

Proposal for Review

Project Title: Slovenia: Project for the Phaseout of Ozone Depleting Substances

GEF Focal Area: Ozone Depletion

Country Eligibility: Slovenia succeeded to Montreal Protocol ratification of the former Yugoslavia in July 1992 and has formerly ratified later amendments. GEF Eligibility on basis of IBRD eligibility.

Country: Slovenia

Total Project Cost: US\$9.5 million

GEF Financing: US\$6.2 million

Counterpart Financing: US\$3.3 million

Associated Project: None

GEF Implementing Agency: World Bank

Executing Agency: World Bank

Local Counterpart Agency: Slovenian Ministry of Environment and Physical Planning and Investment Sub-Project beneficiaries

Estimated Starting Date: September 1995

Project Duration: Two Years

GEF Preparation Costs: No PRIF or PPA resources were used

PROJECT OBJECTIVES

The principal objective of the project is to assist Slovenia in the phaseout of ODS. The project will support the Ministry of Environment and Physical Planning in the construction of a national ozone control program (NCP) through provision of key components (NCP technical assistance and through national institutions improve the capability of the Ministry of Environment and

SLOVENIA: PROJECT FOR THE PHASEOUT OF OZONE DEPLETING SUBSTANCES

COUNTRY/SECTOR BACKGROUND/CONTEXT

1. The Vienna Convention for the Protection of the Ozone Layer (1985) and the Montreal Protocol on Substances that Deplete the Ozone Layer (1987) are international agreements which call for the phaseout of substances that deplete the stratospheric ozone layer.

2. In July of 1992, Slovenia succeeded to the ratification of the former Yugoslavia of the Montreal Protocol which initially ratified the Protocol on December 26, 1990. In December of 1992, Slovenia ratified the London Amendments to the Montreal Protocol, but it has yet to formally ratify the Copenhagen Amendments. However, Slovenia has not been designated as an Article 5 country under the Montreal Protocol, and is therefore not eligible for financial assistance from the Multilateral Fund for the Implementation of the Montreal Protocol. It is eligible for IBRD financing, and Global Environment Facility (GEF) resources will therefore be required to finance the Project. The investments funded under this project were identified as part of the development of the Slovenia Country Program. The investments funded under this project were identified as part of the development of the Slovenia Country Program.

3. All ODS in Slovenia are imported from the European Union, mainly the United Kingdom, Germany, France, the Netherlands, and Italy. In addition, approximately 38% of ODS used in Slovenia were exported in final products in 1993, and thus the export market has effectively dictated the phaseout of ODS in some enterprises in advance of national legislation. The decline in ODS consumption from 1986-1992 was greatest in aerosols (62%) and foams (65%). In refrigeration, technology advances have not been so rapid, with a phaseout of 37%.

4. In 1993, usage of regulated ODS was approximately 1,936 metric tons. Compared to 1990, total annual ODS use has fallen by 35%, and was equivalent to 952.5 ozone-depleting-potential (ODP) in weighted tons in 1993. In terms of ozone-depleting-potential, 89% is accounted for by Chlorofluorocarbons (CFCs), 10% by 1,1,1 Trichloroethane (TCE), and the remaining 1% by Hydrochlorofluorocarbons (HCFCs). Consequently, the focus of the project should be on phasing out the use of CFCs. Aerosols and foams account for 42% and 37% of CFC use, while refrigerants and solvents account for 17% and 4%, respectively. For TCE, solvents account for 95% of consumption.

PROJECT OBJECTIVES

5. The principal objective of the Project is to assist Slovenia in the phaseout of ODS, as mandated by the Montreal Protocol and its amendments and adjustments, in a cost effective manner. More specifically, the goals of this Project are to: (i) initiate the phaseout of the consumption of chlorofluorocarbons (CFCs) through adoption of new cost-effective CFC-free technologies; and (ii) through institutional strengthening improve the capability of the Ministry of Environment and

Physical Planning (MEPP), the Slovenian EcoFund (SEF), and the Chamber of Economy (COE) to manage and oversee the phaseout of ODS in Slovenia.

