

1. Project Data:		Date Posted : 12/12/2013	
Country:	India		
Project ID:	P069376	Appraisal	Actual
Project Name:	India - CFC Production Sector Closure Project (ODSIII)	Project Costs (US\$M):	83.02 87.48
L/C Number:		Loan/Credit (US\$M):	83.02 87.48
Sector Board:	Environment	Cofinancing (US\$M):	0 0
Cofinanciers:	N/A	Board Approval Date:	06/09/2000
		Closing Date:	06/30/2011 12/31/2011
Sector(s):	Other industry (97%); Central government administration (2%); Banking (1%)		
Theme(s):	Pollution management and environmental health (50% - P); Environmental policies and institutions (50% - P)		
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2. Project Objectives and Components:

a. Objectives:

The Ozone Projects Trust Fund Grant Agreement (Schedule 2) stated the objective of the project as: "to assist India in implementing its Country Program for phasing-out CFC [chlorofluorocarbon] production within its territory." India's Country Program was officially called the *CFC Production Sector Phase-out Plan*. It consisted of five objectives, which were enumerated in the Memorandum and Recommendation of the World Bank's Country Director for India to the Regional Vice President of the South Asia Region (hereafter called the "RVP Memo") on page 5 as follows:

- to meet India's obligations under the MP [Montreal Protocol] by gradually phasing-out production and consumption in a coordinated program;
- phase-out CFC production in a manner that is cost-effective for both India and the MLF [Multilateral Fund], while assuring that demands for substitutes are also met in a cost-effective manner;
- use policies and incentives to support and promote the phase-out of CFC production;
- channel MLF funds to beneficiaries through an efficient mechanism that encourages compliance with the goals of the *CFC Production Sector Phase-out Plan*; and
- develop and implement monitoring, reporting and auditing mechanisms that permit India to demonstrate to the Bank and the Executive Committee of the Multilateral Fund that phase-out has been accomplished according to the plan.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

Originally, the project had two components (RVP Memo, Schedule A, p.15; and ICR, p.12):

1: Enterprise compensation (appraisal estimate: US\$80.0 million; actual cost: US\$80.0 million). This component provided grant funds as compensation payments to the four CFC producers in return for meeting the CFC annual phase-out target volumes.

2: Technical assistance (appraisal estimate: US\$2.0 million; actual cost: US\$2.0 million). The United Nations Environmental Program (UNEP) was responsible for supervising this component. The component activities consisted of: (a) staffing support for the Project Management Unit to be established by the Ministry of Environment and Forests, (b) development of an MIS for collecting and managing production data, (c) consultant services for technical support to the Project Management Unit in fulfilling its responsibilities, (d) design and implementation of public awareness programs, (e) support for research activities on substitute chemicals, (f) support for training, seminars and workshops, (g) support for research on CFC recovery and recycling, (h) technical support to the CFC producers with environmental analysis and preparation of environmental management plans, and (i) support for other governmental departments and agencies collaborating in the CFC phase-out program.

Two changes were made to the project's structure at different times during implementation:

Halon Component (appraisal estimate: US\$2.3 million; actual cost: US\$2.3 million). In July 2001, the Executive Committee of the Multilateral Fund decided to finance the dismantling, removal and destruction of the only two plants producing halon in India, and US\$2.3 million was added to the Grant Agreement. The project was not formally restructured. Instead, the OTF Grant Agreement was amended on March 10, 2003 and became effective on April 17, 2003.

Accelerated CFC Phase -out Program (ACPP), appraisal estimate: US\$3.2 million; actual cost: US\$2.1 million). The ACPP compensation mechanism was added to the project in November 2008 as a financial incentive to reward manufacturers for accelerating the complete phase-out of CFC production by August 2008, or 17 months ahead of the Montreal Protocol schedule. The project was amended through a separate 'Project Agreement' between the Bank and Government. However, this program did not become effective until December 21, 2011 due to manufacturers' slow preparation of the required documents. As a result, compensation was not paid even though the project closed six months later than originally planned.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost :

Actual total project cost was US\$87.48 million, US\$1.06 million less than the appraisal estimate plus the additional Halon Phase-Out and ACPP activities, which totalled US\$88.54 million.

