be subject to the schedule established by the Bank and MOEF.

Deliverable

12. The final output of this exercise will be the SPAP which clearly outlines unit abatement cost criteria in addition to providing a brief description of each sector and a list of the potential number of projects that could be anticipated over a short period (essentially an implementation strategy). As this exercise is being undertaken on a pilot basis and because it will also propose sector-specific priorities (which are likely to change with time), an appropriate review mechanism must therefore be incorporated into the SPAP so that adjustments can be considered and adopted from time to time. The report should also justify the choice of UAC boundaries on the basis of global and national trends and conditions.

Attachment D

NOTE ON
COST EFFECTIVENESS CRITERIA

(as of June 10, 1994)

Global Environment Coordination Division, Environment Department

THE WORLD BANK

NOTE ON COST EFFECTIVENESS CRITERIA

Background

1. The Executive Committee (EC) of the Multilateral Fund for the Implementation of the Montreal Protocol has increasingly emphasized the importance of selecting projects based on their relative cost-effectiveness to maximize the impact of Multilateral Fund resources. Even lacking explicit cost-effectiveness criteria, the EC has, on a few occasions, decided not to fund certain projects which had relatively high unit abatement costs compared to other EC-approved projects.

2. As part of its ongoing efforts to understand trends in, and draw conclusions from, its portfolio of Montreal Protocol investment projects and to help establish guidelines for the Small Project Approval Process (SPAP) (which, as proposed, would require sectoral unit abatement cost criteria), the Bank has initiated a review of its Montreal Protocol investment portfolio and of EC-approved projects. Through the review, the Bank will establish appropriate cost effectiveness criteria and an initial set of unit abatement cost thresholds which might be used in the SPAP. This initiative was announced during the 12th Meeting of the EC and, through this Note, the Bank is reporting to the 13th EC Meeting on progress achieved.

Considerations

3. In establishing sector-specific cost-effectiveness criteria, one must carefully consider constraints which, at a country-level, might affect enterprises' ability to meet the criteria. The objective in establishing these criteria is to provide enterprises with an incentive to adopt the most sustainable cost effective options within the national economic and technological context, rather than limit eligible enterprises access to the Fund.

4. The purpose of establishing cost-effectiveness criteria must also be made clear, so that governments and participating enterprises do not sense that this is being set up as a means of discrimination against either small companies or countries which have achieved substantial ODS phaseout already. The use of cost-effectiveness criteria should provide a means of prioritizing the use of scarce resources for maximum environmental benefit, while maintaining some sense of equity among eligible countries, ODS-using sectors and large and small enterprises.

Work Program

5. Review of the Bank's portfolio and of Multilateral Fund projects is being conducted on a sector and sub-sector basis using the unit abatement cost as a measure of cost effectiveness. While emphasizing UAC as a measure of cost effectiveness, in practice, Bank staff recognize that UAC is only one measure, and sectoral strategies are used to ensure that projects are developed within a framework that minimizes overall phaseout cost to the country.

6. Work has been initiated in the aerosol and foams sectors where there is a sufficiently large number of investment operations to apply simple statistical methods in data analysis. This effort will closely parallel the schedule for the SPAP which was initiated in April 1994 and is expected to be completed in the fall of 1994 (for those ODS using sectors and sub-sectors for which enough data points exist to undertake a comprehensive analysis). The Bank is now working on the refrigeration sector.

Initial Results

7. Initial work has been focused on the aerosol and foam sectors, given the large number of projects which are available to establish the global trends in terms of UAC.

8. A sample of 84 foam and aerosol projects, which have either been approved by the Fund EC or are under development in India (mainly aerosol-sector projects), were analyzed to identify trends and comparisons of UAC as a function of ODP savings within each sector. Figures 1 and 2 (located on Page 3) graphically illustrate these comparisons for the foam sector (based on a sampling of global projects) and aerosol sector (based on the pipeline of aerosol-sector projects in India).

9. What is most striking in Figures 1 and 2 is the strong correlation of UAC and ODP impact. In both the foam and aerosol cases, the UAC diminishes as the ODP reduction increases. Although this correlation should not be surprising, the level of correlation in both cases provides guidance on the nature of the relationship between the two variables. In the case of foam projects, the UAC varied inversely with the ratio of ODPs to the 0.7 power, while for aerosols, the factor was 0.65. A simplified correlation commonly used for project cost estimates is that total investment varies with the ratio of capacities to the power 0.6. For example, if a foam sector project phased out 10 tons ODP, it would have a UAC of US$4.91/kg ODP/yr, while a project phasing out 100 tons would have a UAC of US$0.98/kg ODP/yr. As can be seen from this example, the UAC varies with the size of the project (in terms of ODP phaseout), but not in a linear fashion.

