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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixtieth Meeting
Montreal, 12-15 April 2010

PROJECT PROPOSAL: BANGLADESH

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

Phase-out

- National CFC phase-out plan (fifth, sixth and seventh tranches)

UNDP/UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Bangladesh

(I) PROJECT TITLE	AGENCY
ODS phase-out plan	UNDP, UNEP

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2008
CFC: 158.3	CTC: 0.1	Halons: 0	MB: 0	TCA: 0.5

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)										Year: 2008			
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC				4.5	51.8			98.4					154.7
CTC						0.1							0.1
Halons			0										0
Methyl Bromide													0
Others													0
TCA						0.5							0.5

(IV) PROJECT DATA			2004	2005	2006	2007	2008	2009	2010	Total
Montreal Protocol Consumption Limits		CFC	581.6	290.8	290.8	87.2	87.2	87.2	0.	
		CTC, TCA	0.9	1.5	1.5	1.5	1.5	1.5	0.3	
Maximum Allowable Consumption (ODP Tonnes)		CFC	328.7	289.7	207.2	87.1	71.	53.	0.	
		CTC, TCA	6.6	1.5	1.5	1.5	1.5	1.5	0.	
Project Costs (US\$)	UNDP	Project Costs	155,000.	516,000.	134,000.	55,000.	55,000.	55,000.	55,000.	1,025,000.
		Support Costs	11,625.	38,700.	10,050.	4,125.	4,125.	4,125.	4,125.	76,875.
	UNEP	Project Costs	90,500.	125,500.	30,500.	30,500.	30,500.	22,500.		330,000.
		Support Costs	11,765.	16,315.	3,965.	3,965.	3,965.	2,925.		42,900.
Total Funds Approved in Principle (US\$)		Project Costs	245,500.	641,500.	164,500.	85,500.	85,500.	77,500.	55,000.	1,355,000.
		Support Costs	23,390.	55,015.	14,015.	8,090.	8,090.	7,050.	4,125.	119,775.
Total Funds Released by the ExCom (US\$)		Project Costs	245,500.	0.	0.	0.	0.	846,925.	0.	1,092,425.
		Support Costs	23,390.	0.	0.	0.	0.	73,264.	0.	96,654.
Total Funds Requested for Current Year (US\$)		Project Costs							218,000.	218,000.
		Support Costs							19,265.	19,265.

(V) SECRETARIAT'S RECOMMENDATION:	Individual Consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Bangladesh, UNDP, as the lead implementing agency, has submitted to the 60th Meeting of the Executive Committee a request for funding for the last three tranches of the national ODS phase-out plan (NPP) at a total cost of US \$165,000 plus agency support costs of US \$12,375 for UNDP and US \$53,000 plus agency support costs of US \$6,890 for UNEP. The submission also includes progress reports on the implementation of the second, third and fourth work programmes together with the verification report required by the Agreement, and the implementation programme for 2010.

Background

2. The NPP for Bangladesh was approved at the 42nd Meeting of the Executive Committee at a total cost of US \$1,355,000 plus agency support costs of US \$76,875 for UNDP, and US \$42,900 for UNEP, to completely phase out the remaining consumption of CFCs (194 ODP tonnes), and CTC and TCA (7 ODP tonnes) by the end of 2009. At the same Meeting, the Executive Committee approved US \$155,000 plus agency support costs of US \$11,625 for UNDP, and US \$90,500 plus agency support costs of US \$11,765 for UNEP for the implementation of the first work programme. At its 52nd Meeting the Executive Committee approved the project for the phase-out of CFC consumption in the manufacture of metered-dose inhalers (MDI) in Bangladesh at the amount of US \$2,776,778 plus agency support costs of US \$208,258 for UNDP, and the transition strategy for phasing out the use of CFCs in MDIs, at a funding level of US \$70,000 plus agency support costs of US \$9,100 for UNEP.

3. At the 57th Meeting, UNDP submitted a progress report on the implementation of the first work programme of the NPP and a request for funding for the second, third and fourth tranches of the NPP. As presented in the report, CFC consumption levels for 2007 and 2008 were above those allowed under the Montreal Protocol and the Agreement between the Government of Bangladesh and the Executive Committee. On this basis, the Committee decided, *inter alia*, (decision 57/28):

- (a) To apply the penalty clause in the Agreement calculated, on an exceptional basis, at 5 per cent of the amount for each of the second, third and fourth tranches (i.e., a total penalty of US \$44,575);
- (b) To approve the second, third and fourth tranches of the national ODS phase-out plan for Bangladesh at a total funding level of US \$669,750, plus agency support costs of US \$50,231 for UNDP, and US \$177,175, plus agency support costs of US \$23,033, for UNEP;
- (c) To note that the maximum level of CFC consumption for both the refrigeration servicing and the pharmaceutical sub-sectors in 2009 was 53.0 ODP tonnes as stipulated in the Agreement, and if this amount was exceeded the Committee might consider applying paragraph 10 of the Agreement on reductions in funding in full, for failure to comply;
- (d) To request the Government of Bangladesh and UNDP to submit a progress report on the implementation of the NPP and the project for the phase-out of CFCs in the MDI sector to the 60th Meeting.