Financing :

The project was entirely funded by grants from the Multilateral Fund under the Montreal Protocol.

Borrower Contribution :

There was no Government contribution apart from in-kind administrative and policy support from the Ministry of Environment and Forestry's Ozone Cell unit.

Dates:

The closing date was extended once by six months until December 30, 2011 on June 20, 2011. In January 2012, one month after the project closed, but during the standard four-month grace period, US\$2.134 million was paid as the first of two programmed disbursements under the ACPP. However, at that time, the ExCom raised unresolved questions with the Government regarding its efforts at "production closure and dismantling" and "documentation on CFC stockpile destruction." When the ExCom did not receive acceptable documentation with regard to these issues, it deferred payment in April 2012 of the second (and final) disbursement of US\$1.057 million until July 2012. When the disbursement grace period expired in July, the Bank officially closed the project without making the final disbursement of US\$1.057 million. The Ozone Cell within the Ministry of Environment and Forests (MoEF) believed the Bank's decision to close the project before final payment under the ACPP had been made was "unacceptable," and did not acknowledge closure of the project (ICR, page 19).

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Substantial.

India was the world's second largest producer of CFCs at the time of project effectiveness in 2000 with more than

20,400 tons of Ozone-depleting potential (ODP) CFCs, or nearly one-quarter (23.7%), of total global production. The project's objectives were therefore relevant to reducing and then eliminating global production, export and consumption of CFCs. However, the project's objectives were less relevant to the Bank's Country Partnership Strategy (CPS) with India covering fiscal years 2009 - 2012 (when the project closed) due to the success already achieved in lowering emissions of CFCs and Halons. In view of this success, Bank strategy now focuses more on climate change and disaster risk management. According to the RVP Memo (para. 25), the Bank leveraged the opportunity presented by the project to expand its interactions with Indian stakeholders in other areas of environmental concern, such as industrial safety, energy efficiency, environmental assessments, and waste management issues.

b. Relevance of Design:

High.

The project's goal was simply stated, and design was straightforward and relevant. The targets for national CFC reduction were clearly defined in the Government's CFC Phase-Out Plan, and the ODS regulations banned the creation of new CFC facilities or the expansion of existing ones. Supplemented by the Production Quota System, producers were given some flexibility to vary their production and trade among themselves beneath the overall quota ceiling, which was steadily lowered.

The Technical Assistance activities under Component 2 were relevant to building India's institutional and regulatory capacity to eliminate ODSs, their export, and the future potential to re-activate their production or commercialization in the future. Reliance on the sector expertise of the UNEP was relevant as it had a comparative advantage in terms of the legal, administrative and technical challenges of implementing Montreal Protocol projects. The focus on developing an MIS to collect and manage production data was relevant, as provision of technical support to the Project Management Unit assisted it in fulfilling its responsibilities, including ongoing monitoring, verification, independent performance audits, and implementation of the quota system. The design and implementation of public awareness programs and provision of training, seminars and workshops were expected to reduce demand for new ODSs, as was support for research activities on substitute chemicals and on CFC recovery and recycling. Technical support to the CFC producers in environmental analysis and preparation of environmental management plans was expected to increase their ability to comply with applicable regulations. Support to be provided to other governmental departments and agencies collaborating in the CFC phase-out program (e.g. customs and excise) was relevant as they had key roles in regulating and suppressing the illegal trade in CFCs.

Annual financial and technical audits were to be used to ascertain the participating enterprises' actual CFC production phase-out and progress toward targets agreed in the annual MLF programs, and were relevant to the development and implementation of monitoring, reporting and verification mechanisms. In addition, the 2003 add-on Halon Component and ACPP were designed to help India meet its obligations under the Montreal Protocol.

