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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

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1995 UNEP WORK PROGRAMME AMENDMENTS

This document includes comments and recommendations from the Fund Secretariat.

Benin	Creation of an Ozone Bureau
Bolivia	Creation of an Ozone Bureau
China	Training Workshop on Safety Aspects of CFC Substitutes
Central African Republic	Institutional Strengthening: Establishment of the National Technical Ozone Group (Ozone Unit)
Guinea	Creation of an Ozone Bureau
Namibia	Institutional Strengthening for the Phase Out of Ozone Depleting Substances and the Establishment of a National Ozone Office

COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

COMMENTS

1. UNEP is requesting approval of the Executive Committee for amendments to its 1995 Work Programme. They include:

(a) Institutional strengthening projects for the following countries:

	Consumption tonnes ODP	Amount Requested US $
Benin	41	62,240
Bolivia	76.5	112,300
Central African Republic	31.7	57,000
Guinea	44.5	64,240
Namibia	41.5	82,000

(b) training workshop on safety aspects of CFC substitutes in China (US $82,000).

Institutional Strengthening for Benin, Bolivia, CAR, Guinea and Namibia

2. The institutional strengthening requests for these countries are discussed within the context of the position paper attached as Annex I to this evaluation. The objective of the paper is to ensure that institutional strengthening for this category of Article 5 countries is responsive to the peculiar needs of such countries with low ODS consumption and to improve the cost-effectiveness of such support.

3. Based in part on the approach described in Annex I and the needs and corresponding costs identified by the implementing agency (UNEP) and the respective governments, as well as subsequent discussions between UNEP and the Fund Secretariat, the following amounts were recommended for approval. These recommendations are, however, not intended as precedent for funding in similar situations and are without prejudice to any future decisions on funding of similar projects either on the basis of the above criteria or any other criteria that may be decided by the Executive Committee.

Benin	US $	50,000
Bolivia		91,000
Central African Republic		45,600
Guinea		50,000
Namibia		61,765

China: training workshop on safety aspects of CFC substitutes

4. UNEP is proposing to hold a training workshop on safety aspects of ODS substitution in China, in close cooperation with the National Environmental Protection Agency (NEPA). The objective of the workshop is *inter-alia* to assist managers, engineers and technicians in key enterprises in their safe conversion to ODS-free technologies. Furthermore, as part of the follow-up actions, more training workshops will be organized under NEPA's guidance at the sector level. The cost of the workshop is reported as US $52,000 on the project cover sheet but as US $82,400 in the project document.

5. Although such centralized and sector-based approach to safety training could potentially be cost-effective, such cost-effectiveness is contingent on adequate coordination of safety training activities approved for individual enterprises. To date, more than 30 projects have been approved where the cost of safety amounts to several million dollars due to the use of hydrocarbons and other hazardous chemicals. All these projects are being or will be implemented through NEPA as the national coordinating agency with UNDP, UNIDO or the World Bank as the Fund's implementing agency. Nevertheless, the implementing agencies which are responsible for implementing the investment projects have not been involved in the proposed training activity.

6. Since most of the projects are not yet implemented or are in the initial stages of implementation, the potential for rationalizing the training project with the approved projects exists. There is need for consultations with the other implementing agencies to determine:

(a) Whether such approach to safety training would be effective in the circumstances since all the implementing agencies responsible for investment projects continue to provide such training on enterprise by enterprise basis;

(b) Whether it is possible to pool resources from approved projects for sector-based or centrally coordinated safety training programme, such as is being proposed by UNEP; and

(c) What should be the approach to training for projects that are to be approved in future in the light of the above considerations.

If this is not done, the proposed training activities could potentially lead to double-counting in several instances and duplication of efforts among the agencies.

RECOMMENDATIONS

1. The Fund Secretariat recommends approval of the institutional strengthening projects with associated support costs at the funding levels shown in the table below:

Country	Amount Recommended (US $)	Agency Support Cost (US $)
Benin	50,000	6,500
Bolivia	91,000	11,830
Central African Republic	45,600	6,045
Guinea	50,000	6,500
Namibia	61,765	8,030

2. The approval of the institutional strengthening projects is subject to the following:

(d) Approval of the amounts indicated above is without prejudice to consideration in future of institutional strengthening requests of countries which are similarly situated.

(e) The disbursement of the approved funds is subject to finalization between the government and UNEP of the appointment of a project manager, definition of the terms of reference and programme of action of his/her activities.

3. The Fund Secretariat further recommends that, until such time that the Committee may decide otherwise, the implementing agencies should adopt the approach described in Annex I to this document for determining funding of institutional strengthening projects for countries with low ODS consumption most of which is in the refrigeration sector.

4. It also recommends that the Training Workshop on Safety Aspects of CFC Substitution for China be deferred pending consultations by UNEP and the Government of China with other implementing agencies with the view to rationalizing the training with other approved training programmes, assessing the need for such training approach and optimizing the use of resources in training activities for ODS-phase out in the affected sectors in China, in a manner that would not incur additional cost to the Fund.

