

ICR Review  
Operations Evaluation Department

1. Project Data :

OEDID :  
OEDID: TG004  
Project ID : P003408  
Project Name : Ozone Depleting Substance Phaseout Project II  
Country : China  
Sector : Pollution Control / Waste Management  
L/C Number : TF021981  
Partners involved : Multilateral Fund Under the Montreal Protocol  
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Date Posted : 05/26/1998

2. Project Objectives, Financing, Costs and Components :

The Second Ozone Depleting Substance Phaseout project (ODS2) was approved in June 1994 and was supported

by a grant of US\$5.465 million. The grant was fully disbursed and closed on schedule in June 30, 1997. Project

costs were US\$8.8 million, 38 percent higher than estimated. The project was funded from the Montreal Protocol

(MP) Multilateral Fund which was created to provide support to eligible developing countries to meet their obligations under the MP.

The objectives of the project were : (i) to support the adoption and commercialisation of 50 percent reduced ODS

foam applications through the implementation of cost -effective priority subprojects; and (ii) to further develop a local

project implementation capacity. Project components included: (i) ten subprojects to support reduced ODS foam

technology; and (ii) limited technical assistance to strengthen project management capacity .

3. Achievement of Relevant Objectives :

Nine subprojects were implemented under the project (the tenth was transferred to a UNDP project ) and all

exceeded their ozone depletion targets . The project helped develop a project implementation capacity for the

Government's ODS Program, including strengthening the capacity of the financial agent in project appraisal and supervision of ODS subprojects .

4. Significant Achievements :

The most significant achievement of the project was to develop the institutional capacity to design and implement

ODS programs. The project was essentially a learning experiences for both the Bank and the Borrower on how to

implement the provisions of the Montreal Protocol in China .

## 5. Significant Shortcomings :

The project components were based on a Country Program to achieve ODS phaseout by 2005-2010. However, the program was not sufficiently detailed for implementation of a comprehensive national phaseout strategy . Government commitment to the program has, at times, been lacking . The regulatory framework for ODS is still weak and enforcement mechanisms, in particular, are inadequate . The experience gained since the approval of the project has shown that the design of the subprojects was not always the most cost -effective and that providing grants to enterprises has not always led to the selection of least -cost solutions. Lack of transparency in subproject selection has sometimes resulted in financing of enterprises with inadequate technical and financial capacity . Cost-effectiveness was meant to be a subproject selection criteria but there was not agreement on how to evaluate cost-effectiveness. In addition, it appears that the baseline data was not always reliable (for example, on the amount of CFC used by the aerosol industry ) and monitoring and evaluation was weak .

| 6. Ratings :             | ICR                              | OED Review              | Reason for Disagreement /Comments  |
|--------------------------|----------------------------------|-------------------------|--|
|                          | Outcome : Satisfactory           | Marginally Satisfactory | A rating of marginally satisfactory has been given because of the weak regulatory framework for ODS phaseout, lack of proper cost-effective criteria for selection of subprojects and weak monitoring and evaluation.  |
| <input type="checkbox"/> | Institutional Dev .: Substantial | Modest                  | The project partially achieved its narrowly defined objective to develop an effective implementation capacity for implementing ODS reduction policies, although there were several problems with implementation of the project, particularly regarding procurement, establishing a transparent system for subproject selection and determining the most cost-effective alternatives for each subproject. The project was not successful in developing institutional sector capacity, particularly regarding sector strategy and regulation . This is now being done under other operations . |
|                          | Sustainability : Likely          | Likely                  |  |
|                          | Bank Performance : Satisfactory  | Satisfactory            | The Bank and the Borrower have learnt from the weaknesses of the project .   |
|                          | Borrower Perf .: Satisfactory    | Satisfactory            |  |
|                          | Quality of ICR :                 | Satisfactory            |  |

## 7. Lessons of Broad Applicability :

When embarking on a new area of activity in environment, the Bank should focus its efforts on developing a satisfactory policy and regulatory framework and preferably starting with phasing out one key pollutant . By concentrating limited Bank and Borrower resources on one key area, a reliable data base of information

on that  
industry and participation of individual enterprises can be developed . The lessons learned could then be  
applied to  
other industries in subsequent projects

8. Audit Recommended?      Yes      No

9. Comments on Quality of ICR :

More significant lessons learned are included in the Memorandum and Recommendation report on the  
Fourth ODS

Project and these should have been incorporated in the ICR . The ICR should also have included a plan  
for future

operation which could have been based on the plan in the Fourth ODS Project .

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