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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

Addendum

PROJECT PROPOSAL: THAILAND

This addendum presents the results of the discussion between the Secretariat and the World Bank regarding the remaining issues on the national phase out plan of Thailand following the dispatch of the documentation to members of the Executive Committee.

Criteria for funding CFC phase-out in the remaining manufacturing industries in the national phase-out plan

1. The Secretariat and the World Bank discussed the criteria to be used in calculating the funding for the CFC phase-out in the remaining manufacturing industries. The conclusion was that given the circumstances of a national phase-out plan, the aggregate sub-sector cost-effectiveness of projects funded in the country should be used as a basis for calculating the required funding for each sub-sector. The use of such modality requires, as a prerequisite, reliable consumption data based on survey of enterprises involved which provides the baseline information required under Multilateral Fund rules.

2. Following calculations based on the above criteria and the CFC-11 consumption of the enterprises in the aerosol and foam sectors, the amounts in the following tables were recommended for funding of the various components of the projects in the two sectors.

Cost of the aerosol projects

Enterprise	Type of ODS	CFC Consumption (ODP tonnes)	National aggregate Cost-Effectiveness (US \$/kg)	Recommended funding (US \$)
Bangkok China Paint	CFC-12	25	3.432	85,800
Cosmonaut	CFC-11	2.5	3.432	8,580
Veera Alline	CFC-11	2.5	3.432	8,580
Total		30		102,960

Cost of the foam projects

Sub-sector	No. of Enterprises	CFC-11 Consumption ODP tonnes	National aggregate cost-effectiveness (US\$/kg ODP)	Recommended funding (US\$)
Rigid Foam	89	352.42	\$6.00	\$2,114,520
Flexible molded/Integral Skin	30	247.18	\$6.09	\$1,505,326
Total	119	599.60	----	\$3,619,846

Cost of the phase-out of 1,1,1 TCA

3. The US \$710,000 requested is to phase-out 29 ODP tonnes of 1,1,1 TCA which is still consumed by the 400 garment factories for spot cleaning. The average cost-effectiveness of the country for this sub-sector is US \$24.48/kg which is below the fund cost-effectiveness threshold.

The requested funding will be used to provide ventilation for the 400 garment factories which will introduce the toxic 1,1,2 TCE in order to replace the 1,1,1 TCA. The US \$710,000 requested is therefore eligible for funding.

National transition strategy for MDI

4. The 12th Meeting of the Parties requested the Executive Committee to consider funding such strategies although the Executive Committee has not decided its own strategy to fund these national efforts. The World Bank's request for Thailand (US \$57,200) should be addressed by the Executive Committee in an overall strategy first, especially with regard to the differentiation between MDI importing and MDI producing countries. For the importing countries, the CFC consumption is not part of the national consumption. Therefore, the Secretariat recommends that the requested funding be removed from the national phase-out plan.

5. The World Bank is cognisant of the situation, however it wishes to bring the issue to the attention of the Executive Committee in a context of the national phase-out plan.

6. According to information received from the World Bank on 29 November 2001, the Government of Thailand has decided to include the remaining consumption of 1,1,1-TCA of about 4.5 ODP tonnes in the Sector Plan. This eligible consumption was earmarked for a bilateral project that was envisioned to be submitted to the Executive Committee at a latter date. The cost of this additional phase-out amounting to US \$171,000 was agreed by the World Bank and the Secretariat.

Support cost

7. The Secretariat and the World Bank agreed to US \$1,258,828 in support cost calculated on the basis of 5% of the cost of Project Implementation and Monitoring Unit (US \$1,540,000) and 9% of the cost of the balance (US \$13,131,426).

Total recommended funding

8. The total recommended funding would be US \$14,671,426 and US \$1,258,828 in support cost for the World Bank.

Draft Agreement for the national CFC phase-out plan for Thailand

9. The Secretariat and the World Bank agreed on the attached draft Agreement for the national CFC phase-out plan for Thailand.

Draft Agreement for the National CFC Phase-out Plan for Thailand

The Executive Committee decided to approve, in principle, a total of US\$ 14,671,426 in funding for the phased reduction and complete phase-out of consumption of Annex A, Group I, chemicals in Thailand. This is the total funding that would be available to Thailand from the Multilateral Fund for the total elimination of the use of Annex A, Group I, chemicals and 1,1,1-TCA from its current level of consumption. The agreed level of funding would be paid out in installments in the exact amount specified in paragraph (b), and on the basis of the following understanding:

(a) By this approval, Thailand agrees that in exchange for the funding level specified in paragraph (b), it will eliminate its 1,1,1-TCA and CTC consumption by 2010 (except any consumption that is considered by the Parties as essential uses), and also agrees to reduce its total Group I Annex A CFC consumption and undertake key activities in accordance with the following schedule:

