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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-fifth Meeting  
Montreal, 5-7 December 2001

**OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW**

## **Projects and activities presented to the 35th Meeting**

### Submissions by Agencies and Bilateral Partners

1. The total value of projects and activities received including sectoral strategies and plans by the Fund Secretariat from implementing and bilateral agencies for submission to the 35<sup>th</sup> Meeting is US \$204,105,222 (including agency support costs where applicable). The requested funding amounts to US \$101,815,973 including tranches for sector plans and MB projects.

### 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 of 115 investment projects as well as other activities in the amount of US \$2,862,030. Twenty-six investment projects and other activities with a total value of US \$5,264,791 have been withdrawn or deferred, including projects which did not provide adequate information or the eligibility of which was in doubt. Nine-teen investment projects are submitted for individual consideration with a total value as submitted of US \$67,740,216.

### Status of the Fund

3. At the time of preparation of this paper, Multilateral Fund resources available for commitment amount to some US \$102,402,426.

## **Issues arising from project review**

### Review of guidelines for liquid carbon dioxide (LCD) technology in foam projects

4. The payment of a licence fee of US \$50,000 per machine is included in the guidelines for LCD projects adopted for a trial period of 18 months at the 24<sup>th</sup> Meeting of the Executive Committee in 1998 (Decision 24/58). Commencing in 1997, fifty-three projects have been approved for the introduction of LCD technology for the manufacture of continuous flexible slabstock foam. A total amount of US \$2.65 million has thus been paid from the Multilateral Fund to three equipment suppliers, who are the only providers of the technology. Three additional projects, two for Iran and one for Libya, are being submitted for consideration at the 35<sup>th</sup> Meeting with costs which include licence fees.

5. The Secretariat considers that there is a good case for the US \$2.65 million so far paid in licence fees to be taken as fair compensation for purchase of LCD technology by the Fund and that a licence fee should not be required in future projects. On this basis the Secretariat requested agencies to delete these fees from their projects and negotiate with the technology vendors to delete the costs. UNIDO agreed to this approach. UNDP was prepared to delete the costs from the projects if this was the consensus opinion. GTZ was also prepared to delete the costs given prior warning of the need to do so.

6. Knowledge of the technology has developed substantially since the guidelines were adopted and other elements of the guidelines may also no longer represent the optimum approach for funding these projects. Relevant implementing agencies have acknowledged the Secretariat's view that the guidelines for this sub-sector should be now reviewed including the licence fee and arrangements and funding for technology transfer.

7. The Executive Committee is invited to consider: a) requesting the Secretariat in consultation with the implementing agencies to re-examine LCD technology and the guidelines for projects converting to the technology and to report on its findings to the 37<sup>th</sup> Meeting of the Executive Committee, and; b) approving the three LCD foam projects submitted to the 35<sup>th</sup> Meeting which contain provision for licence fees on the condition that the fee not be committed for expenditure until the Executive Committee has considered the review of the LCD guidelines.

#### Inclusion of additional projects in existing methyl bromide phase-out agreements

8. The Government of Zimbabwe, through UNIDO has submitted to the 35<sup>th</sup> Meeting a project proposal for the phase out of 27.2 ODP tonnes of MB used in storage facilities. At its 31<sup>st</sup> Meeting the Executive Committee approved an MB project for Zimbabwe which included an agreement that the Government of Zimbabwe would reduce national consumption of controlled uses of MB from the reported 1999 consumption level of 598 ODP tonnes. In 2000 the Government of Zimbabwe reported to the Ozone Secretariat a MB consumption of 370.7 ODP tonnes, that is, 228 ODP tonnes less than the consumption level on which the agreement was based. The lower figure did not arise through phase-out from a Multilateral Fund project. The Secretariat is seeking guidance from the Executive Committee on how to reflect the impacts of additional projects in countries with which agreements have already been concluded.

#### Unreported consumption from illegal imports

9. At its 34<sup>th</sup> Meeting the Executive Committee approved an MB phase out investment project in Syria that included an agreement in which Syria committed to a permanent national reduction in aggregate consumption of MB from its 2001 consumption of 113 ODP tonnes, to 8 ODP tonnes in 2005. The Government of Germany has submitted to the 35<sup>th</sup> Meeting a bilateral co-operation project for the phase out of an additional 114 ODP tonnes of MB used as a soil fumigant in Syria. The Government of Germany informed the Secretariat that the additional MB is imported illegally into the country, and therefore it is not reported as consumption. The existence of additional consumption is inconsistent with the existing agreement, the data previously provided to the Secretariat and that reported under Article 7 (72, 89.2, and 112.3 ODP tonnes in 1998, 1999 and 2000 respectively). As required by Decision 34/18 on data inconsistencies, the project has not been submitted to the Executive Committee but was included in the list of projects with data inconsistencies (Annex I). However in this case there is an additional issue arising from Syria's previous agreement to reduce its consumption. The Executive Committee's guidance is sought on the issues raised.