6. By focussing on the key sectors and enterprises, the project will phaseout 345.3 tons of ODP per year, or roughly 36% of ODP-weighted ODS consumption in Slovenia. Approximately 68% of the phaseout under the Project will be accomplished through the two Aerosols Sub-Projects (Krka and Lek), with an additional 20% to be phased out at LTH in refrigeration and foams.¹

PROJECT DESCRIPTION

7. The proposed project will consist of (i) an Investment Component comprising six Sub-Projects; and (ii) an Institutional Strengthening Component. Both Components have been designed in close cooperation between the Chamber of Economy (COE), the Ministry of Environment and Physical Planning (MEPP), the Participating Enterprises, the World Bank, and international consultants. The MEPP, SEF, and COE will be primarily responsible for the implementation of the Institutional Strengthening Component, and the Participating Enterprises for the Sub-Projects which will comprise the Investment Component. Table 1 provides a summary; the Sub-Projects are briefly described in the following.

PROJECT DESCRIPTION AND COSTS

8. The project consists of (i) an Institutional Strengthening Component; and (ii) an Investment Component comprising six Sub-Projects. Below is a description of each of these components. Comprehensive Sub-Project descriptions are provided in the Technical Report.

INSTITUTIONAL STRENGTHENING COMPONENT

9. **Sub-Project 1 -- Project Implementation Unit for the Phaseout of Ozone Depleting Substances.** Together with the Chamber of Economy and Slovenian EcoFund (SEF), the MEPP will set up an ODS Phaseout Project Management unit (PIU) to be supported by a Technical Advisory Group (TAG). The PIU will be established in the SEF and coordinate the implementation of the Project, oversee procurement and disbursement for Sub-Projects 2-7 in compliance with World Bank guidelines, and supervise project activities according to the requirements of the World Bank and the MEPP. As necessary, the PIU will arrange for technical assistance and consultants to assist in project implementation, and provide support to facilitate cooperation among government institutions and the producers and consumers of ODS. Finally, the PIU will be responsible for calling meetings

^{1/} It should be noted that the largest consumer of CFCs in Slovenia (Gorenje -- Refrigeration and Foams Sector) is not covered under the Project since the company exports roughly 95% of its production, and is therefore ineligible for GEF assistance. Annual ODP phaseout at Gorenje is estimated to be 338 tons.

of the TAG, which will be responsible for providing technical support to ODS consumers and producers in the implementation of investment Sub-Projects aimed at ODS Phaseout. Funding for this Sub-Project amounts to US\$220,000 to cover salaries, office equipment, ODS monitoring, and the cost of hiring international consultants for supervision and review during implementation of the Sub-Projects.

INVESTMENT COMPONENT

10. This component covers six investment Sub-Projects -- 1 refrigeration and foams, 1 refrigeration, 2 aerosols, 1 foams, and 1 solvents -- for a total of \$9.5 million, of which \$6.2 million is proposed to be financed by the Global Environment Facility. This component will lead to the annual phaseout of 345 tons of ODP -- 68% in aerosols, 31% in refrigeration and foams, and 1% in solvents. A variety of ODS-phaseout technologies will be implemented, with three Sub-Projects (Krka, Lek, and LTH) accounting for 72% of the GEF financing, and 88% of the ODP phaseout. Also included in the investment component is the cost of the project implementation unit.