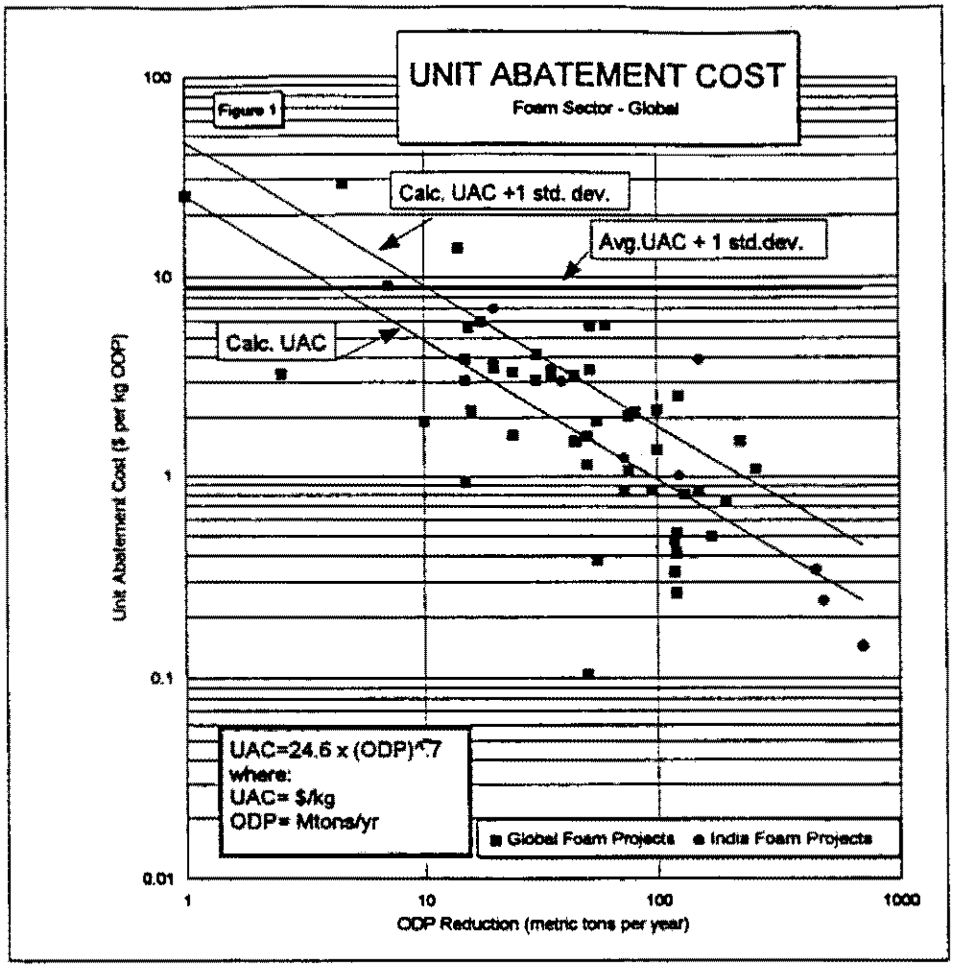
10. Another observation is that the cost of the first ton of ODP to be phased out is the most expensive one, while the marginal cost of each subsequent ton is less expensive, therefore reducing the average cost as the amount phased out is made larger, rendering larger projects more cost effective. The burden imposed on small projects by this "entry level" cost distorts the use of UAC as the only a tool to evaluate cost effectiveness of such projects in comparison to large projects.

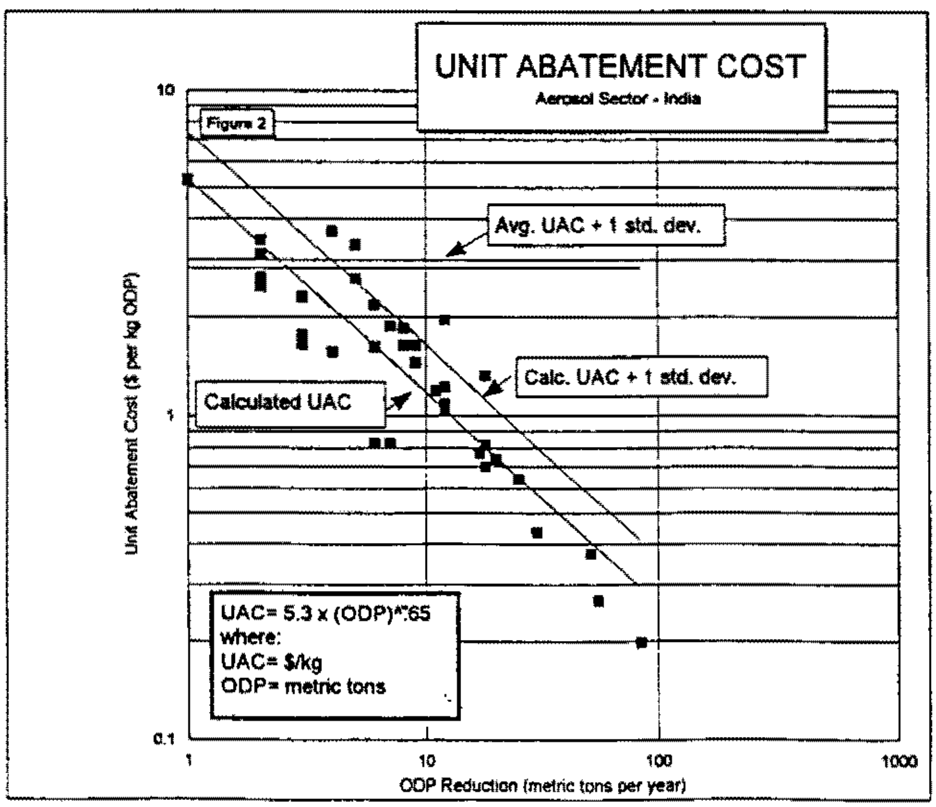
11. This analysis suggests two possible working criteria for UAC:

- The calculated UAC equation (the line that best fits the data points) plus 1 standard deviation, or

- The average UAC plus 1 standard deviation (about US$9/kg ODP for foams and US$3/kg ODP for aerosol).

12. Both of these options are represented on the attached graphs. The first is represented by the top line which goes down from left to right, while the second is the straight line. Both approaches would place over 80 percent of the projects which were used to establish the criteria within the cost effective threshold, leaving only a few projects outside the eligible zone. The first approach is more appealing, however, as it incorporates economies of scale, and the more ODS phased out, the lower the allowable per-unit cost. It therefore provides for some equity in considering cost effectiveness for the smaller enterprises.


