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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fifty-fourth Meeting  
Montreal, 7-11 April 2008

**PROJECT PROPOSAL: NIGERIA**

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

Phase out

- National CFC phase-out plan (fourth and fifth tranches)

UNDP

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## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

### Nigeria

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
CFC phase out plan	UNDP, UNIDO

<b>(II) LATEST ARTICLE 7 DATA (ODP Tonnes)</b>				<b>Year: 2006</b>	
CFC: 454	CTC: 0	Halons: 0	MB: 0	TCA: 0	

<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)</b>							<b>Year: 2006</b>						
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC	54.				400.								454
CTC													0
Halons													0
Methyl Bromide													0
TCA													0

<b>(IV) PROJECT DATA</b>		2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
<b>Maximum Allowable Consumption (ODP Tonnes)</b>	CFC		3,352.7	3,137.	1,725.4	1,015.9	507.6	286.1	86.1	0.	
	<b>Project Costs (US\$)</b>										
UNDP	Project Costs	5,013,929.	2,976,827.	2,077,141.	797,122.	489,181.	385,000.	341,200.	113,000.		12,193,400.
	Support Costs	449,318.	264,834.	183,863.	69,261.	42,146.	32,770.	28,228.	8,290.		1,078,710.
UNIDO	Project Costs	682,386.	255,000.								937,386.
	Support Costs	82,521.	33,150.								115,671.
<b>Total Funds Approved in Principle (US\$)</b>	Project Costs	5,696,315.	3,231,827.	2,077,141.	797,122.	489,181.	385,000.	341,200.	113,000.		13,130,786.
	Support Costs	531,839.	297,984.	183,863.	69,261.	42,146.	32,770.	28,228.	8,290.		1,194,381.
<b>Total Funds Released by the ExCom (US\$)</b>	Project Costs	5,696,315.	3,231,827.	2,077,141.	0.	0.	0.	0.	0.		11,005,283.
	Support Costs	531,839.	297,984.	183,863.	0.	0.	0.	0.	0.		1,013,686.
<b>Total Funds Requested for Current Year (US\$)</b>	Project Costs							1,286,303.			1,286,303.
	Support Costs							111,407.			111,407.

<b>(V) SECRETARIAT'S RECOMMENDATION:</b>	<b>For blanket approval</b>
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## PROJECT DESCRIPTION

1. On behalf of the Government of Nigeria, UNDP has submitted to the 54th Meeting of the Executive Committee a funding request for the fourth and fifth tranches of the national CFC phase-out plan (NCP) for Nigeria, at a cost of US \$797,122 for the fourth tranche and US \$489,181 for the fifth tranche plus agency support costs totalling US \$111,407 for both tranches.

### Background

2. The Agreement for the National CFC Phase-Out Plan between the Government of Nigeria and the Executive Committee targets the total phase out of CFCs in the aerosol, foam and refrigeration manufacturing and servicing sectors by December 31, 2009. The agreement was approved in principle at the 38th Meeting of the Executive Committee at a funding level of US \$12,193,400 to be released in 8 tranches. UNDP, as the lead implementing agency, is responsible for the implementation activities in the foam manufacturing and refrigeration servicing sectors, as well as for overall management of the Plan. UNIDO is responsible for the aerosol and refrigeration manufacturing sectors.

3. Up to today, funding has been approved for three tranches at the 38th Meeting in 2002 (for 2003 activities), at the 41st Meeting in 2003 (for 2004 activities) and at the 44th Meeting in 2004 (for 2005 activities). All of the activities for UNIDO were funded from the first two tranches, leaving UNDP as the sole implementing agency with outstanding funding.