Progress reports and verification

National phase-out plan

4. Since the 57th Meeting, the Government of Bangladesh, with support from implementing agencies, implemented activities under the last tranche to address demand reduction for CFCs and CTC.

Specifically, it continued implementation of training on regulations enforcement for 100 customs officers. Activities for the refrigeration sector included training for 800 service technicians on good service practices, and for 900 technicians on retrofitting equipment with alternative refrigerants. About 600 basic service tool kits were distributed among technicians; and several awareness seminars and information outreach activities were organized as part of the technician training programme. Training programmes on the use of alternatives to CTC in the garment industry were also implemented. The project management unit, within the Ozone Cell, was established and became operational in 2009.

Verification report

5. A verification report on the levels of CFC consumption for 2008 has been prepared. The verification report concluded that in 2008 the total CFC consumption was 158.2 ODP tonnes, of which 59.8 ODP tonnes were used in the refrigeration sector and 98.4 ODP tonnes in the pharmaceutical sector. The total consumption of CTC and TCA for that year was 0.055 ODP tonnes and 0.5 ODP tonnes respectively.

6. As of December 2009, of the US \$1,092,425 (after deducting US \$44,575 associated with the penalty clause) approved so far for the implementation of the NPP, US \$345,327 has been disbursed. The balance of US \$747,098 will be disbursed in 2010. Since the fourth quarter of 2009, procurement of equipment has been processed, and it is expected to be available for distribution before the end of the second quarter of 2010. Furthermore, to expedite the implementation of the project, the Government of Bangladesh has established the project management unit under the supervision of the Ministry of Environment.

MDI Phase-out project

7. The project document between the beneficiary enterprises and UNDP was signed in February 2009. The status of implementation of the project at the enterprise level is as follows:

- (a) Beximco Pharmaceutical has substantially completed the conversion of its MDI manufacturing lines. Four HFA-MDI formulations have been successfully launched in the domestic market (salbutamol and beclomethasone launched in 2006, and salmeterol and salmeterol/fluticasone launched in 2009). Beximco has also converted salbutamol/ipratropium MDIs to HFA and conversion of ciclesonide-MDI is at the last stage. Conversion of two other active ingredients, levosalbutamol and triotropium, where no funding was approved from the Multilateral Fund, are being converted by the enterprise with its own resources. Due to differences in pace of implementation of the conversion of the two other MDI manufacturing enterprises, CFC-based salbutamol and beclomethasone were sold during 2009. Although HFA-based salmeterol and salmeterol/fluticasone has been launched, Beximco would continue to supply these formulations based on CFCs during a transition period of few months. The manufacturing of HFA-MDIs has resulted in the phase-out of 33.0 ODP tonnes of CFCs;
- (b) Square Pharmaceutical has completed the installation of new equipment for the production of HFA-MDIs. Two HFA-MDI formulations have been successfully launched in the domestic market (salbutamol and beclomethasone). These MDIs represent a reduction in CFC consumption of 13.0 ODP tonnes. Currently, salmeterol, salmeterol/fluticasone and salbutamol/ipratropium MDIs are being converted to HFA-based formulations; ciclesonide and ipratropium MDIs would be converted subsequently.
- (c) Acme Pharmaceutical has already placed an order for the equipment required for the manufacturing of HFA-MDIs, which is expected to be delivered in July 2010. HFA

formulation for salbutamol and beclomethasone are being developed and are expected to be launched by mid-2011.

8. At their 21st Meeting, the Parties to the Montreal Protocol authorized a consumption of 156.7 ODP tonnes of CFCs in Bangladesh in 2010 to satisfy essential uses for the manufacturing of MDIs. The Government has also consulted with the Medical Technical Option Committee on CFC needs post-2011.