Funding for technology transfer and trials: implementation of Decisions 33/2 (j) and (k) and 34/16

10. Decision 34/16 requested the Secretariat to report to the Executive Committee at its 35<sup>th</sup> Meeting on the continuing review of funding provided for technical assistance and trials being undertaken by the Secretariat and implementing agencies in response to Decision 33/2 (j) and (k).

11. The issue was discussed at a co-ordination meeting with the implementing agencies on 6-7 September 2001, at which the Secretariat expressed its views that the allocations of US \$10,000 and US \$5,000 respectively for technical assistance and trials provided in most foam conversion activities and most refrigeration conversion activities (total US \$30,000 for a refrigeration sector project) needed review.

12. Subsequently UNDP provided a detailed breakdown of the elements of the two funding categories to explain the levels of funding currently requested, but suggested also that it would be possible to reduce costs where foam and refrigeration activities were combined and where there were economies of scale in countries with many projects under implementation.

13. UNIDO considered the funding levels needed to be established on a case by case basis and offered a wide range of limits extending both higher and lower than the current levels. The World Bank noted that the modalities of implementation of technical assistance and selection of consultants are determined by enterprises as long as the process is consistent with competitive practices and the World Bank's guidelines. The World Bank also suggested that current funding levels should not be changed.

14. The Secretariat consulted extensively with implementing agencies and reached agreement on funding levels for projects submitted to the current meeting, now recommended for blanket approval, while agreeing to continue discussions with a view to establishing appropriate longer term arrangements to cover funding levels in future projects.

Projects with data discrepancies: implementation of Decision 34/18

15. In the course of reviewing proposals for investment projects submitted to the 35<sup>th</sup> Meeting, it was found that data discrepancies between the consumption remaining to be addressed in the relevant sector or sub-sector and the consumption to be phased out in the project, existed in 5 projects.

16. As required in sub-paragraph (b) of Decision 34/18, relevant details of these projects are listed for the information of the Executive Committee in a table in Annex I to this document. As required by sub-paragraph (a) of the decision, the projects have not been submitted to the meeting.

Format for reporting undertakings from countries: Decision 34/14 (d)

17. In Decision 34/14 (d) the Executive Committee decided inter-alia to defer final consideration of the format for reporting the undertakings given by countries until the 35<sup>th</sup> Meeting. Subsequent to the 34<sup>th</sup> Meeting the Secretariat consulted relevant implementing agencies and resolved outstanding issues. The resulting format has been used in all relevant projects submitted to the 35<sup>th</sup> Meeting and is available on request from the Secretariat.

Thailand institutional strengthening project: change of implementing agency

18. UNDP has advised the Secretariat that it received an official communication from the Department of Industrial Works of Thailand requesting that Thailand's institutional strengthening project, currently in UNDP's work programme, be transferred to the World Bank. The total level of funding so far approved to UNDP for the institutional strengthening project in Thailand (including one renewal) is US \$666,667, and the total funding disbursed is US \$468,921. The remaining balance is US \$197,746 (all figures exclude the agency support costs). The Executive Committee might wish to note the change of implementing agency.



Annex I

**List of projects with data discrepancies**

1. In accordance with Decision 34/18, the following projects were received by the Secretariat, but were found to have discrepancies between the consumption planned to be phased out in the projects and the sectoral consumption remaining to be addressed. Consumption was assessed on the basis of consumption figures reported to the Fund and Ozone Secretariats by the countries concerned and consumption quoted in projects approved by the Executive Committee. The projects have not been included in the submission to the 35<sup>th</sup> Meeting. Consumption details for each project, as requested in Decision 34/18, are included in Table I below.

Table I

Project title	Sector/S ub-sector	Total reported sub-sector consumption ODP tonnes	Sub-sector consumption remaining to be addressed ODP tonnes	Project consumption ODP tonnes	Date production capacity established	Project cost as submitted (inc. support costs) US \$
Conversion of the use of CFC to LCD in the manufacture of flexible foam at Sarl Djurjura Mousse (Algeria)	Foam	377	-177 <sup>1</sup>	62	1986	436,473
Phase out of CFC-11 consumption by conversion to HCFC-1416 at Laguez Co. (Brazil)	Foam	2004	-837	4.64	1986	68,218
Phasing out CFC-11 by conversion to water system as a blowing agent in the manufacture of flexible PU foams at Manufacturas Enveta, G.A. Cumana (Venezuela)	Foam	1814	-64.9	32	1978	224,739
Phase out of methyl bromide in soil fumigation (Syria)	Fumigant	114.4	114.4	114.4	N/A	2,600,000
Conversion of metal cleaning at the Royal Jordanian Air Force (Jordan)	Solvent/ TCA	15	8.6 <sup>2</sup>	10.41	1970-1978	387,315

Notes:

1-Negative values indicate excess consumption in uncompleted projects over the sector consumption.

2-Notwithstanding the apparent complete phase-out, the Government of Jordan has indicated officially that there might be additional projects in this sub-sector depending on the results of the country programme update now in progress.

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