Year	Max. Allowable Consumption Level for Annex A Group I (ODP MT)	Max. Allowable Consumption Level for 1,1,1-TCA (ODP MT)	Additional Performance Target
2002	3,066	34	<ul style="list-style-type: none"> • Import control policy in place and operational;
2003	2,777	34	<ul style="list-style-type: none"> • Announcement of import quotas for CFCs from 2002 – 2010; • Criteria and procedures for financial support for investment projects completed and distributed;
2004	2,291	34	<ul style="list-style-type: none"> • Announcement of the MAC inspection programme; • Ban on the use of CFCs in the manufacturing sector in 2005 in place;
2005	1,364	4.5	<ul style="list-style-type: none"> • Annual MAC inspection requirement is operational; • Database of trained technicians in the MAC sector is functional;
2006	1,121	4.5	
2007	912	4.5	
2008	704	4.5	
2009	496	4.5	
2010	0	0	

(b) In order to assist Thailand in establishing its implementation structure within the country, and working toward the other reduction targets included in paragraph (a), the Executive Committee decides at its 35th meeting to provide US\$ 540,000 in funding to Thailand upon approval of this agreement.

The Executive Committee has also agreed in principle that it will continue to provide funds at the level indicated below to support annual programmemes for this plan. In the annual work programmeme, a detailed description of the activities that have been implemented in the previous year as well as those undertaken in the year of plan with matching expenditures and a report on any changes that have been made from the original plan and budget, will be included. The funds for each annual programmeme will be provided before or within the period which the annual programmeme covers.

Annual Programmeme	Actual Amounts (US\$) To be paid
2001	540,000
2002	1,028,600
2003	6,060,080
2004	3,375,746
2005	1,330,400
2006	851,600
2007	550,000
2008	550,000
2009	385,000

Payments noted in this paragraph (other than the initial tranche for 2001 and 2002) are dependent upon submission of annual programmemes. In addition, payments for 2004 onwards are also conditioned upon confirmation by the implementing agency that the agreed reduction targets noted in paragraph (a) have been achieved. For example, payment in 2004 will be conditional on satisfactory verification by the implementing agency that Thailand had, at a minimum, met its consumption target for 2002.

(c) Thailand agrees to ensure accurate monitoring of the phase out, and to report regularly, consistent with its obligations under the Protocol and this agreement. Thailand also agrees to allow for independent technical audits administered by the implementing agency, a periodic mid-term examination, every 2 – 3 years, to be administered as part of the annual work programmeme of the monitoring and evaluation of the Fund, and in addition, as may be directed by the Executive Committee to verify that annual consumption targets of Annex A, Group I chemicals and TCA agreed in paragraph (a) are actually met.

(d) The Executive Committee wishes to provide Thailand with maximum flexibility in using the agreed funds to meet the reduction requirements agreed in paragraph (a). Accordingly, while the National CFC Phase-out Plan discussed during the preparation of this agreement may have included estimates of specific funds that were thought to be needed for specific items, the

Executive Committee is of the understanding that with the exception of US\$1.54 million which must be used by the Government of Thailand solely to implement, monitor and effectuate full compliance with this agreement and the Annex A, Group I chemicals phase-out, as long as expenditures are otherwise consistent with this agreement, the remaining funds provided to Thailand pursuant to this agreement may be used in any manner that Thailand believes will achieve the smoothest and most efficient CFC phase-out.

(e) Thailand agrees that the funds being agreed in principle by the Executive Committee at its 35th meeting for complete phase-out of its Group I Annex A CFC consumption is the total funding that will be available to it to enable its full compliance with the consumption phase-out requirements of Annex A, Group I chemicals of the Montreal Protocol, and that no additional Multilateral Fund resources will be forthcoming for any related activities. It is also understood that aside from the agency fee referred to in paragraph (g) below, Thailand and the Multilateral Fund and its implementing agencies and bilateral donors will neither provide nor request further Multilateral Fund related funding for the accomplishment of the total phase-out of consumption of Annex A, Group I chemicals in accordance with the schedule noted above and the terms of the strategy being approved.

(f) Thailand understands that if the Executive Committee meets its obligations under this agreement, but Thailand does not meet the reduction requirements outlined in paragraph (a), and the other requirements outlined in this document, the implementing agency and the Multilateral Fund will withhold funding for the subsequent tranche until such time Thailand has demonstrated that the implementation of its National CFC Phase-out Plan has been brought back on track, according to the schedule in paragraph (a). It is clearly understood that the fulfillment of this agreement depends on satisfactory performance of its obligations by both Thailand and the Executive Committee.

(g) The World Bank has agreed to be the implementing agency for this project at a fee of US \$1,258,828 distributed during the time periods indicated in paragraph (b). As the implementing agency, the World Bank agrees to be responsible for:

- (1) Ensuring that technical reviews undertaken by the World Bank are undertaken by appropriate independent technical experts such as the OORG;
- (2) Assisting Thailand in the development of its annual work programme which incorporates achievements of previous annual programmes;
- (3) Carrying out supervision missions as required;
- (4) Ensuring the presence of an effective operating mechanism to enable effective, transparent implementation of the programme and accurate, verified reporting of actual consumption reduction against the targets listed in paragraph (a);
- (5) Ensuring that disbursements are made to Thailand based on agreed performance targets in the project, and the provisions of this agreement.

(h) The funding components of this decision shall not be modified on the basis of future Executive Committee decisions.