4. With the approval of the second tranche at the 41st Meeting, UNDP was requested in decision 41/57 to make provision in the 2004 annual implementation programme for development of a methodology for an independent audit to be used to verify consumption limits for 2003 and subsequent years. The approval of the third tranche at the 44th Meeting was based on the understanding that the disbursement of the funding should not commence until the requirements of decision 41/57 had been met and the verification of the 2003 sectoral consumption limits and the related annual phase-out specified in the national CFC phase-out plan had been confirmed. In December 2006 the Secretariat confirmed that these conditions had been met and informed UNDP that the tranche could be released.

5. Since the 44th Meeting, the Secretariat had frequent discussions with UNDP and several discussions with the Government of Nigeria to resolve a number of outstanding issues related to performance verification and the existence of a licensing and quota system. This includes submissions of tranche requests for consideration at the 50th and 53rd Meetings, which were subsequently withdrawn after the Secretariat indicated it could not issue a positive recommendation due to, *inter alia*, shortcomings in particular in the verification.

### Verification

6. UNDP submitted a verification report to the 53rd Meeting. In contrast to earlier difficulties faced in establishing verification of imports, the verification submitted to the 53rd Meeting suggested that Nigeria was by now advanced in its work to establish and operate a quota and licensing system. There were nevertheless a number of issues on which the Secretariat

requested clarification in order to reach a sufficient level of certainty regarding the reported data for 2005 and 2006. These issues were related, *inter alia*, to:

- (a) The selection of the consultant and his responsibility, exact scope of the report, and the completeness of the data collected in the report;
- (b) The timing of enactment of the different procedures in the licensing and quota system, on the establishments of quotas, selection of applicants for licenses and process of awarding licenses, the processing of import applications by the different government entities, clearance procedures in the port, data collection and accumulation by customs, use of custom codes intended for specific CFCs for a wider array of ODS; and
- (c) Organisation of and progress in cooperation and data exchange between the NOU, the Customs Service, National Agency for Food and Drug Administration and Control and the Ministry of Environment, Housing and Urban Development, as well as other chemical regulatory agencies.

7. An amended verification submitted to the 54th Meeting showed CFC consumption of 559.82 ODP tonnes for 2005 and 454.0 ODP tonnes for 2006. In 2005, the maximum allowable level of consumption was 1,725.4 ODP tonnes; in 2006 it was 1,015.9 ODP tonnes. The verification included satisfactory information regarding the issues raised, and established a clear picture of the status of the licensing and quota system in Nigeria, and how it evolved over the last years.

#### Annual implementation reports for the years 2004 to 2007

8. The implementation of the UNIDO activities in the aerosol manufacturing sector focussed on two enterprises, leading to a phase-out of 54 ODP tonnes. The equipment was supplied in 2006 and has been installed and tried, but delays will only allow completion of these activities in early 2008. Eleven enterprises were signed up for participation under the UNIDO refrigeration manufacturing sector projects. All the activities have been completed.

9. From customs information it is evident that, other than inventory depletion, no CFC-11 is used anymore in the foam sector. As UNDP notes, this does not indicate full and satisfactory implementation of all activities, rather the phase-out in particular of CFC-11 in making box foam has been based on the increased price of CFC-11 that could not be compensated through product prices. Implementation activities strive to provide previous levels of quality and safety.

10. Equipment planned for the two rigid foam projects was delivered; and the activity was completed in the period 2006/2007. After completion of identification and determination of eligibility, 60 sets of box foam equipment were purchased. 44 of those have been installed and commissioned during the 2005/2006 reporting period, the remaining 16 during the 2006/2007 period. Delivery of a second batch of 35 box foam machines took place during the 2006/2007 period, and the equipment is currently being installed. For the third phase, an implementation plan has been drafted and is currently under review. It includes procurement of 16 foaming units.

11. Training for the box foam enterprises was undertaken in the 2005/2006 period to provide technical information and assistance to beneficiaries with emphasis on the perfection of the methylene chloride-based foam production formulation. Nevertheless, during a visit of an international expert in 2007 it became apparent that in the box foam sub sector, only a low level of foam technical knowledge is available on the part of project beneficiaries. This outcome is presently being discussed with the government and will be a major issue in the coming implementation year.