4. Achievement of Objectives (Efficacy):

The Government's *CFC Production Sector Phase-out Plan 1999-2010* was broken down into five specific objectives, each of which is evaluated separately:

a) *Meet India's obligations under the Montreal Protocol by gradually phasing-out production and consumption in a coordinated program.* Rating: High.

- The project resulted in the elimination of more 22,589 metric tons of CFC production from four manufacturing plants in India and 288.8 metric tons of halon from two plants between 2000 and mid-2008, 17 months ahead of the original target of January 1, 2010 set by the Montreal Protocol (ICR, p. 7). This represented the second largest productive capacity in the world at the time the project was appraised in 1999.
- Ceiling targets for CFCs were achieved during each year of the project, and were directly attributable to the project's compensation payments to CFC production facilities. India met its obligations under the Montreal Protocol to phase-out production and consumption of CFCs and halon by January 1, 2010.

b) *Phase-out CFC production in a manner that is cost-effective for both India and the MLF, while assuring that demands for substitutes are also met in a cost-effective manner.* Rating: Substantial.

- The project's cost effectiveness ratio at project closure was a weighted average of US\$ 3.58 per kilogram of ODS production eliminated. This compares favorably to the cost of the ODS phase-out project of one CFC manufacturer in Venezuela at US\$4.45/MT and 16 plants in Malaysia at US\$10.11/MT.
- There was no discussion in the ICR regarding whether the demand for CFC substitutes was accomplished in a cost-effective manner. However, since all four CFC production facilities were 'swing plants' capable of producing an alternative ODS (i.e., HCFC-22) with no need to undergo any partial or total modification of those plants (only "cleaning of the lines"), it may be reasonably assumed that the cost to transition to this alternative was relatively minor.

c) *Use policies and incentives to support and promote the phase-out of CFC production.* Rating: Substantial.

- The production of CFC and halon was successfully phased-out due to policies put in place by the Indian

Government supported by financial incentives provided by the Multilateral Fund of the Montreal Protocol .

- ODS regulations (Government Order of March 2, 2000) banned the creation of new CFC facilities or the expansion of existing ones, and established maximum production limits at both the individual plant and national aggregate levels. This was supplemented by a Production Quota System, under which producers were given some flexibility to vary their production and trade among themselves beneath the steadily declining quota ceiling.
- The Accelerated CFC Phase-Out Program (ACPP) also used financial incentives to encourage those firms to eliminate all remaining CFC production before the Montreal Protocol imposed deadline of 1 January 2010. All production of CFCs ceased 17 months prior to this deadline in August 2008, but the extent to which this can be attributed to the ACPP is not entirely clear given that the second tranche payment of US\$ 1.06 million (out of the total program cost of US\$3.17 million) was never made to these manufacturers due to delays in providing adequate, verifiable documentation to the ExCom about CFC stockpile destruction and equipment dismantling .

d) Channel MLF funds to beneficiaries through an efficient mechanism that encourages compliance with the goals of the Sector Phase-out Plan. Rating: Substantial.

- The Industrial and Development Bank of India (IDBI) channeled compensation payments to the four CFC producers in India for which it received a one percent (1%) fee. These payments were tied to meeting annual CFC production phased-out targets, and subject to third-party audits, thereby encouraging full compliance . Based on previous experience with the ODS-II Project, the Bank believed that having a financial intermediary act between the Bank and the beneficiaries would minimize transaction costs and remove any perception of a conflict-of-interest in serving these two roles. An analogous mechanism was established for the halon component and the Accelerated CFC Phase-Out Program. The ICR noted that there were “some minor delays in fund transfers, which was mainly due to the grant being held in foreign currency in the United States, ” (ICR, p. 23) but that, “During the course of implementation, the beneficiaries never faced any problem with disbursement of funds” (ibid).

e) Develop and implement monitoring, reporting and auditing mechanisms that permit India to demonstrate to the Bank and the Executive Committee of the Multilateral Fund that phase-out has been accomplished according to the plan. Rating: Substantial.