UNIT ABATEMENT COST
Foam Sector - Global
Figure 1
Calc. UAC +1 std. dev.
Avg.UAC + 1 std.dev.
Calc. UAC
UAC=24.6 x (ODP)^-.7
where:
UAC= $/kg
ODP= Mtons/yr
Global Foam Projects
India Foam Projects
Unit Abatement Cost ($ per kg ODP)
ODP Reduction (metric tons per year)
100
10
1
0.1
0.01
1
10
100
1000


UNIT ABATEMENT COST
Aerosol Sector - India
Figure 2
Avg. UAC + 1 std. dev.
Calc. UAC + 1 std. dev.
Calculated UAC
UAC= 5.3 x (ODP)^-.65
where:
UAC= $/kg
ODP= metric tons
Unit Abatement Cost ($ per kg ODP)
ODP Reduction (metric tons per year)
10
1
0.1
1
10
100
1000

Attachment E

FINANCIAL REPORT

(as of June 10, 1994)

Global Environment Coordination Division, Environment Department

THE WORLD BANK

ANNEX 1
THE WORLD BANK
Financial Report as at 31 May 1994

Area/ Country	Project/Activity Description	Activity a/	Project Type b/	Date of EC Approval	Funds Alloc. by E.C.	Inv.Proj.Disb. thru 5/31/94 WP Exp-3/31/94	Planned Future Commitment	Savings (Deficit)	Expected date of Completion	Remarks
I. COMPLETED PROJECTS/ACTIVITIES:										
ARGENTINA	CY92 Actual - Country Program	Work Program		2/92	4,718	4,718	-	-	12/92	
	CY93 Actual - Country Program	Work Program		3/93	85,000	85,000	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	33,916	33,916	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		6/93	165,560	165,560	-	-	12/93	
BRAZIL	CY91 Actual - Project Preparation	Work Program			26,309	26,309	-	-	12/91	
	CY92 Actual - Project Preparation	Work Program		2/92	102,459	102,459	-	-	12/92	
	CY93 Actual - Country Program	Work Program		3/93	1,472	1,472	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	91,612	91,612	-	-	12/93	
CHILE	CY91 Actual -Country Program	Work Program		6/91	22,300	22,300	-	-	12/91	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	57,493	57,493	-	-	12/92	
	CY93 Actual - ODSI Project Preparation/Supervision	Work Program		3/93	72,009	72,009	-	-	12/93	
CHINA	CY91 Actual - Country Program	Work Program		6/91	10,381	10,381	-	-	12/91	
	CY91 Actual - ODSI Project Preparation	Work Program		6/91	-	0	-	-	12/91	
	CY92 Actual - Country Program	Work Program			106,159	106,159	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program			231,407	231,407	-	-	12/92	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	192,333	192,333	-	-	12/93	
	CY93 Actual - ODSII and III Project Preparation	Work Program			148,128	148,128	-	-	12/93	
ECUADOR	CY92 Actual - Country Program	Work Program		2/92	-	0	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	171,229	171,229	-	-	12/92	
	CY93 Actual - ODSI Project Preparation/Supervision	Work Program		3/93	81,231	81,231	-	-	12/93	
	CY91 Actual - ODSI Project Preparation	Work Program			119,914	119,914	-	-	12/91	
EGYPT	CY91 Actual - Country Program	Work Program		6/91	-	0	-	-	12/91	
	CY91 Actual - ODSI Project Preparation	Work Program			22,792	22,792	-	-	12/91	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	8,672	8,672	-	-	12/92	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	42,224	42,224	-	-	12/93	

a/ Activity: Investment Project or Work Program activity
b/ Project Type: Main project, sub project, or pre-investment

Filename: MPEC694.XLS 6/10/94

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GUATEMALA	CY92 Actual - ODSI Project Preparation	Work Program		10/92	11,359	11,359	-	-	12/92	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	33,512	33,512	-	-	12/93	
INDIA	CY92 Actual - ODSI Project Preparation	Work Program			595	595	-	-	12/92	
	CY93 Actual - ODSI Project Preparation	Work Program			352,011	352,011	-	-	12/93	
	CY93 Actual - ODSII Project Preparation	Work Program			59,281	59,281	-	-	12/93	
INDONESIA	CY92 Actual - ODSI Project Preparation	Work Program		10/92	41,069	41,069	-	-	12/92	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	207,805	207,805	-	-	12/93	
IRAN	CY92 Actual - ODSI Project Preparation	Work Program		2/92	421	421	-	-	12/92	
JORDAN	CY91 Actual - ODSI Project Preparation	Work Program		6/91	22,302	22,302	-	-	12/91	
	CY92 Actual - Country Program	Work Program		2/92	44,795	44,795	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program			54,861	54,861	-	-	12/92	
	CY93 Actual - Country Program	Work Program		3/93	8,200	8,200	-	-	12/93	
	CY93 Actual - ODSI Project Preparation/Supervision	Work Program		3/93	84,553	84,553	-	-	12/93	
MALAYSIA	CY91 Actual - Country Program	Work Program		6/91	19,747	19,747	-	-	12/91	
	CY91 Actual - ODSI Project Preparation	Work Program		6/91	1,881	1,881	-	-	12/91	
	CY92 Actual - Country Program	Work Program			35,201	35,201	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	54,408	54,408	-	-	12/92	
	CY93 Actual - Country Program	Work Program		6/93	-	0	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	29,116	29,116	-	-	12/93	
	CY93 Actual - ODSII Project Preparation	Work Program			16,657	16,657	-	-	12/93	
MEXICO	CY91 Actual - Country Program	Work Program		6/91	37,230	37,230	-	-	12/91	
	CY91 Actual - Pilot Recycling Proj.-Preparation	Work Program		6/91	40,928	40,928	-	-	12/91	
	CY92 Actual - Country Program	Work Program			8,014	8,014	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	60,082	60,082	-	-	12/92	
	CY93 Actual - ODSI Project preparation/Supervision	Work Program		3/93	58,014	58,014	-	-	12/93	

