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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-seventh Meeting
Montreal, 17-19 July 2002

ADDENDUM TO 2002 WORLD BANK BUSINESS PLAN

Introduction

1. At its 36th Meeting, the Executive Committee decided to request implementing agencies to prepare addenda to their 2002 business plans to plan activities for the unallocated funds from 2001 and the remaining allocations from bilateral agencies in 2002 business plans.
2. The total amount of US \$10,604,264 was distributed according to agency shares and therefore US \$4,771,919 was allocated for the World Bank.
3. The World Bank included in its business plan addendum: a multiple-year process agent projects in China (total value US\$115.7 million with a 2002 annual tranche of US \$2 million) and India (total value US \$18.4 million with a 2002 annual tranche of US \$2 million), a MAC and compressor refrigeration project in India (US \$470,000) and a sterilisation project in Mexico (US \$490,000).

Comments

4. The World Bank has received funding for the preparation of process agent sectoral plans in China and India. These sectoral plans are crucial for compliance with the 85 per cent reduction in carbon tetrachloride (CTC) consumption on 1 January 2005; however, they do not prima facie meet the cost-effectiveness standard for that sector. It is to be noted that the plans have been submitted to this meeting and the Secretariat is in the process of discussing them with the World Bank.
5. The sterilant project in Mexico has a cost-effectiveness of US \$32.66/kg. according to the values in the Bank's addendum. This is almost double the standard of US \$19.97/kg. of the two investment projects approved to-date in this sector. The Bank indicated that the standard was for larger scale operations (around 20 ODP tonnes) as opposed to its project for hospitals with 1.1 ODP tonne per hospital.
6. As there is no phase-out associated with MAC and compressor projects, the proposed activity in India conforms with the requirements of Decision 36/13.
7. The Bank also included annexes to its document referring to potential additional activities in 2002 and a letter from Mexico. These do not form part of the agreed format for the addendum but are available upon request.

Recommendations

Given the unusual circumstance of submitting the business plan addenda of the implementing agencies at the same time as the submission of activities contained therein for funding, the Monitoring, Evaluation and Finance Sub-Committee may wish to recommend to the Executive Committee to:

1. Endorse the Addendum to the World Bank's 2002 Business Plan as contained in UNEP/OzL.Pro/ExCom/37/21 while noting that endorsement did not denote approval of the activities identified therein nor their funding levels, and
2. Note that weighted and un-weighted performance indicators would be revised, as appropriate.
3. Consider how funds for the addendum should be allocated if the activities are not approved.

MONTREAL PROTOCOL

2002 BUSINESS PLAN ADDENDUM

WORLD BANK

OPERATIONS FUNDED BY THE
MULTILATERAL FUND OF THE
MONTREAL PROTOCOL

Presented to the 37th Meeting
of the Executive Committee

May 2002



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I. INTRODUCTION

A. The 2002 Business Plan of the World Bank

1. The World Bank submitted its Draft 2002 Business Plan for the consideration of the ExCom at its 35th Meeting in December 2002. The ExCom took note of the World Bank Draft 2002 Business Plan with additional requests for the Bank to indicate in its final Business Plan additional actions to expedite the implementation of approved projects that could be critical to compliance (Dec. 35/7). Based on this decision, the Bank was also requested, among other issues, to consider modifying some of its investment project performance indicators.

2. In compliance with the ExCom's requirement, the final 2002 Business Plan includes additional information and revisions to address Decision 35/7, and other suggestions and recommendations made by the members of the ExCom. In addition, the 2002 Business Plan also includes a revision of the composition of its investment activities to be delivered in 2002. This revision is necessary to ensure that the World Bank's 2002 deliverables of investment activities remain within the share of its investment activities given the fact that five new National CFC Phaseout Plans and sector projects with multi-year financing requirements were approved at the 35th Meeting of the ExCom when the Draft 2002 Business Plan was first submitted.

3. A list of investment activities that are excluded from the core list is included in the 2002 Business Plan as Table VI: Potential Additional Investment Activities in 2002. Table VI of the 2002 Business Plan contains 18 investment activities with an estimated funding value of US\$18.51 million. Table VI of the 2002 Business Plan is attached as Annex I of this document.

