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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-eighth Meeting
Montreal, 14-16 July 1999

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Projects and activities presented to the 28th Meeting

Submissions by Agencies and Bilateral Partners

1. The total value of requests associated with projects and activities received by the Fund Secretariat from implementing and bilateral agencies for submission to the 28th Meeting, is US \$87,387,130. The total is comprised of:

- (a) Bilateral co-operation:
 - 22 project proposals were received from Belgium, Canada, Finland, France, Germany, Japan and the U.K. with a total value of US \$7,583,545 as submitted;
- (b) 1999 Work Programme Amendments:
 - 1999 Work Programme Amendments have been submitted by UNDP, UNEP and the World Bank. The proposals include US \$1,216,066 for 11 institutional strengthening projects and US \$716,307 for other activities;
- (c) Investment projects:
 - 163 proposals for investment projects (including one demonstration project for methyl bromide) were submitted to the 28th Meeting by UNDP, UNIDO and the World Bank with a total value, as submitted, of US \$77,802,777.

Secretariat's review of proposed projects and activities

2. The review of project proposals by the Fund Secretariat has resulted in the following:

- (a) Bilateral projects:
 - 11 bilateral projects with a total value of US \$3,774,460 have been recommended for blanket approval;
 - 8 bilateral projects with a value of US \$879,287 have been withdrawn;
 - 3 bilateral projects with a value of US 1,268,984 are pending.
- (b) 1999 Work Programmes:
 - 11 institutional strengthening projects with a total value of US \$1,133,825 have been recommended for blanket approval;
 - 12 activities with a total value of US \$716,307 have been withdrawn.

- (c) Investment Projects (including methyl bromide):
- 125 project proposals with a total value of US \$35,262,371 have been recommended for blanket approval;
 - 8 project proposals with a total value of US \$26,625,482 have been listed for individual consideration by the Sub-Committee on Project Review (see Annex I);
 - 30 project proposals with a total value of US \$2,740,451 have been withdrawn or deferred.

Status of the Fund

3. At the time of preparation of this paper, Multilateral Fund resources available for committal amount to some US \$57.3 million. If the recommendations of the Secretariat for blanket approval are taken up and projects and activities for individual consideration were to be approved with their values as submitted, there would be a shortfall of around \$9 million.

Issues arising from Project Review

Establishing Consumption

4. Project proposals are now being presented to the Executive Committee for enterprises whose work involves providing services to customers instead of, or as well as, goods. Examples are: provision of sterilisation services; installation of refrigerating units on trucks and trailers; installation of air-conditioning in vans and buses, and; installation of cold rooms by refrigeration service companies. The incidence of such projects is increasing and this trend can be expected to continue as projects have now been approved for conversion of the majority of the major manufacturing enterprises in Article 5 countries.

5. These enterprises are fundamentally different to factories producing goods for sale. Because they may not have commitments arising from mass production operations and large workforces they may have quite large fluctuations in the level of business from year to year depending on economic conditions and competition in their industry segment. Since refrigeration contractors are often also involved in servicing equipment, they can even cease production activities completely from time to time, re-starting when business opportunities arise.

6. The level of funding for projects involving such enterprises is frequently dependent on the level of their ODS consumption, either because of cost-effectiveness thresholds, or because of the predominance of incremental operating costs in the overall level of eligible project funding. The Secretariat is experiencing increasing difficulties in providing to the Executive Committee the necessary degree of assurance that requested funding is eligible, when this funding is dependent on single year enterprise consumption figures. This problem is exacerbated when, as is increasingly the case, a number of enterprises are presented in a group project. The Secretariat's analysis of such projects frequently reveals anomalies and inconsistencies in the consumption figures as presented. The remedy usually requested by the Secretariat is for the

implementing agencies to go back to the enterprises for additional data to correlate consumption with levels of production and other business indicators. This process is both expensive and time consuming for the agencies as it amounts to the need for a major part of the project preparation activity to be repeated. A permanent solution would be for the agencies to provide in the first place figures for consumption for a three year period prior to project preparation for all projects involving provision of services, in particular, cold rooms, transport refrigeration, sterilants etc., and to relate these figures directly to the ODS contained in the number and type of equipment produced, where applicable.

7. The submission of projects of this type will increase from now on and the Secretariat strongly recommends adoption of this practice so that the Committee can be provided with the necessary assurances regarding the eligibility of funding requested for such projects.