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NIGERIA	CY91 Actual - Country Program	Work Program			44,859	44,859	-	-	12/91	
	CY92 Actual - Country Program	Work Program		2/92	56,417	56,417	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	-	0	-	-	12/92	
	CY93 Actual - Country Program	Work Program		3/93	24,072	24,072	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	-	0	-	-	12/93	
PAKISTAN	CY93 Actual - ODSI Project Preparation	Work Program		11/93	8,956	8,956	-	-	12/93	
PHILIPPINES	CY91 Actual - Country Program	Work Program		6/91	19,747	19,747	-	-	12/91	
	CY91 Actual - Demonstration Proj. Preparation	Work Program			45,976	45,976	-	-	12/91	
	CY92 Actual - Country Program	Work Program			(16,300)	-16,300	-	-	12/92	
	CY92 Actual - Demonstration Proj. Preparation	Work Program		2/92	42,740	42,740	-	-	12/92	
	CY93 Actual - Dem.Proj./ODSI Proj.Preparation/Supn.	Work Program		3/93	65,329	65,329	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		11/93	-	0	-	-	12/93	
THAILAND	CY91 Actual - Country Program	Work Program		6/91	38,719	38,719	-	-	12/91	
	CY91 Actual - Demonstration Proj. Preparation	Work Program			110,036	110,036	-	-	12/91	
	CY92 Actual - Country Program	Work Program		2/92	123,885	123,885	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	132,195	132,195	-	-	12/92	
	CY93 Actual - Demonstration Proj. Supervision	Work Program			179,219	179,219	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	45,691	45,691	-	-	12/93	
	CY93 Actual - ODSII Project Preparation	Work Program			6,760	6,760	-	-	12/93	
TUNISIA	CY91 Actual - Country Program	Work Program			1,375	1,375	-	-	12/91	
	CY91 Actual - ODSI Project Preparation	Work Program		6/91	500	500	-	-	12/91	
	CY92 Actual - Country Program	Work Program		2/92	106,277	106,277	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	22,377	22,377	-	-	12/92	
	CY93 Actual - Country Program	Work Program			8,200	8,200	-	-	12/93	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	161,934	161,934	-	-	12/93	
TURKEY	CY91 Actual - ODSI Project Preparation	Work Program			24,555	24,555	-	-	12/91	

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Area/ Country	Project/Activity Description	Activity a/	Project Type b/	Date of EC Approval	Funds Alloc. by E.C.	Inv.Proj.Disb. thru 5/31/94 WP Exp-3/31/94	Planned Future Commitment	Savings (Deficit)	Expected date of Completion	Remarks
	CY91 Actual - Country Program	Work Program			625	625			12/91	
	CY92 Actual - Country Program	Work Program		2/92	-	0	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	150,228	150,228	-	-	12/92	
	CY93 Actual - ODSI Project Preparation	Work Program		3/93	182,564	182,564	-	-	12/93	
VENEZUELA	CY91 Actual - ODSI Project Preparation	Work Program			51,785	51,785	-	-	12/91	
	CY92 Actual - Country Program	Work Program		2/92	-	0	-	-	12/92	
	CY92 Actual - ODSI Project Preparation	Work Program		2/92	176,787	176,787	-	-	12/92	
	CY93 Actual - ODSI & II Proj. Preparation/Supervision	Work Program		3/93	179,505	179,505	-	-	12/93	
REGIONAL	CY91 Preparatory Work	Work Program			481,529	481,529	-	-		
	CY91 Preparatory Work	Work Program			90,029	90,029	-	-		
					5,645,931	5,645,931	-	-		
ADM., COORD., FINANCIAL, LEGAL AND OORG										
	CY91 Actual	Work Program			285,436	285,436				
	CY92 Actual	Work Program			950,977	950,977				
	CY93 Actual	Work Program			869,355	869,355				
ADM., COORD., FINANCIAL, LEGAL AND OORG - CY91-93 Work Program					2,105,768	2,105,768	-	-		
CY92/93 Work Program - Accrual Savings					78,673			78,673		
TOTAL COMPLETED PROJECTS/ACTIVITIES					7,830,372	7,751,699	-	78,673		

a/ Activity: Investment Project or Work Program activity
b/ Project Type: Main project, sub project, or pre-investment

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II. ON-GOING PROJECTS/ACTIVITIES

Area/ Country	Project/Activity Description	Activity a/	Project Type b/	Date of EC Approval	Funds Alloc. by E.C.	Inv.Proj.Disb. thru 5/31/94 WP Exp-3/31/94	Planned Future Commitment	Savings (Deficit)	Expected date of Completion	Remarks
ALGERIA	CY94 Plan - ODSI Project Preparation	Work Program		3/94	100,000	7,262	92,738	-	12/94	
ARGENTINA	CY94 Plan - Country Program	Work Program		3/94	30,000	20,000	10,000	-	12/94	
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	192,929	16,314	176,615	-	12/94	
BRAZIL	ODS Project I	Investment	Main Project	6/92	2,930,000	1,000,000	1,930,000	-	12/96	
	Assembly line refitting for HFC-134a		*Sub-project*	*6/92*	*530,000*		*530,000*	-		
	CFC-12 collection, recycling and conservation programme		*Sub-project*	*6/92*	*2,000,000*		*2,000,000*	-		
	Project preparation on converting CFC-11 central air conditioning units		*Sub-project*	*6/92*	*400,000*		*400,000*	-		
	Proj. Fin. Umbrella Agreement - balance		*Sub-project*	*n.a.*	*7,970,000*		*7,970,000*	-		
	CY94 Plan - Country Program	Work Program		3/94	49,400	0	49,400	-	12/94	
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	164,380	28,017	136,363	-	12/94	
CHILE	ODS Project I	Investment	Main Project	6/92	1,206,076	100,000	1,106,076	-	12/96	
	TECHFIN		*Sub-project*	*6/92*	*495,000*		*495,000*	-		
	Ozone Seal		*Sub-project*	*6/92*	*7,000*		*7,000*	-		
	Public Awareness		*Sub-project*	*6/92*	*361,000*		*361,000*	-		
	Specific Training		*Sub-project*	*6/92*	*127,876*		*127,876*	-		
	Ozone Team		*Sub-project*	*6/92*	*215,200*		*215,200*	-		
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	30,208	11,520	18,688	-	12/94	
CHINA	ODS Project I	Investment	Main Project	6/92	6,925,000		6,925,000	-	12/95	
	Tianjin CFC Conversion		*Sub-project*	*6/92*	*2,770,000*		*2,770,000*	-		
	Shanghai CFC Conv.		*Sub-project*	*6/92*	*2,309,000*		*2,309,000*	-		
	Beijing ABC Powder Prod.		*Sub-project*	*6/92*	*930,000*		*930,000*	-		
	Zhejian Exting.Conver.		*Sub-project*	*6/92*	*730,000*		*730,000*	-		
	Zhejian Extruded Foam		*Sub-project*	*6/92*	*993,000*		*993,000*	-		
	TA/Agency Fee		*Sub-project*	*6/92*	*93,000*		*93,000*	-		
	Of which PPAI for ODS1			*6/92*	*-900,000*					