11. **Sub-Project 2 -- Project for Conversion and Phaseout of Ozone Depleting Substances at LTH.** LTH is the largest producer of commercial refrigeration appliances in Slovenia. The objectives of the project are: (i) substitution of CFC refrigerant with HFC-134a; and (ii) substitution of CFC-11 blowing agent with HCFC-141b, and finally cyclopentane. The project started in July 1992, and will be finished by the end of 1995 or early 1996. The substitution of CFC refrigerant with HFC-134a is being performed. The choice of HFC-134a technology is based on several criteria, including cost and viability. Though HFC-134a has a much higher GWP than the other major alternative (hydrocarbons), the small quantity of HFC-134a used in a refrigerator would result in incremental global warming that is very small compared to that produced during the generation of electricity used during the life time of the refrigerator. The substitution of CFC-11 blowing agent has been/will be realized as follows: Phase I (50% reduced use of CFC-11) in July 1992; Phase II (HCFC-141b) in August 1993; and Phase III (cyclopentane) by end of 1995 or early 1996. GEF Financing is not sought for Phases I and II, but only the Phase III conversion to cyclopentane. The total incremental cost of the refrigeration component is US\$ 1,607,258, while the total incremental cost of the foams component is US\$ 2,424,696. The total incremental cost of the project is US\$4,031,954, of which it is proposed that US\$ 1,492,724 is financed by the GEF grant. The result of the project will be the annual phaseout of 26.0 tons of ODP-weighted consumption of CFC-12 and CFC-502 in refrigeration, and 41.4 tons of CFC-11 in foam.

12. **Sub-Project 3 -- Servicing of Refrigerators and Freezers, and Substitution of CFC-12 Refrigerant in Heat Pumps with HCFC-22 at Gorenje Servis.** Gorenje Servis is the largest service organization in Slovenia and has exclusive rights for servicing Gorenje appliances during the warranty period. The service network of Gorenje Servis consists of 10 service stations with 29 qualified service technicians. In 1993 there were 25,500 service repairs on refrigeration appliances. Service repairs of Gorenje Servis represent about 30 percent of the Slovenian market. The objectives of the project are: (i) servicing the refrigerating-freezing appliances and heat pumps which contain CFC-12 as refrigerant and its recovery; (ii) servicing the refrigerating-freezing appliances which contain HFC-134a as refrigerant and its recovery; and (iii) substitution of CFC-12 with HCFC-134a

in the production of heat pumps. The total incremental cost of the refrigeration component is US\$ 336,547, while the total incremental cost of the heat pumps component is US\$ 123,442. The total incremental cost of the project is US\$ 459,989, of which it is proposed that US\$ 118,680 is financed by the GEF grant. The result of the project will be the annual phaseout of 10.2 tons of ODP-weighted consumption of CFC-12 in refrigeration, and 1.2 tons of CFC-12 in heat pumps.

13. **Sub-Project 4 -- Conversion of Aerosol Production to CFC-Free Propellants at Krka Kozmetika.** Krka is a major producer of aerosols for cosmetic and technical applications in Slovenia. The average number of aerosols produced from 1986 to 1990 was 6 million units, of which about one third was perfume in glass bottles. The consumption of CFCs in 1992 was 123 tons, representing 28.2 percent of the CFC consumption in the aerosol sector. The objective of the project is to phase out the use of 79 tons (1993) of CFCs aerosol propellants and substitute them with Dimethyl Ether (DME) in perfumes and colognes, and hydrocarbon aerosol propellants in all other products. The project started in 1993, and will be finished in July 1995. Operational savings of US\$ 393,140 will be realized over the life of the project, and the incremental capital cost of the project is US\$ 1,068,452. The total incremental cost of US\$ 675,312 is proposed to be financed by the GEF grant. The result of the project will be the annual phaseout of 79.0 tons of ODP-weighted consumption of CFC-11 and CFC-12.

14. **Sub-Project 5 -- Substitution for CFC Propellants in the Production of Pharmaceuticals at LEK Pharmaceuticals.** Lek Pharmaceuticals is one of the largest aerosol manufacturers in Slovenia. It is the only one that manufactures drugs in aerosol form, in addition to cosmetic aerosols. In 1990 Lek started to use propane-butane gas as propellant, and in 1993 the use of CFCs was excluded from the production of cosmetic aerosols. The mixture of CFC-11 and CFC-12 in a ratio 1:1 is used as propellant. The consumption of CFCs in 1992 was 157 tons, representing 36 percent of the CFC consumption in the aerosol sector. The proposed program involves the substitution for CFCs with propane-butane. The objective of the project is to phase out the use of 157 tons (1992) of CFCs aerosol propellants and substitute them with hydrocarbon aerosol propellants in the production of pharmaceuticals. The project started in the fourth quarter of 1994, and will be finished in late 1995 or early 1996. The total incremental cost of the project is US\$ 2,184,980, of which it is proposed that US\$ 1,992,600 is financed by the GEF grant. The result of the project will be the annual phaseout of 157.0 tons of ODP-weighted consumption of CFC-11 and CFC-12.