- To track India’s compliance with the annual plant-level and national aggregated CFC production ceilings established by the ExCom of the Montreal Protocol, the Project Management Unit (PMU): (i) entered into performance agreements with each of the four CFC producers, (ii) developed a Management Information System to collect and manage production data as inputs to the annual programs submitted to the Bank, (iii) monitored project implementation and reported on whether targets were being achieved, (iv) administered the CFC production quota system, and (v) enforced production phase-out policies and the ODS Regulation .
- The project assisted the Directorate General for Foreign Trade to develop a reporting framework for the PMU and the Ozone Cell in the Ministry of Environment and Forests . Importers and exporters of all controlled ODS were required to obtain licenses from the Ozone Cell before engaging in any trading activities, which were then checked by customs officers at all entry points . These checks-and-balances increased the credibility of information generated by the project due to the triangulation of data sources and independent confirmation . This information was reported back to the UNEP, the World Bank, and the ExCom of the MLF to document compliance with the Montreal Protocol quotas . The Ozone Cell continues to maintain a database on the movement and consumption of controlled ODS (MDIs and HCFCs) within the country .
- Monitoring of compensation payments was conducted by independent auditors, with annual disbursements of Montreal Protocol grant funds made once those audits were verified by the IDBI .

5. Efficiency:

No economic or financial analysis was carried out for this project given the inherent difficulty of monetizing the local and global benefits of reduced ultra-violet radiation caused by CFCs and other ODS . The implementation of India’s CFC production phase-out project was completed in a satisfactory manner with all objectives being substantially accomplished within budget and with only a six -month extension of the project required to provide incentive payments to manufacturers to *accelerate* the complete elimination of CFC production and destroy existing stockpiles. The project’s weighted average of US\$ 3.58 per metric ton (MT) of ODS production eliminated was less than two other comparable ODS phase-out projects in Malaysia and Venezuela .

There were frequent changes in the Project Management Unit that, at times, slowed down the implementation of project activities and its lack of adequate authority and independent financial autonomy affected its ability to function effectively and efficiently . However, these relatively minor administrative problems did not appreciably affect the project’s ability to ultimately meet its objectives in an effective, timely, or cost -efficient manner.

Efficiency is rated **Substantial** .

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Relevance of Objectives is assessed as substantial since the project was instrumental in helping India meet its obligations as a signatory to the Montreal Protocols while the Relevance of Design is rated high in view of the clear and logical causal chain between project inputs, activities and structure to achieving its objectives. Efficacy in attaining the project development objectives is substantial in four cases and high in one; efficiency is rated substantial. Overall outcome is assessed as **satisfactory**.

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

- Given that all production of CFCs by the four manufacturers has been phased out, and that national policy prohibits the manufacture, import/export, or use of CFCs within India, the risk to development outcome is low.
- The consumption quota system and import/export data reporting system were established to avoid illegal CFC transactions. For example, CFC production equipment at the plants of the four producers related to solely CFC production, such as piping and day tanks, were dismantled, making it economically unattractive, as well as illegal, to resume CFC production in the future.
- Since all four CFC production facilities were 'swing plants' capable of producing an alternative ODS (i.e., HCFC-22), the Ministry still has responsibility to ensure their dismantling by 2040 when the phase-out of HCFCs production takes place. Thus, the data triangulation work between manufacturers, the Directorate General for Foreign Trade, and customs officials to develop a database and reporting system will enable officials to track HCFC elimination during its phase-out.
- In addition, the two halon production plants were also dismantled during the project.

a. Risk to Development Outcome Rating : Negligible to Low

8. Assessment of Bank Performance:

a. Quality at entry:

The preparation and appraisal of the project built upon two lessons learned from the two ODS consumption-oriented predecessor projects (ODS-I and ODS-II): first, to appoint an effective financial intermediary (FI) between the Bank and the beneficiaries to minimize transaction costs; and second, to establish performance-based disbursement tied to CFC production reduction, subject to third-party audits. Continuity of ODS programmatic operations was ensured by enlisting the support of the Industrial Development Bank of India (IDBI) with its successful experience as a financial intermediary on previous Bank projects. The Bank was also responsive to the Government's request to help design and develop the necessary policy platforms to support ODS phase-out activities, such as the *ODS (Regulation) Rules* (January 2000) and the *Production Quota System* (March 2000) as part of its appraisal. A number of activities under the technical assistance component were also included to ensure that the necessary inputs, such as training, research, and awareness-raising materials, were provided to help develop and implement monitoring, auditing and reporting mechanisms.

Quality-at-Entry Rating : Satisfactory

b. Quality of supervision:

The Bank conducted regular supervision missions to identify key issues during implementation and to raise concerns at the appropriate level within the Government. The Bank provided substantive help in reaching consensus on the ACPP that the four CFC producers and the Executive Committee of the MLF agreed to in late 2007. However, the Ozone Cell within MoEF expressed dissatisfaction with the supervisory oversight exercised by the Bank. According to the ICR (p. 21), "the Ozone Cell spent an inordinate amount of time questioning the

Bank's fiduciary and reporting procedures." After the last supervision mission in May 2010, the last three Bank supervision reports (ISRs) were prepared without the benefit of MoEF staff accompanying them or being allowed to speak with Ministry staff or beneficiaries. The Bank verified the findings of the performance audits preceding compensation payments by the IDBI, reported them in the Annual Programs, and authorized the IDBI to make the payments from the MLF grant directly to the beneficiaries.

The anchor management indicated that coordination between the Bank's regional staff and anchor staff was not a problem, but the Bank's regional staff and management pointed out a number of issues caused by inadequate coordination. Following this, the Environment Anchor team in Washington instituted new processes and placed responsibility with its own staff to improve collaboration and information flow with the Ozone Cell during implementation of the on-going ODS-IV Project.

Quality of Supervision Rating : Moderately Satisfactory

Overall Bank Performance Rating : Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Government approved the ODS Regulation banning the creation of new CFC facilities or expansion of existing ones as well as the Production Quota System, which gave manufacturers the flexibility to trade production quota rights among themselves. The Government had no financial requirements to meet.

On the negative side, the Ministry of the Environment and Forests decided to contest the Bank's right to assign project management staff or sector specialists to in-country field offices, conduct regular and independent supervision missions, follow standardized fiduciary and reporting procedures, and communicate with implementing agencies or project beneficiaries. Following ExCom's decision to defer approval of the final disbursement of US\$1.057 million under the ACPP beyond the project's four-month 'grace period' extension, and the Bank's subsequent decision to officially close the project on December 31, 2011, the Ozone Cell did not acknowledge the closure of the ODS-III Project, did not communicate with the Bank project team or allow any communication between the Bank and the four ODS manufacturers.

Government Performance Rating Moderately Unsatisfactory

b. Implementing Agency Performance:

The Project Management Unit (PMU) for the ODS-III Project was established in the Ozone Cell within MOEF as an independent organization (a "registered society") with full autonomy. This was a special legal designation created for the ODS project, but the PMU's terms of reference were not restricted to the project since it was intended to continue beyond the project's life. However, a number of problems affected the PMU's ability to function effectively and efficiently, including a lack of adequate autonomy and authority (despite its theoretically independent status). The ICR states on page 24: "in practice, the PMU was not given financial autonomy and this resulted in the PMU's reporting to the Ozone Cell, which was responsible for its day-to-day functioning. This made the role of the PMU very difficult. On the one hand, the PMU had to report to the Ozone Cell. On the other hand, it also had to report to various multilateral and bilateral agencies. In certain cases, the differing views between the Ozone Cell and the multilateral agencies put the PMU in a difficult situation operationally." During implementation, the Project Coordinator within the PMU played a critical role in the implementation of the project, but when he resigned in 2009 for personal reasons, the position remained vacant for the last two years of the project. As a result, the Ozone Cell's ability during this period to address pressing issues in a timely manner was adversely affected. There were delays in settling the final compensation disbursement for the ACPP were exacerbated by the Ozone Cell's decision to forbid the Bank's project team from conducting supervision missions and from contacting its staff or the beneficiary manufacturing firms directly.