Plan of action

9. The Government of Bangladesh commits to implementing a number of activities under the last three tranches (fifth to seventh) of the NPP. These include retrofitting some 3,400 domestic and commercial refrigeration systems and 750 MAC units, including through the provision of service tools and a few recovery/recycling machines. The activities also include training for 1,500 additional service technicians on good service practices, and training for 250 additional customs officers on regulations enforcement. It is proposed to fast-track these activities in order to complete them by the end of 2010. This would help in ensuring that the Government achieves and sustains phase-out of CFCs, halons, CTC and TCA in and beyond 2010.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Reductions in funding for failure to comply

10. To ensure compliance with the limits specified under its agreement with the Executive Committee, the Government of Bangladesh regulated the supply of CFCs by issuing licences to address demand in the refrigeration and air-conditioning sectors. Project implementation was also facilitated by several missions by UNDP and UNEP to Bangladesh; regional network meetings where guidance and support was given to key stakeholders; and border dialogues on ODS trade control. Additionally, the Government of Bangladesh explored the feasibility of procuring reclaimed CFCs for the refrigeration servicing sector. However, such CFCs could not be obtained as they were prohibitively expensive.

11. Consequently, consumption was reduced from 294.5 ODP tonnes in 2004 to 158.3 ODP tonnes in 2008, of which almost 100.0 ODP tonnes were used in manufacturing MDIs. Data collection for 2009 is under way; based on licenses issued, some 40 tonnes were imported for the refrigeration sector and 87 ODP tonnes for the manufacturing of MDIs. However, the preliminary estimated CFC consumption in 2009 of 127.0 ODP tonnes was above the 53.0 ODP tonnes stipulated in the Agreement. Accordingly, the Executive Committee might wish to consider whether or not to apply paragraph 10 of the Agreement on reductions in funding in full, for failure to comply, as per decision 57/28 (i.e., the amount of funding provided may be reduced by US \$13,480 per ODP tonne of reductions in consumption not achieved in the year). The Executive Committee may wish to note that UNDP has indicated that as of 1 January 2010 no more CFCs are allowed in the country except for those required for the manufacturing of MDIs.

Other issues discussed

12. With regard to ODS legislation, UNDP explained that HCFCs are included in the ODS (Control) Rules of 2004. HCFCs are also included in the licensing system, although quotas for these substances have not been established. As HCFCs are part of the regulations, training on HCFC import control measures are provided to customs officers along with CFC measures. The issue of establishing HCFC quotas is being discussed in the context of HPMP preparation.

13. Issues regarding the proposed technical assistance activities were discussed. UNDP indicated that, according to data provided by the Ozone Unit, there are still 1.5 million CFC-12 based refrigerator systems (including MAC units) in operation. The lifetime of this equipment is being extended through servicing and repairing because of economic barriers to replacing it. In this regard, activities proposed in 2010 include retrofitting several refrigeration systems and recovering refrigerants, for which service tools will be provided to technicians. The code of good servicing practice, prepared for both the refrigeration and air conditioning sectors, already covers servicing practices for HCFC-22, as the air conditioning sector is based on this refrigerant. Activities for customs officers must also continue being implemented to control illegal trade in CFCs, to inform officers of new alternative refrigerants available in the market, to amend the Customs code, and to update manuals.

14. Noting that funding for UNDP and UNEP for the preparation of the HPMP was approved by the Executive Committee at its 56th and 57th Meetings, the Secretariat also suggested that, during the implementation of the work programme of the NPP, the agencies consider advising the Government on undertaking preliminary actions to facilitate the phase-out of HCFCs in due time. UNDP reported that the activities dealing with legislation, regulations, enforcement and training started in 2005 and, as such, training programmes for customs officers and technicians were implemented through the funds approved in the first tranche. Through these activities, the Government of Bangladesh was able to implement a quota system for controlling imports of CFCs for the servicing sector. Technical assistance activities started in 2008, through which additional technicians were trained and service tools to retrofit equipment were distributed. The Government has already planned its programme to maintain zero consumption of CFCs through completion of the activities proposed in the NPP. These activities will certainly facilitate capacity building for phase-out of HCFCs and HFCs.

RECOMMENDATION

15. In light of the comments above, the Secretariat is submitting the project for the national ODS phase-out plan in Bangladesh for individual consideration.

16. In assessing the 2009 CFC phase-out targets set out in the Agreement it entered into with the Government of Bangladesh, the Executive Committee may wish to either consider only consumption in the refrigeration servicing sector as reported by the Government, or the total consumption in both the refrigeration servicing and MDI manufacturing sub-sectors.

17. Further, the Executive Committee may wish to:

- (a) Take note of the progress report on the implementation of the second to fourth tranches of the national ODS phase-out plan (NPP) in Bangladesh;
- (b) Take note of the verification report on 2008 CFC consumption;
- (c) Approve the fifth to the seventh tranches of the NPP at a total level of funding to be determined once the issue of the performance of the Agreement is addressed; and
- (d) Request the Government of Bangladesh, with the assistance of UNDP and UNEP, to submit a progress report on the implementation of the work programme associated with the fifth to the seventh tranches of the NPP no later than the 63rd Meeting of the Executive Committee.