Provisional Approval

8. Two group projects for Brazil (JNP Group and Polsul Group) have been submitted by UNDP for groups of 25 and 14 foam producing enterprises respectively for which commitments on counterpart funding have not been obtained. The costs of the projects have been agreed. The description of the projects and Secretariat's recommendations can be found in document UNEP/OzL.Pro/ExCom/28/25. In line with Executive Committee Decision 22/63, and with the agreement of the implementing agency, the two projects are recommended for 'provisional approval.' Decision 22/63 provides that, "where the level of counterpart funding is significant and no commitment has been obtained from the enterprise, the projects should be given provisional approval. When the Secretariat receives an assurance of the relevant commitment, the provisionally approved projects could proceed."

9. Subsequently, UNDP submitted to the Secretariat letters from each enterprise in the two groups of 25 and 14 enterprises, confirming that the enterprise was committed to providing counterpart funding. This meets the requirements of Decision 22/63 and, accordingly, the two projects for JNP Group and Polsul Group have been transferred to the list of projects recommended for blanket approval.

Project for Change of Technology

10. As required by Decision 22/69, advice is provided that UNIDO submitted a request for change of technology for a project in the refrigeration sector in Argentina. The project, for an enterprise named Radio Victoria Catamarca, was approved at the 22nd Meeting to phase out ODS consumption through conversion of production from CFC-11 to cyclopentane blowing agent and from CFC-12 refrigerant to isobutane. Radio Victoria Catamarca requested a change of technology in its proposed refrigerant conversion from isobutane to HFC-134a because of technical problems experienced by the enterprise in adapting to isobutane refrigerant technology. The request complied with all the provisions of Decision 22/69 and was authorised by the Fund Secretariat after consultation with UNIDO. An amount of US \$ 108,246 will be returned to the Multilateral Fund.

Projects for individual consideration

11. 8 investment projects (including two for methyl bromide) have been referred for individual consideration. They are listed in Annex I to this paper.
12. Included is the first project in the process agent sector, for Excel Industries in India, to phase out 375 ODP tonnes of carbon tetrachloride used annually in the manufacture of endosulphan, a pesticide. As required by Decision 27/78, a profile of the process agent sector in India was provided in the project proposal. It is included with the Secretariat's evaluation sheet (UNEP/OzL.Pro/ExCom/28/31) for the information of the Committee. The full project document can be provided on request or can be downloaded from the Secretariat's web site (www.unmfs.org).
13. Also included are projects for incremental operating costs for compressors in India and for capital costs of conversion of a compressor manufacturer in Iran. These projects are the first to be submitted under Decision 26/36 approving a methodology for calculating incremental operating costs for compressors and capital costs for compressor conversions.
14. A further project for conversion of 27 manufacturers of foam net bags used to package fruit in China has been referred for individual consideration in the light of the Strategy for the Polyethylene/polystyrene Foam Sub-sector for China, also submitted to this meeting.
15. In the list also is a project to convert the largest individual user of ODS solvents in China. The project, for the Irico Caihong company, was originally considered at the 23rd Meeting in November 1997. The Executive Committee agreed that the project was eligible for approval, but the project was deferred until 1999 as it would not have contributed directly to attainment of the 1999 freeze.

ANNEX I**List of Projects for Individual Consideration**

| <i>Country:</i> | <i>Sector</i> | <i>Project Title:</i> | <i>Document No.</i> | <i>Agency:</i> |
|-----------------|---------------|---|--------------------------|----------------|
| Argentina: | FUM | Demonstration project for testing methyl bromide alternatives in post-harvest disinfestation for cotton and citrus | UNEP/OzL.Pro/ExCom/28/24 | World Bank |
| Brazil: | FUM | Phasing out methy bromide in the entire Tobacco Sector | UNEP/OzL.Pro/ExCom/28/25 | UNIDO |
| China | SOL | Elimination of ODS used in the production lines at Irico (Caihong) Color Picture Tube Factory | UNEP/OzL.Pro/ExCom/28/26 | UNDP |
| | FOA | Elimination of CFC-12 in manufacturing of EPE foam packaging nets at 27 enterprises (Umbrella Project) | UNEP/OzL.Pro/ExCom/28/26 | UNIDO |
| India: | REF | Incremental operating costs for compressors for five enterprises in the domestic refrigeration sector | UNEP/OzL.Pro/ExCom/28/31 | World Bank |
| | PAG | Phaseout of use of carbon tetrachloride as process agent in the production of endosulphan by Excel Industries Limited | UNEP/OzL.Pro/ExCom/28/31 | World Bank |
| Iran: | REF | Replacement of CFC-12 refrigerant by HFC-134a at Iran Compressor Manufacturing Company (ICMC) | UNEP/OzL.Pro/ExCom/28/32 | UNIDO |
| Thailand: | REF | Umbrella project to convert CFC-12 commercial refrigeration to HFC-134a, and CFC-11 to HCFC-141b as the blowing agent for foam insulation at 224 small-and-medium-sized enterprises | UNEP/OzL.Pro/ExCom/28/43 | World Bank |