4. At the 36th Meeting, the ExCom decided to endorse the 2002 Business Plan of the World Bank, and to approve the following performance indicators (Dec. 36/12):

Investment Project Performance Indicators

Items	Targets
Weighted indicators	
Actual ODS phased out from completed projects (ODP tons)	8,100
Disbursement (US\$)	\$46,200,000
Satisfactory project completion reports received (percentage)	100%
Distribution of projects among countries in business plan (number of countries)	14
Pending decision on status as weighted or non-weighted performance indicator	
Timely submission of progress report	1 May 2002 or eight weeks before the subsequent ExCom.
Non-weighted indicators	
Number of investment projects to be completed in year of business plan	48
Net emissions (reductions) of ODP resulting from implementation delays (early	17,400

Items	Targets
completion) (ODP tons)	
Value of Projects to be Approved in 2002 (US\$)*	\$56,990,000
ODP from Projects to be Approved in 2002	13,876
Cost of Project Preparation	2.54%
Cost-effectiveness from Approvals (US\$/ODP in kg)	\$3.81
Speed of delivery (first disbursement)	26 months
Speed of delivery (completion)	39 months

*Including support costs but excluding over-programming

Non-Investment Performance Indicators

Items	Targets
Weighted indicators	
Number of Projects to be completed	9
Funds Disbursed (US\$)*	\$1,450,000
Speed of Delivery (first disbursement)	19 months
Speed of Delivery (completion)	35 months
Non-investment indicators	
Appropriate & timely policies initiated by countries as a result of non-investment activities (number)	Specific policies identified for 1 country
Reduction in ODS consumption over and above that effected by investment projects (ODP tons)	350 ODP tons from four on-going recovery and recycling projects.

*Including support costs

B. Additional Resource Allocation

11. The ExCom reviewed the document (UNEP/OzL.Pro/ExCom/36/14/Rev. 1) that highlighted possibility of having unspent resources reprogrammed for supporting additional investment activities in 2002. The sources of unspent resources are the remaining allocation from 2001 and remaining allocation from bilateral agencies in 2002.

12. In light of the above report, the ExCom decided to distribute among the implementing agencies, according to investment shares, all remaining investment share allocations from 2001 and remaining allocations from bilateral agencies in 2002 business plans, and to request the relevant implementing agencies to prepare addenda to their business plans for submission to the 37th Meeting of the ExCom (Dec. 36/13). In addition, the ExCom also requires that investment activities to be included in the business plan addendum should be in conformity with the following principles:

- Cost-effectiveness standards for the corresponding sector of activities;
- No overlap of agency activities;
- Consistent and reliable country data for submission of a request in the form of a letter for each project.

13. Based on the Secretariat's advice, the remaining investment share allocation from 2001 is US\$6,541,410 and another US\$4,062,854 from the remaining allocation from bilateral agencies in

2002. Therefore, it is proposed that US\$10,604,264 should be made available for supporting additional investment activities from the implementing agencies. With a 45% share, the Bank is, therefore, proposing that additional investment activities with a value of US\$ 4,771,919 (including agency support cost) be included in its 2002 Business Plan Addendum. With 15% over-programming, the total funding requirement included in this addendum becomes US\$ 5.487 million.

II. Additional Investment Activities

A. How Decision 31/13 (b) Is Addressed

14. To ensure that the total funding requirement to support additional activities to be included in the 2002 Business Plan Addendum remains within the allocation (US\$4,771,919), only four out of 18 activities that were originally included in Table VI of the 2002 Business Plan, are proposed in this document. These four activities include two process agent sector projects for China and India, one MAC & Compressor project for India and one sterilization project for Mexico. The total funding requirement of these four investment activities is US\$4.771 million. Approval of these four projects will lead to an additional ODP phase-out of 15 ODP tons of CFCs, 396 ODP tons of CTC in 2002, and additional phase-out of 2,754 ODP tons of CTC after 2002. This additional phase-out of 2,754 ODP tons after 2002 will be achieved in full after the completion of the two projects in the process agent sector in China and India.

15. Cost-Effectiveness Standards for the Corresponding Sector: Table I includes four projects in three different sectors: process agent, MAC & compressor, and sterilization. Since the ExCom has not adopted any cost-effectiveness threshold for the sterilization and process agent sectors, it is not possible to address this issue. In addition, there are no cost-effectiveness thresholds for the MAC and compressor projects due to their indirect CFC phase-out.

16. No Overlap of Agency Activities: The four projects are included in the Business Plans submitted by China, India and Mexico at the time of preparation of the Draft and Final 2002 Business Plans of the World Bank. During that time, coordination with other implementing agencies were made. Based on that, none of these activities present any overlap with other agencies' activities.

17. Consistent and Reliable Country Data for Submission of a Request in the Form of a Letter for Each Project: The Business Plan letter submitted by China includes a request for the Bank to include its process agent sector plan in its 2002 Business Plan. Similarly, the Business Plan letter from India indicates its intention to have the Bank included its two projects in the process agent and refrigeration sectors in its 2002 Business Plan. There were no data discrepancy with regard these three projects. For the sterilization project, a letter from the Government is attached herewith as Annex II of this document.