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	ODS Project II - 50% CFC Foam	Investment	Main Project	6/93	4,865,000		4,865,000	-	12/95	
	Liming Research Institute		*Sub-project*	*6/93*	*457,000*		*457,000*	-		
	Wuxi Production of Polyol		*Sub-project*	*6/93*	*416,000*		*416,000*	-		
	Chengde		*Sub-project*	*6/93*	*163,000*		*163,000*	-		
	Dalian conversion		*Sub-project*	*6/93*	*275,000*		*275,000*	-		
	Tianjin conversion		*Sub-project*	*6/93*	*400,000*		*400,000*	-		
	Qindao Haier conversion		*Sub-project*	*6/93*	*476,000*		*476,000*	-		
	Henan Xinfei conversion		*Sub-project*	*6/93*	*1,042,000*		*1,042,000*	-		
	Shangling conversion		*Sub-project*	*6/93*	*958,000*		*958,000*	-		
	Shuangyan conversion		*Sub-project*	*6/93*	*485,000*		*485,000*	-		
	TA/Agency Fee		*Sub-project*	*6/93*	*793,000*		*793,000*	-		
	Of which PPAI for ODSII			*6/93*	*-600,000*					
	PPAII for ODSIII	Investment	Pre-investment	10/92	300,000	100,000	200,000	-	12/94	
	PPAIII for ODSIII	Investment	Pre-investment		320,000		320,000	-	12/94	
	PPAI for ODS I	Investment	Pre-investment		900,000	250,000	650,000	-	12/95	
	PPAI for ODS II	Investment	Pre-investment		600,000		600,000	-	12/95	
	CY94 Plan - ODS I Project Preparation	Work Program		3/94	79,000	6,741	72,259	-	12/94	
	CY94 Plan - ODS II Project Preparation	Work Program		3/94	110,000	86,346	23,654	-	12/94	
	CY94 Plan - ODS III Project Preparation	Work Program		3/94	660,000	83,105	576,895	-	12/94	
ECUADOR	ODS Project I	Investment	Main Project	3/93	1,566,000	150,000	1,416,000	-	12/95	
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	30,000	8,683	21,317	-	12/94	
EGYPT	ODS Project I - MCMC Compressor	Investment	Main Project	10/92	2,800,000		2,800,000	-	12/95	
	CY94 Plan - IFC Project Preparation	Work Program		3/94	50,000		50,000	-	12/94	
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	25,000		25,000	-	12/94	
GLOBAL	Refrigeration Project Preparation	Work Program		10/92	60,000	0	60,000	-	12/94	

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	Refrigeration Project Preparation	Work Program		3/93	45,000	69	44,931	-	12/94	
	Solvents Project Preparation	Work Program		10/92	260,000	147,862	112,138	-	12/94	
	Solvents Project Preparation	Work Program		3/93	90,000		90,000	-	12/94	
	Aerosols Project Preparation	Work Program		6/93	350,000	0	350,000	-	12/95	
GUATEMALA	CY94 Plan - ODSI Project Preparation	Work Program		3/94	55,000	0	55,000	-	12/94	
INDIA	ODS Project I	Investment	Main Project	6/93	1,252,000		1,252,000	-	12/95	
	Chiller Redesign to HCFC 123		*Sub-project*	*6/93*			-	-		
	Refrig. Comp. Prod. Conv to HFC 134(a)		*Sub-project*	*6/93*			-	-		
	ODS Project II	Investment	Main Project	11/93	2,191,520		3,606,104	(1,414,584)	12/96	
	Subros Limited		*Sub-project*	*11/93*	*1,710,000*		*1,710,000*	-		
	Manali Petrochemical		*Sub-project*	*11/93*	*219,000*		*219,000*	-		
	UB Petroproducts		*Sub-project*	*11/93*	*200,000*		*200,000*	-		
	Aero Pharma Aerosol Conversion		*Sub-project*	*11/93*	*62,520*		*62,520*	-		
	Manali Petrochemical		*Sub-project*	*3/94*			*481,000*	*(481,000)*		
	UB Petroproducts		*Sub-project*	*3/94*			*385,684*	*(385,684)*		
	Compressor Designs Conversion		*Sub-project*	*3/94*			*547,900*	*(547,900)*		
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	70,837	52,554	18,283	-	12/94	
	CY94 Plan - ODSII Project Preparation	Work Program		3/94	775,000	25,070	749,930	-	12/94	
INDONESIA	ODS Project I	Investment	Main Project	11/93	4,550,000		4,550,000	-	12/95	
	Dasa Windu Foam		*Sub-project*	*11/93*	*1,733,000*		*1,733,000*	-		
	Tech. Assist. Small Foam		*Sub-project*	*11/93*	*1,600,000*		*1,600,000*	-		
	Tulus Bakti Foam		*Sub-project*	*11/93*	*416,000*		*416,000*	-		
	Intitri Multiama		*Sub-project*	*11/93*	*387,000*		*387,000*	-		
	Foamindo Industri		*Sub-project*	*11/93*	*176,000*		*176,000*	-		

