



**United Nations
Environment
Programme**



Distr.
Limited

UNEP/OzL.Pro/ExCom/32/22
10 November 2000

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-second Meeting
Ouagadougou, 6-8 December 2000

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Projects and activities presented to the 32nd 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 32nd Meeting, is US \$107,721,541 (including agency support costs where applicable).

Secretariat's review of proposed projects and activities

2. The review by the Fund Secretariat of proposals for the funding of projects and activities has resulted in a recommendation for blanket approvals in the amount of US \$27,382,112, including 88 investment projects, and the withdrawal or deferral of 16 investment projects and other activities with a total value of US \$8,176,531. 40 investment projects are submitted for individual consideration with a total value as submitted of US \$45,312,004 (Annex I).

Status of the Fund

3. At the time of preparation of this paper, Multilateral Fund resources available for committal amount to some US \$56.5 million.

Issues arising from project review

Accounting for consumption phased out during the compliance period

4. The consumption of Annex A substances is now capped at the baseline level for Article-5 countries and must be reduced to 50 percent of this level by 2005. Countries are now providing data on consumption by sector to the Secretariat as part of their reporting of progress with implementation of country programmes. In a number of countries, consumption in some sectors is dropping rapidly. The phaseout from completed projects in these countries can have a significant effect on the remaining consumption in the sector. It is important for countries and for the Executive Committee for the reductions arising from completed projects to be accounted for in determining and reporting on the remaining consumption in each sector from now until final phase-out. The Executive Committee might wish to consider requesting all countries to include in their reports on sectoral consumption the phase-out from all projects completed in their countries in the previous year.

Projects to phase out CFC-based capacity installed after the preparation and/or approval of projects to phase out CFC-based production in the same enterprise.

5. In a project submitted to the 32nd Meeting for the Haier refrigeration company in China, which has already received over US \$6 million from the Multilateral Fund to phase out ODS consumption via three projects (now completed), a request has been made to convert a refrigeration production line not identified in previous projects. The production line was

installed in 1994, two years after Haier received its first project for 50 percent CFC-reduced foam, and at the same time as a project for complete CFC phase-out in other production lines was being prepared. Non-CFC-based technology was readily available at the time and was being implemented by Haier. The Executive Committee might consider whether ODS production capacity installed after commencement of project preparation and/or approval for ODS phase-out in other production lines at the same enterprise is eligible and the priority which should be accorded to it.

Change of technology after project approval

6. In Decision 22/69 the Executive Committee required proposals for a change in technology in projects approved after the decision was taken to be submitted for individual consideration together with the Secretariat's review and recommendations. Two such project have been submitted to this meeting. Approval of each request is recommended. The Executive Committee might consider whether, when the Secretariat and implementing agencies are in agreement, it would prefer the projects to be recommended for blanket approval.

Performance commitments arising from Decision 31/48, RMPs

7. Sub-paragraph c (ii) of part A of the revised guidelines for RMPs (Decision 31/48) concerning already approved RMPs for low volume consuming countries requires *inter-alia* "a commitment to achieve without further requests for funding for the RMP, at least the 50% reduction step in 2005 and the 85% reduction step in 2007." Paragraph (f) of Part B concerning new RMPs for low volume consuming countries requires *inter-alia* that "the provisions relating to existing RMPs in Section A, subparagraph (c) above shall also apply to new RMPs". Parties operating under paragraph 1 of Article 5 of the Montreal Protocol are already obliged to meet the Protocol's control provisions. The commitment under this decision amounts to a specific obligation to the Executive Committee to meet phase out targets amounting to the difference between their baseline CFC consumption and the 50 and 85 percent reduction levels respectively, in return for the level of funding approved under the guidelines.

8. In the context of sectoral phase-out programmes, the relevant implementing agency is normally required as part of the project to accept responsibility for assisting the country to meet the annual and cumulative reductions specified in the project. The phase-out targets would be included in the agency's performance criteria. For an LVC, an RMP is similar to a sector phase-out plan. To date, implementing agencies have taken responsibility for implementing specific projects within an RMP, but the RMP itself has not had quantifiable overall phase-out targets and has not been managed as a single project with this specific objective in mind. Indeed the Secretariat has commented frequently in the context of the RMP debate that one of the shortcomings so far has been that the RMP has been implemented as a series of separate and unconnected activities.

9. A combination of the need to achieve compliance and the forthcoming reductions, coupled with the adoption of Decision 31/48 has changed this situation significantly. The RMP has now become an umbrella activity with quantifiable phase-out objectives. It needs to be managed actively and as a whole by the country and the relevant implementing agency to ensure

that the project's phase-out objectives are achieved. In these circumstances the Executive Committee might consider whether the implementing agency which developed the RMP should be requested to take responsibility for assisting the country to meet the phase-out targets specified in the RMP under decision 31/48. If so, the phase out would be forecast by the implementing agency in its annual business plans, credited in progress reports and accounted for in performance measurement.