12. In the refrigeration service sector, a curriculum and training manual was prepared to be used for the training of refrigeration technicians nationwide, and finalized in May 2007. Three train-the-trainers workshops in 'Good Refrigerant Management Practices' were held for the identified 30 refrigeration training centres in November and December 2006, benefiting from the arrival of the first set of training equipment. About 60 trainers participated in the workshops. The equipment was subsequently sent to the 30 training centres. Another train-the-trainers workshop specifically for ODS alternatives took place in September 2007 with the participation of the same 60 trainers that took part in the previous workshops. The first Recovery and Recycling training took place in September 2007 as well.

13. 85 refrigerant identifiers were purchased and used for the three customs train-the-trainers workshops in October, 2006. About 60 trainers participated in the workshops. Subsequently, the equipment has been delivered to customs and the other two prominent organizations that have chemical regulatory powers.

14. UNDP has reported a preliminary CFC consumption figure of 384 ODP tonnes for the year 2007. This is significantly below the maximum allowed consumption for 2007 in the agreement, which stands at 507.6 ODP tonnes.

#### 2008 annual implementation programme

15. The 2008 annual implementation programme expects to train 500 customs officers and to deliver 85 refrigerant identifiers (US \$104,300), distribute 70 kits of refrigeration service equipment and train 4000 technicians (US \$891,526), deliver R&R equipment and train the technicians accordingly (US \$894,795), deliver outstanding foam equipment to 51 enterprises (US \$ 1,255,600) and to continue supporting the PMU (US \$111,250 plus payments related to earlier years). The expenses foreseen are based on remaining funds from previous tranches and the approval of the fourth and fifth tranche requested.

### **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

#### **COMMENTS**

16. UNDP provided an amended verification report. The verification identifies certain shortcomings in the system, in particular some lack of co-operation among different government entities up to and including 2006, the limited outreach of the customs data collection system for 2005 and 2006 on certain land borders, that reached 100% coverage only for 2007, and the lack of a fully functioning quota system until the time when quotas for 2008 were being determined. But it becomes also clear that Nigeria has improved the licensing and quota system significantly over the last three years.

17. According to the information received, the system in 2005 and 2006 was already sufficiently advanced to ensure only a small margin of error, while the recorded CFC imports for 2005 and 2006 are very significantly below the maximum allowable consumption under the Agreement. The Secretariat is therefore of the opinion that the verification sufficiently establishes that Nigeria's consumption is well below the maximum allowable consumption level of 1,725.4 ODP tonnes and 1,015.9 ODP tonnes under the agreement for the years 2005 and 2006, respectively.

18. The verified data for 2005 is not consistent with the Article 7 data reported. The verification established a consumption of 559.82 ODP tonnes for 2005; while under Article 7 466.1 ODP tonnes were reported. The figures for 2006 are consistent. UNDP was advised to inform Nigeria about the need to submit revised Article 7 data for 2005 to the Ozone Secretariat.

19. The Secretariat has raised a number of issues with UNDP regarding reporting for previous years and planning for 2008. In overall terms, the CFC Phase-out Plan for Nigeria has made progress in the foam sector, but has a significant implementation backlog in the service sector caused by several different issues. Despite the backlog, consumption appears to be dropping fast. The implementation has visibly accelerated in 2007, and appears to be on a promising track.

**RECOMMENDATION**

20. The Fund Secretariat recommends blanket approval of the 2008 Annual Implementation Plan and the fourth and fifth tranches of the National CFC phase-out plan for Nigeria with associated support costs at the funding level shown in the table below:

	<b>Project Title</b>	<b>Project Funding (US \$)</b>	<b>Support Cost (US \$)</b>	<b>Implementing Agency</b>
	National CFC phase-out plan (fourth and fifth tranches)	1,286,303	111,407	UNDP

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