The Industrial Development Bank of India was the Financial Intermediary for the project and performed its functions well, according to all accounts. However, there were "some minor delays in fund transfers, which was mainly due to the grant being held in foreign currency in the United States ..." (ICR, p. 15.) These delays appear to have been resolved with the introduction of a more streamlined Real Time Gross Settlement system for disbursing funds in late 2005.

Implementing Agency Performance Rating : Moderately Unsatisfactory

Overall Borrower Performance Rating :

Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The M&E system was developed to track the disbursement of grant funds to the four CFC manufacturing companies (accounting for US \$85.3 million) and the procurement of technical assistance services . The M&E system, operated by the staff of the PMU, also contracted consultants to provide technical services to prepare performance monitoring, verification, and reporting audits, and to track implementation of the tradable ODS quota system.

The technical assistance component was implemented by the PMU with the assistance of the UNEP, which was required to submit semi-annual progress reports on the status of those activities, with the Bank disbursing grant funds on a semi-annual basis. There were nine monitoring indicators set up for activities undertaken under the technical assistance component, several of which had multiple elements each . However, these defined outputs and deliverables rather than outcomes.

There were two Global Environmental Outcome Indicators : (i) to phase out CFC production completely; and (ii) establish a tradable quota system to track and monitor CFC production and commercialization . There was one Intermediate Outcome Indicator: CFC manufacturers in compliance with production targets . There were 22 monitoring indicators, many of which have multiple parts, specified in Annex 4 of the RVP Memo, but they were not used or mentioned in the ICR.

b. M&E Implementation:

The central mechanisms established to track disbursements were the annual performance audits, which were commissioned by the Ministry and conducted by independent auditors . These audited results were compared to the targets agreed to in the Annual Programs at the individual plant and aggregated national levels . Then they were cross-checked by the PMU and verified by the Bank before authorizing the IDBI to disburse annual tranches of grant funds to the four beneficiaries. The system appears to have worked well, and the quality of data collection and analysis was consistently high, as ascertained by the ExCom of the MLF , which reviewed the annual audits .

An online project management information monitoring system was installed in the early years of project implementation, and was subsequently expanded to cover all ODS reduction activities managed by the Ozone Cell . Producers of ODSs continue to submit quarterly production level data online, which are still reviewed by the PMU . These data are then compiled, analyzed and submitted to the Ozone Secretariat, in compliance with India 's continuing obligations under the Montreal Protocol .

c. M&E Utilization:

The M&E system was used to monitor reductions in CFC and halon production against MLF annual ceilings . It was less useful in providing feedback to support the CFC production phase -out process over time. With regard to the Technical Assistance Component, it was not possible to determine the extent to which feedback from the M&E system was used to facilitate or alter the project 's implementation.