15. **Sub-Project 6 -- Elimination of CFC-11 in the Production of Light Building Panels at Trimo.** Trimo, with its annual production capacity of 600,000 m², is the Europe's largest manufacturer of light building panels. Trimo panels are metal sandwich filled with mineral wool and glued with a polyurethane (PU) foam. About 40-60 percent of its production is exported, mainly to the European Union and the states of the Former Soviet Union. It consumed 22 tons of CFC-11 in 1992 in the production of light building panels. The objective of the project is to permanently eliminate the CFC-11 consumption in Trimo's production process by replacing the CFC-11 with CO₂ based foaming agent for its polyurethane adhesives. The conversion must assure the equivalent physical and mechanical properties and quality of Trimo sandwich panels. The scheduled completion time for equipping the warehouse with a panel transportation and storage system is four months, and for modifications and upgrades on the double belt line it is seven months. The total project duration

is scheduled at eleven months including the training, start-up, and trial production runs. The total incremental cost of the project is US\$ 960,000 of which it is proposed that US\$ 784,800 is financed by the GEF grant. The result of the project will be the annual phaseout of 27.7 tons of ODP-weighted consumption of CFC-11.

16. **Sub-Project 7 -- Substitution for CFCs with Aliphatic Hydrocarbons in Dry Cleaning at the Labod Company.** The Labod Company is the biggest dry-cleaning company in Slovenia. Leather clothes (30 tons/year), and silk clothes and similar fine materials (25 tons/year) are cleaned by CFC procedures. Labod uses 3.5 tons of CFC-113 per year, thus representing about 72 percent of CFC use in dry cleaning. Labod represents 8 percent of CFC use in the solvent sector. The objective of the project is to phase out 3.5 tons of CFCs by replacing CFC procedures with aliphatic hydrocarbons. Operational savings of US\$ 38,577 will be realized over the life of the project, and the incremental capital cost of the project is US\$ 217,677. The total incremental cost of US\$ 179,100 is proposed to be financed by the GEF grant. The result of the project will be the annual phaseout of 2.8 tons of ODP-weighted consumption of CFCs. The new technology could also be used as a training or demonstration center for other dry cleaning facilities which will need to phase out ODS.

KEY PROJECT DOCUMENTS

17. Slovenia completed a Country Program in fulfillment of its obligations under the Montreal Protocol. The project proposed here is based on the findings of the Country Program. Other documents include detailed sub-project descriptions which include financial and technical data, and the technical reviews of these subprojects undertaken by specialists from the Ozone Operations Research Group (OORG). As well, a detailed technical annex has been prepared in draft for this project. All of these documents are available from the Regional Coordinator, ENVGC; fax: 522-3256.

RATIONALE FOR FUNDING UNDER THE GLOBAL ENVIRONMENT FACILITY

18. The Project would form a part of Slovenia's ODS phaseout program some of which might not be implemented without Bank involvement. In addition to promoting the phaseout of ODS, one rationale for the project is that it will reduce the economic dislocation associated with ODS phaseout by assisting those enterprises which will be required to change their production technologies. The proposed project is consistent with the Implementation Guidelines and Criteria established by the Executive Committee of the Montreal Protocol (MPEC), for which the Bank is an implementing agency. The project will be developed and structured on the basis of specific ODS phaseout requirements in Slovenia, and the project eligibility criteria guidelines set forth by the Multilateral Fund for the Implementation of the Montreal Protocol and the GEF.

SUSTAINABILITY AND PARTICIPATION

19. The investment program will focus on priority sectors and cost-effective measures which were defined in the Country Program for the phaseout of ODS, and will be complemented by changes in policies and regulations to ensure compliance with ODS phaseout targets (e.g., penalties for violation of regulations, obligatory reporting and monitoring requirements). Limited availability of ODS and ODS dependent components will work to ensure sustained future use of non-ODS technology. This will be primarily attributable to the phaseout of ODS production in Europe.

