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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

PROJECT PROPOSAL: CROATIA

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposal:

Fumigant:

- Phase-out of methyl bromide in tobacco seedling

UNIDO

**PROJECT EVALUATION SHEET
CROATIA**

SECTOR: Fumigants ODS use in sector (2000): 16.20 ODP tonnes

Sub-sector cost-effectiveness thresholds: n/a

Project Titles:

(a) Phase-out of methyl bromide in tobacco seedling

Project Data	Methyl bromide
	Tobacco
Enterprise consumption (ODP tonnes)	16.20
Project impact (ODP tonnes)	16.20
Project duration (months)	60
Initial amount requested (US \$)	783,219
Final project cost (US \$):	
Incremental capital cost (a)	711,566
Contingency cost (b)	64,105
Incremental operating cost (c)	-97,319
Total project cost (a+b+c)	678,352
Local ownership (%)	100%
Export component (%)	0%
Amount requested (US \$)	678,352
Cost effectiveness (US \$/kg.)	41.87
Counterpart funding confirmed?	
National coordinating agency	Ministry of Environment Protection and Physical Planning
Implementing agency	UNIDO

Secretariat's Recommendations	
Amount recommended (US \$)	
Project impact (ODP tonnes)	
Cost effectiveness (US \$/kg)	
Implementing agency support cost (US \$)	
Total cost to Multilateral Fund (US \$)	

PROJECT DESCRIPTION

Phase-out of methyl bromide in tobacco seedling

1. The Government of Croatia is submitting a project to phase out 16.2 ODP tonnes of methyl bromide (MB) use for tobacco seedlings representing the entire MB consumption in the country.
2. Tobacco is cultivated on 6,500 ha of land with a total production of over 10,000 ODP tonnes of tobacco leaves per year. In total, 52 ha of land is used for the production of tobacco seedlings. Each seedbed (with an area of 10 m²), produces an average of 4,000 seedlings of Virginia or Burley tobacco. The number of transplants needed for one ha surface area is 24,000.
3. About 8% of tobacco leaves and 48% of finished products are exported to non-Article 5 countries.
4. Tobacco in Croatia is produced by farmers using small surface areas (3.5 ha on average). Farmers obtain seeds, fertilisers, and other products from co-operatives who buy the entire tobacco production. Expenses incurred by the co-operatives are deducted from farmers at the end of the cropping season.
5. The alternative technology to replace MB in the production of tobacco seedlings is the floating tray system, which has been demonstrated in Croatia with very good results. Implementation of this technology requires installation of micro-tunnels, covered with polyethylene sheets, with plastic trays.
6. The project includes a training programme in the use of the alternative technologies. The training will be organised in collaboration with the Tobacco Institute, Zagreb. Approximately 2,870 farmers will be trained in the use of the floating tray system.
7. The Government of Croatia is committed to phase out the entire consumption of MB by 2006, with a proposed phase out of 5.4 ODP tonnes each year. Upon completion of the project, the Government will issue a regulation forbidding the use of MB in soil fumigation in the country.
8. The project will be implemented by UNIDO in co-operation with the Ozone Office at the Ministry of Environment Protection and Physical Planning. UNIDO will inform the Executive Committee on phase-out achievements, costs involved, and on cases of unjustified project delays, which could potentially result in cancellation of the project.
9. The estimated time for the implementation of the project is 5 years.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

10. At its 25th Meeting, the Executive Committee approved a project to demonstrate three alternatives to the use of methyl bromide in tobacco seed-beds in Croatia, and allocated US \$288,200 to UNIDO for its implementation. The investment project submitted to the 35th Meeting has been prepared based on results of the demonstration project.

11. The Secretariat pointed out that the project has been designed using a tray with 209 cells. However, trays of 288 cells are being used successfully for the production of tobacco in other countries. If a tray of 288 cells (at a cost similar to the 209 cell tray) was used, then 30% less area for micro-tunnels would be needed, with corresponding savings in materials. The Secretariat also questioned the request for bricks (US \$206,856, equivalent to over 23% of the total capital cost), which has not been requested in any other similar project so far approved. Subsequently, UNIDO reviewed the project on the basis of 288 cell-trays and excluding the request for bricks. The revised capital cost of the project is US \$640,000.

12. The Secretariat pointed out that the request for study tours (US \$15,000) for 7 experts to non-Article 5 countries was not eligible. UNIDO agreed not to request funding for this project component.

13. Operating savings, estimated at US \$30,700 per year, were considered in the calculation of the total project cost.

14. The export component (48% of finished product) has not been taken into consideration in the project cost.

15. UNIDO has prepared an agreement between the Executive Committee and the Government of Croatia with the commitments proposed and action plan for the phase out of MB in Croatia. The draft agreement is attached to this document.

RECOMMENDATION

16. The Fund Secretariat and UNIDO have agreed on the total cost of the project (US \$678,352). Based on the above considerations, the Executive Committee may wish to consider the level of funding of the project.

17. If the project is approved, the Executive Committee may also wish to request UNIDO to disburse the funds allocated in tranches according to the proposed MB phase-out schedule indicated in the project proposal; if Croatia does not meet the reduction requirements outlined in the proposal, UNIDO will withhold funding for the subsequent tranche of funding until such time as the required reduction has been met.

18. The Executive Committee may also wish to request UNIDO to submit an annual progress report on the implementation of the project to the Fund Secretariat.

**AGREED CONDITIONS FOR PHASE-OUT OF METHYL BROMIDE IN CROATIA
(DRAFT)**

1. The Executive Committee agrees to approve US \$678,352 as the total funds that will be available to achieve the commitments noted in this document for the phased reduction in the use of methyl bromide in Croatia subject to the following understandings and considerations:

2. As reported to the Ozone Secretariat, and consistent with information in the project document presented to the Executive Committee, Croatia had a consumption of 16.2 ODP tonnes of methyl bromide in 2000. In accordance with the data submitted to the Ozone Secretariat by Croatia for the years 1995-1998, Croatia has a methyl bromide baseline of 15.70 ODP tonnes. Accordingly, Croatia must reduce the consumption by at least 0.50 ODP tonnes by the end of 2002 to achieve compliance with the Protocol's 2002 freeze.

3. The Government of Croatia commits to a permanent national reduction in aggregate consumption of controlled users of methyl bromide to no more than the following level:

2002	13.0 ODP tonnes
2003	9.8 ODP tonnes
2004	6.6 ODP tonnes
2005	3.4 ODP tonnes
2006	0 ODP tonnes

4. In addition, Croatia commits to sustain this phase-out of methyl bromide through the use of bans in the use of methyl bromide for the uses covered by this project. The specific reductions in consumption noted above would be those achieved through this project.

5. UNIDO shall report annually to the Executive Committee on the progress in meeting the reductions required by this project. The Government of Croatia will have flexibility in implementing the project components, which it deems more important in order to meet its phase out commitment noted above. UNIDO agrees to manage the funding for this project in a manner designed to ensure that the specific annual reductions agreed are met.