B. Contribution of these Projects to Compliance for Countries that Might Have Difficulty in Achieving the 50 % Reductions or the Freeze of Consumption

18. China – The proposed process agent sector plan will help China reducing its CTC consumption.

19. India – The proposed project in the process agent sector will contribute to the country's effort to meet its 85% reduction target for CTC consumption in 2005. The additional project in the MAC & Compressor sector will enable India to sustain its ability to meet the 50% reduction target for CFC consumption in 2005.

20. Mexico - Based on the Secretariat's analysis, Mexico appears to be in compliance with the 1999 freeze obligation and needs additional activities in order to achieve 50 percent reduction. The

proposed project in the sterilization sub-sector will contribute to the country's ability to meet its 50% reduction target for CFC consumption in 2005.

C. Revised Performance Indicators

21. With this addendum to the 2002 Business Plan, the total planned delivery of new investment activities in 2002 increases to US\$61.76 million (including agency support costs but not 15% over-programming). The total ODP tons to be captured by the overall 2002 deliverables increases to 14,437 ODP tons, and the total number of new investment projects increases to 24 projects. Since the 2002 Business Plan Addendum proposed by the Bank only includes investment activities, performance indicators for non-investment activities as approved by the ExCom at its 36th Meeting are not affected by the introduction of this proposed addendum. As for performance indicators for investment activities, revisions of some indicators are necessary. The proposed revisions are listed below:

Items	Targets Adopted at the 36 th ExCom Meeting	Targets
Non-weighted indicators		
Value of Projects to be Approved in 2002 (US\$)*	\$56,990,000	\$61,760,000
ODP from Projects to be Approved in 2002	13,876	14,287
Cost of Project Preparation	2.54%	2.32%
Cost-effectiveness from Approvals (US\$/ODP in kg)	\$3.81	\$4.05

*Including support cost but excluding 15% over-programming

Total Submission – The overall 2002 deliverables include projects listed in the 2002 Business Plan as approved by the ExCom at its 36th Meeting, which amounts to US\$56.99 million (including agency support cost but not 15% over-programming, and the additional activities of US\$4.771 million being proposed under this 2002 Business Plan Addendum.

ODP from Projects to be Approved in 2002 – The total ODP of 14,437 ODP tons is the sum of the total ODP from projects included in the 2002 Business Plan (13,876 ODP tons) plus additional ODP phase-out of 561 ODP tons from newly proposed projects in this proposed addendum.

Cost of Project Preparation - The proposed planned submissions included in the 2002 Business Plan are about US\$52.8 million (excluding agency support costs), and the proposed project preparation funds for the 2002 business-planning period are US\$1.34 million (excluding support costs). With submissions of these four additional activities listed in Table I of this document, the total proposed planned submission in 2002 increases to US\$57.803 million. As no additional project preparation funds are included in the 2002 Business Plan Addendum, the cost of project preparation is, therefore, equal to 2.32%.

Cost-effectiveness from Submissions - The cost-effectiveness target for the overall 2002 submission is expected to be US\$ 4.05 /ODP in kg.

Table I: Additional Investment Activities

Agency	Country	Region	LVCs	Sector and Sub-Sector	Project Submissions - Year of Plan (2002)				Project Submissions - Following Years				
					Number of Projects in 2002	Value (US\$000s) in 2002	CFC ODP in 2002	Non-CFC ODP in 2002	Number of Projects After 2002	Forward Commitments (US\$000s) in 2003	Forward Commitments (US\$000s) After 2003	Value (US\$000s) New Submissions After 2002	ODP After 2002
IBRD	CHINA Total	ASP	No		1	2,000	-	396	7	59,300	54,400		2,372
IBRD	CHINA	ASP	No	Process Agents	1	2,000		396	7	59,300	54,400		2,372
IBRD	INDIA Total	ASP	No		2	2,470	-	-	1	16,367	-	-	382
IBRD	INDIA	ASP	No	Refrigeration MAC & Compressor	1	470	-					-	-
IBRD	INDIA	ASP	No	Process Agents	1	2,000	-	-	1	16,367			382
IBRD	MEXICO Total	LAC	No		1	490	15	-	-	-	-	-	-
IBRD	MEXICO	LAC	No	Sterilization	1	490	15						
	Sub-Total				4	4,960	15	396	8		54,400		2,754
	Support Costs					525				-	5,440		
	Total				4	5,485	15	396	8	-	59,840	-	2,754