20. As part of the development of the Country Program, the Ministry of Environment undertook consultations with a broad spectrum of enterprises and interested parties, including other ministries: industry, economics, finance, NGOs, industry associations and others. Enterprises were given the opportunity to participate in the project as long as they could provide the necessary data for project staff to evaluate their financial viability, technological capabilities and eligibility for financial assistance. Consultations with enterprises and other interested parties continued through a series of country workshops held under the aegis of the Montreal Protocol on project identification, preparation and implementation, as well as during actual project design.

21. The Project will be implemented within a limited time-frame. ODS phaseout projects which are successfully implemented will have a permanent ODS phaseout effect, and be in compliance with the requirements of the Montreal Protocol. In order to ensure long-term sustainability of the various project components, policy and regulatory measures, already under consideration by the MEPP, will be introduced early in the project implementation period.

LESSONS FROM PREVIOUS BANK INVOLVEMENT AND TECHNICAL REVIEW

22. ODS Phaseout Projects utilizing GEF resources are being developed concurrently in the Czech Republic, Slovakia, Hungary, and other countries. Implementation arrangements based on environment ministry implementation with local financial agent assistance in fund administration have been established for most ODS phaseout operations, and these have been used in the design of the Project.

23. The project was reviewed by technical specialists from the STAP roster as well as who serve on the Ozone Operations Research Group (OORG). The OORG was initially set up by the World Bank to review sub-project proposals for funding by the Multilateral Fund of the Montreal Protocol. By having OORG specialists review the Slovenia project, consistency with Montreal Protocol technical criteria as well as cost-effectiveness benchmarks is ensured. All eight investment sub-projects have been cleared by the reviewers. The institutional strengthening sub-component is being revised by the Ministry to conform to recommendations made by both OORG reviewers and ENVGC's Montreal Protocol staff.

PROJECT FINANCING AND BUDGET

24. It is proposed that the Project cost of \$9.5 million be funded in the amount of \$6.2 by the Global Environment Facility (GEF). Funds would be provided as a grant from the Global Environment Trust Fund (GET) to the Government of Slovenia. The estimates for project costs and the size of the GEF Grant to be requested will be finalized during Appraisal (planned for May 1995). It is expected that the total grant request will be \$6.2 million taking into account exports to non-GEF countries, the financial intermediary fee, contingencies, and the possibility that one Sub-Project prepared by UNDP (Polluretani/Izoterm) may be included under the Project at a later date.

INCREMENTAL COSTS

25. The Sub-Projects involve eligible incremental costs (i.e., those capital and operating costs which would not have occurred in the absence of the Montreal Protocol) and non-incremental costs (i.e., those costs which would have occurred regardless of the presence of the Montreal Protocol). All estimated costs for the Sub-Projects which are determined to meet the definition of incremental costs (as determined by the London Amendments to the Montreal Protocol) will be eligible for grant funding subject to the final eligibility criteria to be established by the GEF. The Grant will only fund that portion of project costs which are agreed to be incremental, and for which financing is available while the Participating Enterprises will be expected to finance the associated non-incremental costs of the Project.

26. The project's major benefit will be to assist Slovenia to achieve its objective of completely phasing-out the use of ODS as early as is technically feasible. The project will help the Government implement an accelerated ODS phaseout program by providing financing for priority Sub-Projects which will result in the phaseout 345 tons of ODP annually (or about 36 percent of Slovenia's total ODP-weighted use of ODS).

27. The project consists of Sub-Projects which will contribute to maximizing the useful life of equipment which currently rely on the availability of CFC for their continued use. This will contribute to reducing the country's economic cost of phasing out the use of the regulated substances by converting equipment to alternative uses and technologies. In addition, the project will enable export-oriented firms to maintain their export markets by adjusting in a timely manner to non-ODS products as requested by importers from industrialized countries.