ANNEX I

<u>Institutional Strengthening Projects of Single Sector, Low Volume ODS-Consuming Countries</u>

1. It has been recognized that institutional strengthening provided to Article 5 countries is essential for facilitating the phase-out of ODS in these countries. However, establishing appropriate levels of institutional strengthening in countries with low volume ODS consumption to reflect the scope of activities in these countries has been a source of concern, since the Executive Committee decision on institutional strengthening (UNEP/OzL.Pro/ExCom/7/30, para 74) does not appear to be suitable to this situation.

2. Review of country programmes has shown that the ODS phase-out activities of many countries with ODS consumption below 50 tonnes ODP involve usually servicing of refrigeration and air conditioning equipment. A few of them may have limited manufacturing activity in the commercial or domestic refrigeration sub-sector. Thus in their ODS phase-out programmes, beside training of refrigeration technicians which is usually proposed as an immediate activity, the only other activity which is planned to be implemented in the long term (at a much later stage) is conversion of commercial and/or industrial refrigeration equipment.

3. Experience shows that establishment of ozone units in the past in some countries in similar situation has been characterized by a long period of apparent inactivity due to the nature of ODS-consuming activities in these countries.

<u>Approach to Institutional Strengthening in Single Sector, Low Volume ODS Consuming Countries</u>

4. In order to avoid such situation, institutional strengthening in these circumstances, should focus on the refrigeration servicing sub-sector which is the main ODS-consuming sector, and where available, also on the usually small scale manufacturing sector. institutional strengthening should also facilitate the government's data reporting obligations under the Montreal Protocol. In this regard it does appear that the most cost-effective approach would be to provide funds for the government to engage a qualified and experienced local refrigeration technician or engineer on a part-time or full time basis depending on the scope of activities as project manager. The main responsibility of such person would include: organizing required training sessions for service technicians, following-up the training activities, supervising the implementation of any approved recovery and recycling programme, monitoring the recovery and recycling programme and where available assisting the relevant implementing agency in developing and implementing the limited phase-out projects in the country.

5. Since data to be reported by the Government relate almost exclusively to the refrigeration sector, this person would also be expected to collect and provide the government with data to be transmitted in fulfillment of its data-reporting obligations, as well as providing information on the progress of implementation of the projects to enable the government to report to the implementing agency and the Executive Committee as necessary.

<u>Logistics of the institutional strengthening</u>

6. For such arrangements to be effective, funds for institutional strengthening should be disbursed only after the project manager and the government department exercising oversight responsibility for his/her activities have been identified and the Government and the implementing agency have agreed on terms of reference of the position, as well as his full programme of activity which should form a basis for projects to be submitted for funding requests. Preparation and implementation of projects in the refrigeration sector, including recovery and recycling, training and investment projects, where available, would, therefore, be submitted for consideration by the implementing agencies only after such project manager has been appointed with agreed action programme and funds for his operations made available.

7. Logistically, such arrangement would require no equipment or minimum quantity of equipment relating mainly to improvement in communication and information material reproduction. In specific cases, it may be more cost-effective to provide adequate funds for operational expenditure only. It will also be necessary to provide funds for the following requirements which should be determined at the time of the preparation of the country programme.

(a) Salary of the project manager to be assessed by the government in collaboration with the implementing agency.

(b) Operational expenses to cover transportation, communication, stationery and other consumables.

(c) Administrative costs to government of managing such focal point and fulfilling its reporting obligations to the Montreal Protocol and the Multilateral Fund.

8. Timing of implementation is critical to the success of such approach. Consequently, the time needed to embark on the institutional strengthening activity should be determined by the implementing agency and the government and indicated in the funding request. A minimum of three months and a maximum of six months would appear to be appropriate lag time for embarking on the activity.

<u>Financial implications</u>

9. *The salary of the project manager and operational expenses*: These will be country-dependent and should be determined on a case-by-case basis, taking into account local structure of basic salaries and what constitutes adequate incentive for the successful execution of the activity, the size of the country, the population and distribution of refrigeration technicians distribution of refrigeration and air conditioning facilities, etc. Payment for medical insurance, housing and similar allowances, end of service benefits and similar payments are not eligible.

10. *Administrative cost relating to oversight and data responsibilities*: This cost to a large extent would be similar in all cases. An amount of US $2,000 - US $3,000 per year could be provided for such purposes.

11. Total cost for 3 years could be within the range of US $25,000 - US $45,000, depending on the scope of phase out activities.

RECOMMENDATIONS

12. The Fund Secretariat recommends that, until such time that the Committee may decide otherwise, the implementing agencies should adopt the approach described in this annex for determining funding of institutional strengthening projects for countries with low ODS consumption most of which is in the refrigeration sector.