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ANNEX 1
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Area/ Country	Project/Activity Description	Activity a/	Project Type b/	Date of EC Approval	Funds Alloc. by E.C.	Inv.Proj.Disb. thru 5/31/94 WP Exp-3/31/94	Planned Future Commitment	Savings (Deficit)	Expected date of Completion	Remarks
	Tech. Assist. Aerosol		*Sub-project*	*11/93*	*238,000*		*238,000*	-		
	PPA	Investment	Pre-investment	3/93	250,000	100,000	150,000	-	12/95	
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	128,899	54,460	74,439	-	12/94	
	CY94 Plan - ODSII Project Preparation	Work Program		3/94	167,312	0	167,312	-	12/94	
JORDAN	ODS Project I	Investment	Main Project	10/92	1,500,000	200,000	1,300,000	-	12/96	
	TA/Line of Grant		*Sub-project*	*6/92*	*800,000*		*800,000*	-		
	LPG Purification		*Sub-project*	*6/92*	*700,000*		*700,000*	-		
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	72,900	36,209	36,691	-	12/94	
MALAYSIA	ODS Project I	Investment	Main Project	2/92	1,630,000	200,000	1,430,000	-	12/95	
	Halon Recycling		*Sub-project*	*2/92*	*720,000*		*720,000*	-		
	Cons. & recycling of CFC in MACS		*Sub-project*	*2/92*	*910,000*		*910,000*	-		
	CY94 Plan - ODSI Project Supervision	Work Program		3/94	35,815	23,221	12,594	-	12/94	
	CY94 Plan - Country Program	Work Program		3/94	25,000	0	25,000	-	12/94	
	CY94 Plan - ODSII Project Preparation	Work Program		3/94	66,610	20,035	46,575	-	12/94	
MEXICO	ODS Project I - Ozone Protection Policy	Investment	Main Project	2/92	4,000,000	400,000	3,600,000	-	12/96	
	MAC Recycling and Aerosols	Investment	Pre-investment	6/92	180,000		180,000	-	12/94	
	CY94 Plan - ODSI & II Project Preparation	Work Program		3/94	52,286	52,755	(469)	-	12/94	
	CY94 Plan - ODSIII Project Preparation	Work Program		3/94	100,000	520	99,480	-	12/94	
NIGERIA	CY94 Plan - Country Program	Work Program		3/94	150,000	0	150,000	-	12/94	
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	100,000	0	100,000	-	12/94	
PAKISTAN	CY94 Plan - ODSI Project Preparation	Work Program		3/94	133,191	22,037	111,154	-	12/94	

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PHILIPPINES	ODS Project I	Investment	Main Project	3/93	11,729,000		11,729,000	-	12/96	
	Philacor		*Sub-project*	*3/93*	*1,770,000*		*1,770,000*	-		
	Concepcion Industries		*Sub-project*	*3/93*	*790,000*		*790,000*	-		
	Sanyo Philippines		*Sub-project*	*3/93*	*660,000*		*660,000*	-		
	Federal Electric Company		*Sub-project*	*3/93*	*770,000*		*770,000*	-		
	Fortunate Tobacco		*Sub-project*	*3/93*	*4,720,000*		*4,720,000*	-		
	Ionics Circuits, Inc		*Sub-project*	*3/93*	*790,000*		*790,000*	-		
	Pacific Semiconductors		*Sub-project*	*3/93*	*710,000*		*710,000*	-		
	Electronic Assemblies		*Sub-project*	*3/93*	*710,000*		*710,000*	-		
	Integrated Microelectronics, Inc.		*Sub-project*	*3/93*	*430,000*		*430,000*	-		
	Solid Circuits, Inc.		*Sub-project*	*3/93*	*70,000*		*70,000*	-		
	TA for the Financial Institution		*Sub-project*	*3/93*	*100,000*		*100,000*	-		
	Institutional Strengthening for Ozone Desk Op.		*Sub-project*	*3/93*	*209,000*		*209,000*	-		
	Controlled Substances Engineering Proj.	Investment	Pre-investment	6/91	400,000	393,675	6,325	-	12/94	
	CY94 Plan - ODSI Project Preparation and Supervision	Work Program		3/94	136,027	21,571	114,456	-	12/94	
	CY94 Plan - ODSII Project Preparation	Work Program		3/94	94,900	0	94,900	-	12/94	
SLOVENIA	CY94 Plan - Country Program	Work Program		3/94	50,000	17,192	32,808	-	12/94	
	CY94 Plan - ODS I Project Preparation	Work Program		3/94	100,000		100,000	-		
THAILAND	ODS Project I	Investment	Main Project	6/93	11,673,000		11,673,000	-	12/95	
	MAC CFC Recycling		*Sub-project*	*6/92*	*900,000*		*900,000*	-		
	Thai Airways Non-ODS Metal Cleaning		*Sub-project*	*8/92*	*100,000*		*100,000*	-		
	Saha Union		*Sub-project*	*6/93*	*2,573,000*		*2,573,000*	-		
	Hana Semiconductor		*Sub-project*	*6/93*	*1,000,000*		*1,000,000*	-		
	GSS Array		*Sub-project*	*6/93*	*320,000*		*320,000*	-		
	CI Group		*Sub-project*	*6/93*	*280,000*		*280,000*	-		
	Thai Heat Exchanger		*Sub-project*	*6/93*	*270,000*		*270,000*	-		
	Thai Toshiba Phase I		*Sub-project*	*6/93*	*830,000*		*830,000*	-		
	Sayo Universal -- 2 sites, Phase I		*Sub-project*	*6/93*	*1,890,000*		*1,890,000*	-		
	Kang Yong - Mitsubishi Phase I		*Sub-project*	*6/93*	*1,100,000*		*1,100,000*	-		
	Hitachi - Phase I		*Sub-project*	*6/93*	*550,000*		*550,000*	-		