ISSUES, ACTIONS, AND RISKS

28. Management structures and ownerships of most of the companies which would be assisted under this project could change in the future. Nevertheless, the risks associated with the potentially difficult financial health of some companies would be mitigated through a project review process. Although the financial viability of each of the Participating Enterprises is considered to be healthy, the situation could change in the future. The financial situation of each of the Participating Enterprises will therefore be reassessed during Appraisal to better ensure project sustainability.

29. Monitoring of compliance with ODS regulations will be of paramount importance for project success. Under the Institutional Strengthening Component, the MEPP will be responsible for monitoring the use and phaseout of ODS in Slovenia. To address this problem, the MEPP will need to ensure that a system of fines is in place to discourage their use, and that use of ODS is strictly monitored and enforced.

30. Other issues and actions which will need to be addressed includes project implementation procedures. Specifically, the PIU will need to be up and running with a staff of 2-3 persons by the time the project is approved, and a Project Administration Agreement (PAA) governing the working relationship between the Slovenian EcoFund and the MEPP is needed. For the PAA, the model used in the Czech Republic ODS phaseout project (funded by the GEF pilot facility) will be followed and has already been shared with the relevant authorities.

INSTITUTIONAL FRAMEWORK AND PROJECT IMPLEMENTATION

31. The Ministry of Environment and Physical Planning (MEPP), through its Project Implementation Unit (PIU), will act as general program coordinator for the Project. The MEPP will liaise with other ministries on policies and industrial strategy issues, and, through its PIU, be responsible for day-to-day management of project implementation.

32. The Slovenia EcoFund (SEF) will serve as the Project Implementation Unit (PIU) for the Project, and be assisted by the Chamber of Economy (COE) which has effectively served as the project coordinator up until now. Furthermore, because the EcoFund is uniquely positioned to also perform the services which are normally required from a Financial Intermediary, it was agreed that no formal Financial Intermediary will be selected for the Project at this time.² Instead, as necessary, the SEF will contract out these services to a local bank in the event that it is not capable of performing all of the responsibilities normally required of a Financial Intermediary. The PIU proposal to be prepared by the SEF will include an estimate of its costs which clearly show estimates for (i) the role normally prescribed for a PIU (a total dollar amount is requested), and (ii) the role normally prescribed for a Financial Intermediary (as a percentage of the total amount of the Investment Sub-Projects);

33. A Project Administration Agreement (subject to Bank review) will be established between the SEF and the MEPP. For each Sub-Project a Sub-Grant Agreement between the SEF and each of the Participating Enterprises will be prepared. The Sub-Grant Agreement will include reporting provisions, annexes on disbursement, and provisions related to environmental protection and worker safety. Standard Bank disbursement procedures will be followed, with established limits on initial deposit and replenishment levels, statements of expenditures, and Bank review levels.

^{2/} The Slovenian EcoFund will be actively involved in the implementation of the Slovenia Environment Project currently being prepared by the World Bank, and thus its dual role as the PIU and Financial Intermediary for the ODS Phaseout Project will serve to strengthen the Ecofund and coordination between the two projects through the experience which will be gained.

34. To ensure smooth disbursement, early involvement of the SEF in supervision will be required. A Project Implementation Manual (PIM) has been provided, and includes the relevant Bank guidelines on procurement, disbursements, use of consultants, financial reporting, auditing, sample bidding documents, and other project-specific documents, such as the Terms-of-Reference for the Financial Intermediary. In addition, a one week training course on project implementation and management was held in Budapest in mid-January 1995, and was attended by staff of the COE and the SEF.

35. **Environmental Aspects.** Each project sub-component will be subject to local environmental regulations and Bank project environmental review procedure. The Project consists of light industrial projects which would be classified as category B on the basis of the Bank's project environmental classification system (OD 4.01) and based on previous classification of similar projects. For each sub-project, an annex on environmental and safety procedures was attached to the sub-project document which was reviewed by the technical reviewers.

36. Although the overall project objective is protection of the environment by reducing the emission of ODS, the change to non-ODS technologies or substitution of ODS with other chemicals may involve other environmental risks. Sub-Projects may employ flammable substitutes or, in the case of solvent Sub-Projects, increase wastes. Sponsoring enterprises will be responsible for providing an environmental impact assessment (EIA) as required by Slovenian law. In addition, the MEPP will ensure that information on international safety standards and procedures will be requested from the suppliers, and that these standards and procedures will be applied to the use of new substances by all Participating Enterprises.