M&E Quality Rating : Substantial

11. Other Issues

a. Safeguards:

The project was classified as Category "B" and triggered one Bank safeguard policy -- Environmental Assessment (OP 4.01). CFC producers would have been required to prepare Environmental Management Plans (EMPs) for plant modification or dismantling in case both CFC and HCFC22 production was terminated.. However, all the CFC production facilities were swing plants capable of producing HCFC -22 in addition to CFCs. There was hence no need to dismantle the plants as they phased out CFC production and moved to production of only HCFC -22 and metered dose inhalers (MDI), both of which are allowed until 2040.

b. Fiduciary Compliance:

There were no financial management or procurement issues during implementation, according to the ICR (p. 16). This was due to the involvement of the IDBI as the project's financial intermediary with its broad experience in the Bank's financial management procedures and requirements. There were only a small number of procurement transactions under the technical assistance component. All but US\$ 2 million of the US\$ 87.5 million of final disbursements were made to CFC manufacturers as compensation for phasing out CFC production.

c. Unintended Impacts (positive or negative):

None reported.

d. Other:

Not applicable

12. Ratings:	ICR	IEG Review	Reason for Disagreement / Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Negligible to Low	Negligible to Low	
Bank Performance:	Satisfactory	Moderately Satisfactory	The anchor management indicated that coordination between the Bank's regional staff and anchor staff was not a problem, but the Bank's regional staff and management pointed out a number of issues caused by inadequate coordination.
Borrower Performance:	Satisfactory	Moderately Unsatisfactory	The Ozone Cell's effectiveness was seriously undermined during the last two years of implementation, following the resignation of the Project Coordinator who was not replaced. In addition, the opening by the Ozone Cell of a parallel channel of communication with the Bank's Environmental Anchor resulted in mixed signals. Delays in settling the final compensation disbursement for the ACPP were exacerbated by the Ozone Cell's decision to prevent the Bank's project team from conducting supervision missions.
Quality of ICR:		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

The following lessons are taken from the ICR with some modifications:

Advantages would stem from stronger coordination of donors by ExCom : The CFC Production Phase-out Project that was assisted by the Bank was only one part of the overall national ODS phase-out program in India; there were other ODS projects implemented with UNDP, UNIDO and GTZ support. The ICR noted that while the Ozone Cell provided some level of coordination among these various activities, greater effectiveness could have been achieved if more formal mechanisms to coordinate and integrate them had been built into the design of the overall

portfolio of ODS projects. Given its global overview of national ODS elimination programs and projects around the world, ExCom is in a good position to identify the most appropriate donors to assist with different aspects of the issue as well as the overall level and kind of financial support that donors could or should provide to countries phasing out ODS. Related to this point was the observation made by Bank staff interviewed by IEG that it may have been more efficient to start with efforts to stem the *production* of CFCs before addressing the issue of *consumption*, the opposite of the way it was done in the series of ODS projects in India .

There is a need for greater intra -Bank clarity and communication about the respective roles of Anchor and Regional staff: It is imperative that Regional project management staff are kept well -informed of discussions and decisions in which the Anchor is involved, whether these are with the ExCom of the MLF or the Recipient . This would avoid the mixed messages sent in this case by the Bank to the Ozone Cell regarding the final disbursement of grant funds under the ACPP .

It is important to get the right balance between PMU autonomy and integration within the Implementing Agency : Despite the issues that arose in this case (see Section 9b above), it could still be advantageous to house the PMU within the government's implementing agency, while at the same time endowing it with substantial authority . However, this would require a case-by-case approach involving careful consideration of the situation on the ground.

14. Assessment Recommended? Yes No

Why? To verify the ratings and document lessons learned .

15. Comments on Quality of ICR:

The ICR provided sufficient factual information to assess the outcomes achieved by the project in terms of reductions in CFCs and the use of cost-effective and efficient mechanisms to create incentives to make those reductions in a timely fashion. Many of the issues presented in the "Key Factors Affecting Implementation and Outcomes" and "Lessons Learned" sections were based on solid evidence and analysis, and the ratings were results -oriented rather than being overly focused on outputs . However, the ICR could have provided more information about the project's M&E system, in particular why the indicators developed in the RVP's Memo were not fully used. The ICR might also have been more forthcoming about the nature of a number of internal Bank communication and control issues involving the PMU and the Ozone Cell within the Ministry during the final two years of project implementation, and reflected that in rating both Bank and Borrower performance .

a. Quality of ICR Rating : Satisfactory