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Area/ Country	Project/Activity Description	Activity a/	Project Type b/	Date of EC Approval	Funds Alloc. by E.C.	Inv.Proj.Disb. thru 5/31/94 WP Exp-3/31/94	Planned Future Commitment	Savings (Deficit)	Expected date of Completion	Remarks
	Sanyo Universal		*Sub-project*	*6/93*	*1,000,000*		*1,000,000*	-		
	Kulthorn Kirby		*Sub-project*	*6/93*	*680,000*		*680,000*	-		
	Tecnic Foam		*Sub-project*	*6/93*	*180,000*		*180,000*	-		
	Controlled Substances Engineering Proj.	Investment	Pre-investment	6/91	390,000	389,960	40	-	12/94	
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	129,433	28,261	101,172	-	12/94	
	CY94 Plan - ODSII Project Preparation	Work Program		3/94	81,302	1,456	79,846	-	12/94	
TUNISIA	ODS Project I	Investment	Main Project	6/92	1,790,000		1,790,000	-	12/96	
	Intro. of Low-CFC & Non-CFC		*Sub-project*	*6/92*	*300,000*		*300,000*	-		
	Maint. of Domestic, Comm.& Ind.Refrig.		*Sub-project*	*6/92*	*100,000*		*100,000*	-		
	Tech. Seminars, Consul.,Demos in Foams		*Sub-project*	*6/92*	*100,000*		*100,000*	-		
	Tech. Sem. Cons. in Aerosols		*Sub-project*	*6/92*	*300,000*		*300,000*	-		
	Eng. Assistance for Design,Testing of HFC-134a		*Sub-project*	*10/92*	*360,000*		*360,000*	-		
	Maintenance of domestic com.& ind. refrig.		*Sub-project*	*10/92*	*300,000*		*300,000*	-		
	Tech. consultancies in aerosols		*Sub-project*	*10/92*	*50,000*		*50,000*	-		
	Implementation of Gov. action		*Sub-project*	*10/92*	*280,000*		*280,000*	-		
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	76,296	612	75,684	-	12/94	
TURKEY	ODS Project I	Investment	Main Project	6/92	6,165,000	600,000	5,565,000	-	12/96	
	Recovery & Recyc. CFC-12 fr Refrig. Serv. Shops		*Sub-project*	*6/92*	*400,000*		*400,000*	-		
	Recovery & Recyc. CFC-12 at Prod.Plant		*Sub-project*	*6/92*	*65,000*		*65,000*	-		
	Other Inv. in Foams. Aerosols, etc.		*Sub-project*	*6/92*	*500,000*		*500,000*	-		
	Institutional Strengthening		*Sub-project*	*6/92*	*300,000*		*300,000*	-		
	Arcelik Comp. & Refrigerator		*Sub-project*	*10/92*	*4,900,000*		*4,900,000*	-		
	CY94 Plan - ODSI Project Preparation	Work Program		3/94	30,000	4,394	25,606	-	12/94	
URUGUAY	CY94 Plan - ODSI Project Preparation	Work Program		3/94	100,000	650	99,350	-	12/94	
VENEZUELA	ODS Project I - Plasticos Molanca	Investment	Main Project	6/92	1,300,000	1,180,043	119,957	-	12/94	

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Area/ Country	Project/Activity Description	Activity a/	Project Type b/	Date of EC Approval	Funds Alloc. by E.C.	Inv.Proj.Disb. -thru 5/31/94 WP Exp-3/31/94	Planned Future Commitment	Savings (Deficit)	Expected date of Completion	Remarks
	ODS Project II - Chiller Retrofits	Investment	Main Project	10/92	1,100,000		1,100,000	-	12/95	
	ODS Proj. III - FAACA-MAC Production Conversion	Investment	Main Project	11/93	3,480,000		3,480,000	-	12/96	
	ODS Proj. IV - AAISA - MAC Compressor Conversion	Investment	Main Project	11/93	620,000		620,000	-	12/96	
	CY94 Plan - Country Program	Work Program		3/94	40,040	0	40,040	-	12/94	
	CY94 Plan - ODS I & II (Molanca & Chiller) Proj.Prep.	Work Program		3/94	83,236	28,908	54,328	-	12/94	
	CY94 Plan - ODSIII (FAACA) Project Preparation	Work Program		3/94	47,190	130	47,060	-	12/94	
	CY94 Plan - ODSIV (AAISA) Project Preparation	Work Program		3/94	47,190	0	47,190	-	12/94	
	CY94 Plan - ODSV (Air Cond.) Project Preparation	Work Program		3/94	28,665	6,631	22,034	-	12/94	
					81,915,642	5,876,263	77,453,963	(1,414,584)		
Admin., Coord., Financial, Legal and OORG - CY94 Work Program					1,418,946	341,028	1,077,918	0	12/94	
TOTAL ON-GOING PROJECTS/ACTIVITIES					83,334,588	6,217,291	78,531,881	(1,414,584)		
CY94 Interest Income (Jan-May)					816,722			816,722		
GRAND TOTAL - WORLD BANK					91,981,682	13,968,990	78,531,881	(519,189)		

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Attachment F

REPORT OF THE AUDITOR ON THE OZONE PROJECTS TRUST FUND FOR CY93

(as of June 10, 1994)

Global Environment Coordination Division, Environment Department

THE WORLD BANK

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS ADMINISTRATOR FOR THE OZONE PROJECTS TRUST FUND

REPORT AND FINANCIAL STATEMENT
December 31, 1993

Price Waterhouse
(International Firm)
The Hague
Beijing
Hong Kong
London
New York
Tokyo
Washington

Price Waterhouse

Report of Independent Accountants

April 27, 1994

To International Bank for Reconstruction and Development
as Administrator for the Ozone Projects Trust Fund

We have audited the accompanying statement of income, expenditures and fund balance of the Ozone Projects Trust Fund for which the International Bank for Reconstruction and Development (the Bank) acts as Administrator for the year ended December 31, 1993 and for the period July 9, 1991 (date of inception) to December 31, 1993 and the statement of cash flows for the year ended December 31, 1993. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balance of the Ozone Projects Trust Fund as administered by the International Bank for Reconstruction and Development at December 31, 1993, and the income and expenditures for the period July 9, 1991 (date of inception) to December 31, 1993 and the cash flows for the year ended December 31, 1993, on the basis of accounting described in Note 2.