TIMING OF PREPARATORY ACTIVITY

37. The following steps are planned for project processing:

- Project Appraisal -- May 1995
- Yellow Cover Review Meeting -- June 1995
- Negotiations -- July 1995
- Board Approval -- August 1995
- Signature of Grant Agreement -- September 1995

TABLE I

Slovenia ODS Phaseout¹ - Summary of Sub-Project Data and Costs

Sub-Project	Sector	Types of ODS Used	Annual ODP Phaseout ¹	Incremental Capital Cost ²	Incremental Operating Cost ²	Total Project Cost	Requested GEF Grant
Project Implementation Unit	Institutional	-	-	\$220,000		\$220,000	\$220,000
LTH	Refrigeration and Foam	CFC-12 CFC-502 CFC-11	67.4	\$2,837,995	\$1,193,959	\$4,031,954	\$1,492,724
Gorenje Servis	Heat Pumps and Refrigeration	CFC-12	11.4	\$118,680	\$341,309	\$459,989	\$118,680
Krka	Aerosols	CFC-11 CFC-12	79.0	\$1,068,452	(\$393,140)	\$675,312	\$675,312
	Aerosols	CFC-11 CFC-12	157.0	\$1,992,600	\$192,380	\$2,184,980	\$1,992,600
Trimo	Foam	CFC-11	27.7	\$872,000	\$88,000	\$960,000	\$784,800
Labod	Solvent	CFC-113	2.8	\$217,677	(\$38,577)	\$179,100	\$179,100
Financial Intermediary Fee (to be paid to Slovenian EcoFund) ³							\$163,896
Contingency ³							\$546,322
Total			345.3	\$7,327,404	\$1,383,931	\$8,711,335³	\$6,173,434³

1/ Ozone-Depleting-Potential (ODP) is a concept which has been developed to aggregate the impacts of all ozone depleting substances (ODS) on the ozone layer. Since not all ODS are equally damaging to the ozone layer, their effects on the ozone layer must be weighted by the appropriate damage factor. For example, CFCs are ten times as damaging as 1,1,1-Trichloroethane (TCE), so TCE only receives a weight of 0.10.

2/ Incremental costs are defined as those costs of ODS phaseout which would not have been incurred in the absence of the Montreal Protocol. Estimates of incremental capital and operating costs are based on the methodology developed by the Multilateral Fund of the Montreal Protocol.

3/ Financial Intermediary Fee (expected to be 3%) and Contingency (expected to be 10%) to be determined during Appraisal to ensure that total project cost does not exceed \$9.5 million and GEF Grant does not exceed \$6.2 million. In addition, another Sub-Project which was prepared by UNDP (for up to \$2 million) may be added depending on the availability of GEF financing.

ANNEX A: SUMMARY OF TECHNICAL OPINION

SLOVENIA: PROJECT FOR THE PHASEOUT OF OZONE DEPLETING SUBSTANCES

1. The technical review of the **Slovenia Ozone Phaseout Project** was undertaken by technical reviewers who are both listed on the **STAP** roster and are members of the World Bank's Ozone Operations Research Group (OORG). The OORG was set up to undertake analysis of proposed sub-projects for funding under the Multilateral Fund for the Montreal Protocol. It utilizes standard criteria against which to judge the technical viability and cost effectiveness of a given sub-project. These include: appropriateness of the technology, environmental impact, project costs, implementation timeframe, lessons from experience, safety issues and final recommendations.
2. For Slovenia, all eight investment sub-projects have been cleared for implementation by the technical reviewers. At the time of the initial OORG review (November, 1994), several subprojects needed revisions. Since then, the enterprises have been appraised of these needed modifications/clarifications, and have incorporated them in the revised proposals.
3. The one component which is still undergoing revision is the institutional strengthening component. The reviewers suggested that the project implementation unit be streamlined; this is being considered by the Government.