Training for customs and licensing

10. Under the Montreal Amendment to the Montreal Protocol, countries are required to implement arrangements to license the import and export of new, used, recycled and reclaimed ODS. Countries which have not ratified the Montreal Amendment are not subject to this obligation. Only 45 countries have so far ratified the Montreal Amendment. RMP proposals now usually contain a request for a customs training program and in some instances a request for assistance to develop licensing schemes. The Executive Committee might consider whether ratification of the Montreal Amendment should be a prerequisite for approval of funding for either of these activities.

Retrofit incentive projects for LVCs

11. Three requests have been submitted by UNDP for an incentive programme to encourage retrofitting of refrigeration systems in LVCs. Two of the requests, for Burkina Faso and Ghana are associated with the 50 percent additional funding available under decision 31/48 to supplement existing RMPs. The third for Sri-Lanka is associated with a new RMP. The proposals are described and reviewed in documents UNEP/OzL.Pro/ExCom/32/30-Burkina Faso-Ghana-Sri Lanka. The proposals involve a scheme in which enterprises ready to phase out the use of CFCs in their refrigeration systems by replacement of refrigerant or by retrofitting, can apply of a first-come first-served basis for an incentive grant. The schemes are proposed to operate over a period of up to six years during which the relative prices of CFCs and replacement refrigerant may change substantially. In all cases there are no investment or other projects with definite phase out other than a recovery and recycling project for each of the countries involved. In none of the cases will the incentive schemes cover all the enterprises in the country or provide sufficient phase-out to enable the country to meet its compliance obligations without other measures being taken. The proposals have been referred for individual consideration. The Executive Committee might wish to consider its views on incentive programmes of this nature, bearing in mind that the funds may comprise most or all of the remaining financial assistance available to the countries in question.

The servicing sector in Brazil

12. The Government of Brazil has requested the Fund Secretariat to bring to the attention of the Executive Committee the status of the project it approved at its 7th Meeting for the World Bank on a CFC-12 collection, recycling and conservation programme for household refrigerator maintenance and repair shops in Brazil at a cost of US \$2.0 million for World Bank

implementation. In spite of all efforts this project has not progressed for a long time. The World Bank decided to offer the project to another implementing agency.

13. This issue had been considered at the 28th Meeting and the Executive Committee decided that the request for transfer of the project “CFC collection, recycling and conservation programme for household refrigerator maintenance and repair shops in Brazil (BRA/REF/07/TAS/07) to UNDP should be dealt with by the Sub-Committee on Project Review in the light of the current policy on recovery and recycling projects (decision 28/16).

14. UNDP has submitted a request to the 32nd Meeting for technical assistance for RMP survey and preparation in the refrigeration sector in Brazil at a proposed cost of US \$100,000.

Projects for individual consideration

15. Five bilateral cooperation projects have been referred for individual consideration. Two of these from the governments of Germany and Switzerland concern preparation of a national refrigeration strategy for India. One from Germany concerns retrofitting in Gambia. Two from France concern refrigeration training in Morocco and evaluation of an equipment modernization study for the African region. The issues are described in document UNEP/OzL.Pro/ExCom/32/23.

16. A total of 40 investment projects from implementing agencies are submitted for individual consideration. They are listed in Annex I together with a reference to the documents in which the descriptions of the projects and the Secretariats comments can be found. In many instances, there are common issues in most or all of the project proposals relating to a sector or one country within the sector. In other cases, there are no issues but discussions on eligibility and cost with the implementing agencies are continuing. An outline appears below.

17. Nine projects in the foam sector have been submitted for individual consideration. Six of these are the subject of on-going discussions. One project is a proposal for sector phase-out for Mexico. Two projects in China have the same issue which is outlined in the Secretariat's comments.

18. Five projects have been submitted in the methyl bromide sector for soil fumigation and commodities (storage). Consistent with previous practice all are being submitted for individual consideration. For 4 of the projects all cost and eligibility issues will be resolved prior to the 32nd Meeting. One project has been deferred.

19. Five proposals have been submitted for the process agent sector in India. As this is a new sector with only one project approved so far, all proposals for process agent projects are currently being submitted for individual consideration. Four of the five projects are for the manufacture of pharmaceutical chemicals. The eligible incremental capital costs for each of the four have been agreed. One has an element of retroactivity which will require guidance from the Committee. The duration of incremental operating costs for the four will require guidance from

the Committee. The Secretariat considers one year as a justifiable duration for the transitional period. The implementing agency has submitted the projects seeking IOC for two years.

20. The fifth process agent project is for the manufacture of chlorinated rubber. The project has a number of general issues on which guidance is required that are described in the project document UNEP/OzL.Pro/ExCom/32/30-India. The Secretariat is still discussing a number of complex technical issues relating to equipment eligibility and cost with the implementing agency, the World Bank. The Sub-Committee on Project Review will be advised of progress made.

21. Eighteen projects in the refrigeration sector are submitted for individual consideration. One for Haier in China has been described earlier in this paper. The issue in each of 14 projects for Iran is the substantial discrepancy in ODP consumption data and the structure of the refrigeration sector in Iran. The three other projects are proposals for retrofit incentive programmes in LVCs, described in paragraph 11 in this document.