Price Waterhouse
(International Firm)

OZONE PROJECTS TRUST FUND

STATEMENT OF INCOME, EXPENDITURES AND FUND BALANCE

For the period July 9, 1991 (inception) to December 31, 1993

Expressed in US dollars

	Year ended December 31, 1993	July 9, 1991 (inception) to December 31,1993
Income		
Funds transferred from the Executive Committee		
Projects	$ 40,661,520	$ 76,722,520
Administration	2,891,840	9,145,840
Investment income	1,736,608	2,483,918
Total income	45,289,968	88,352,278
Expenditures		
Projects		
Special account	730,000	980,000
Consultant fees	520,046	783,635
Contractual services	227,006	227,006
Procurement of goods	584,406	584,406
Administration		
Staff	1,075,276	2,397,520
Consultants	1,537,055	3,340,588
Travel		
Staff	238,313	479,772
Consultants	429,600	858,809
Contractual services	236,150	600,650
Sundry		
Staff	57,288	91,575
Consultants	61,750	123,998
Total expenditures	5,696,890	10,467,959
Excess of income over expenditures	$ 39,593,078	$ 77,884,319
Fund balance:		
Cash and investments		$ 78,902,833
Due to IBRD		(1,018,514)
Fund balance		$ 77,884,319

The accompanying notes are an integral part of this financial statement.

OZONE PROJECTS TRUST FUND

STATEMENT OF CASH FLOWS

Expressed in US dollars

Cash and investments, as of January 1, 1993		$	38,888,905
Add:	Funds transferred from the Executive Committee in 1993		43,553,360
	Investment Income		1,736,608
Subtotal			84,178,873
Less:	Administrative costs for 1992 paid in 1993		597,664
	Expenditures for 1993 (Excluding administrative costs billed by the Bank but not yet paid of $1,018,514 in 1993)		4,678,376
Cash and investments, as of December 31, 1993		$	78,902,833

OZONE PROJECTS TRUST FUND

NOTES TO FINANCIAL STATEMENT

December 31, 1993

Note 1 - Organization

On July 9, 1991, the International Bank for Reconstruction and Development (the Bank) entered into an agreement with the Executive Committee (Committee) of the Interim Multilateral Fund for the Implementation of the Montreal Protocol (Fund) established by the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer and to the Vienna Convention for the Protection of the Ozone Layer (Parties), wherein the Bank agreed to act as trustee of the Ozone Projects Trust Fund (OTF) to be constituted by the funds received from the Committee and to make the procedural arrangements with UNEP and UNDP for cooperation and assistance in protecting the ozone layer. The Bank will prepare a work programme in cooperation with recipient countries, UNEP and UNDP, for its activities under the arrangements for approval by the Committee on an annual basis. In addition, the Bank will assist in developing each recipient's country programme (CP) and projects to facilitate compliance with the Protocol. Upon approval of the CP by the Committee, the Bank will assist the recipient country to implement the projects contained in it. As of December 31, 1993, OTF Grants amounting to $23,777,000 have been allocated for the implementation of the following country projects:

Brazil	-	ODS Elimination Project	$ 2,930,000
Chile	-	ODS Phaseout Project	1,206,000
China	-	Project Preparation Advance (I)	1,500,000
	-	Project Preparation Advance (II)	300,000
	-	ODS Phaseout Project	6,625,000
Ecuador	-	ODS Phaseout Project	1,566,000
Indonesia	-	Project Preparation Advance	250,000
Jordan	-	ODS Phaseout Project	1,500,000
Malaysia	-	ODS Recycling Project	1,630,000
Mexico	-	Ozone Protection Policy and Institutional Strengthening Project	4,000,000
	-	Ozone Protection Pilot Recycling and Training Project	180,000
Philippines	-	ODS Phaseout Engineering Project	400,000
Thailand	-	ODS Phaseout Engineering Project	390,000
Venezuela	-	ODS Plasticos Molanca Project	1,300,000
			$23,777,000

Note 2 - Basis of Accounting

The accompanying statement of income, expenditures and fund balance has been prepared on the modified cash basis of accounting. Funds transferred from the Executive Committee, investment income and project costs are on the basis of cash receipts and disbursements while administrative costs include amounts billed by the Bank but not yet paid by the OTF. The statement of cash flows has been prepared on the cash basis of accounting.

Note 3 - Funds transferred from the Executive Committee

The Committee arranges for the transfer of funds to the OTF for expenses incurred or to be incurred by the Bank for the implementation of approved country programmes and projects, and for the activities it undertakes pursuant to these arrangements, as soon as the funds become available. The transfers are made in US dollars or at the request of the Committee, by the deposit of notes or similar obligations denominated in US dollars and issued by the government of a Party or the depository designated by such Party, which shall be non-negotiable, non-interest bearing and payable in US dollars at their par value on demand to the OTF or in accordance with a schedule of encashment agreed by the Bank, provided that in exceptional cases and as administratively feasible on the basis of appropriate arrangements, as determined by the Bank, contributions may be made also in other currencies.

Note 4 - Investment Income

The Bank may invest and reinvest the funds pending disbursement and the income accrues to the OTF.

Note 5 - Expenditures

The Bank, as Administrator, observes the same procedures and requires substantially the same documentation in connection with the OTF expenditures as it does for its own affairs. The Bank is reimbursed from the resources of the OTF for the expenses incurred by it pursuant to these arrangements.

Note 6 - Change in Financial Statement Format

The accompanying statement of income, expenditures and fund balance was prepared using the format for Annual Financial Reports by Implementing Agencies, as provided in the report of the Tenth Meeting of the Committee. Prior year expenditures have been stated in the new format.