22. UNDP has submitted an interim report on implementation of the solvent sector phase out plan for China together with a request for approval of funds for 2001. The proposal is accompanied by a request from China to amend the first implementation programme, *inter-alia* to transfer funding to development and production of new solvents.

23. UNIDO has submitted a draft agreement on the phaseout strategy for the tobacco sector in China, as well as a request for approval of the first tranche of funds for the tobacco sector in China.

24. Two projects have been submitted for approval of a change in technology in accordance with decision 22/69.

ANNEX I**LIST OF PROJECTS FOR INDIVIDUAL CONSIDERATION**

Country	Project title	Agency
FOAM		
China	Conversion of PU slabstock manufacture from CFC-11 to liquid carbon dioxide technology at eleven enterprises in Chengdu	IBRD
China	Conversion of PU slabstock manufacture from CFC-11 to liquid carbon dioxide technology at eight enterprises in Henan Province	IBRD
China	Replacement of CFC-11 with HCFC-141b in manufacturing of PU rigid spray foam for insulation at 26 enterprises	UNIDO
Colombia	Retroactive funding for the conversion from CFC-11 to water-based technology in the manufacture of flexible molded and integral skin foam at Espumlatex-Promicolda	UNDP
Colombia	Conversion from CFC-11 to HCFC-141b and water based technology in the manufacture of various polyurethane foam applications at 25 small enterprises centered around their systems house, Espumlatex, with a technical assistance program covering distributors	UNDP
Mexico	Foam sector ODS phaseout plan	UNDP
Turkey	Phase-out of CFC-11 consumption by conversion to HCFC-141b technology at Purtiz Co. in the manufacture of rigid polyurethane foam for insulating purposes	UNIDO
Turkey	Umbrella project. Conversion from CFC-11 into all-water technology for flexible molded and HCFC-141b for integral skin foams at 11 enterprises	IBRD
Turkey	Conversion from CFC-11 into all-water technology for flexible molded and integral skin foams at Urosan	IBRD
FUMIGANT		
Chile	Demonstration and phase-out project for methyl bromide soil fumigation for fruit tree production and replant	UNDP
Macedonia	Phase-out of methyl bromide in tobacco seedling and horticulture production sector	UNIDO
Morocco	Phase out of methyl bromide for soil fumigation in strawberry production	UNIDO
PROCESS AGENT		
India	Conversion of carbon tetrachloride (CTC) as process solvent to trichloromethane at M/S Alpha Drugs India Ltd., Patiala	UNIDO
India	Conversion of carbon tetrachloride (CTC) as process solvent to ethylene dichloride at Doctors Organic Chemicals Ltd., Tanuku	UNIDO
India	Conversion of carbon tetrachloride (CTC) as process solvent to ethylene dichloride at Svis Labs Ltd., Ranipet	UNIDO
India	Conversion of carbon tetrachloride (CTC) as process solvent to ethylene dichloride at Satya Deeptha Pharmaceuticals Ltd., Hummabad	UNIDO
REFRIGERATION		
Argentina	Change of technology: Elimination of CFCs in the manufacturing plant of domestic refrigerators at Lobato San Luis S.A.	IBRD
Argentina	Replacement of CFC-11 by HCFC-141b in the manufacture of rigid polyurethane foam for domestic refrigerators and sandwich panels at MTH S.R.L.	IBRD
Burkina Faso	Implementation of the RMP: incentive programme for the commercial and industrial refrigeration end-user sector	UNDP
China	Phaseout of CFC-11 by conversion to cyclopentane technology and CFC-12 by conversion to isobutane (600a) technology in the manufacture of domestic freezers at Qingdao Haier No. 2 Freezer Plant	UNDP
Ghana	Incentive programme for the commercial/industrial refrigeration end-user sector	UNDP

Country	Project title	Agency
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators and freezers at Sarmaye Sepahan Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators at Hanzad Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b and CFC-12 to HFC-134a technology in the manufacture of domestic and commercial refrigeration at the Arjah Boroudat Co	UNIDO
Iran	Conversion from CFC-11 to HCFC-141b and CFC-12 to HFC-134a technology in the manufacture of domestic and commercial refrigeration at the Roshan Ind. Group	UNIDO
Iran	Conversion from CFC-11 to HCFC-141b and CFC-12 to HFC-134a technology in the manufacture of domestic and commercial refrigeration at the Tehran Shirak Co.	UNIDO
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators and freezers at Golsarma Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators at Sana Commercial Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators and freezers at Shagayegh Boroudat Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators and freezers at Yakhchalsazi Yazd Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators at Zenoz Sanaat Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators at Ghaynar Khazar Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators and freezers at General Industries	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators and freezers at Bolorin Yazd Refrigerator Co.	UNDP
Iran	Conversion from CFC-11 to HCFC-141b technology and from CFC-12 to HFC-134a technology in the manufacture of domestic refrigerators at Electro Ara Co.	UNDP
Sri Lanka	Incentive programme for the commercial and industrial end-user refrigeration	UNDP
SOLVENT		
China	Interim report and request for second payment on the implementation of the 2000-2001 annual programme under the China Solvent Sector Plan	UNDP
TOBACCO		
China	Tobacco sector plan: release of first tranche	UNIDO

