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

Eleventh Meeting
Bangkok, 10-12 November 1993

UNIDO PROGRESS REPORT

This document includes:

- (a) Comments and recommendations from the Fund Secretariat
- (b) UNIDO Progress Report

**COMMENTS FROM THE FUND SECRETARIAT ON
THE UNIDO PROGRESS REPORT**

1. UNIDO presented its first Work Programme at the Ninth meeting of the Executive Committee in March 1993 comprising eight activities in three countries.
2. UNIDO's current programme is made up of 13 activities and projects in seven countries, namely Brazil, China, Egypt, India, Iran, Jordan and Syria. Ten of these activities are project preparation mainly in the refrigeration and foam sectors and two are institutional strengthening approved in June 1993. In terms of the deadline set by UNIDO for the project preparation (2-6 months), except for the development of refrigeration sector strategy in Egypt, the preparation of refrigeration sector investment project in Iran and the foam sector project preparation in Brazil,, the activities would be behind schedule. However, no indication of estimated completion time is provided in the Progress Report.
3. US \$171,481 equivalent to 7 per cent of the total approved amount of US \$2,442,642 has so far been disbursed by UNIDO. The institutional strengthening projects (US \$498,630) are expected to be implemented in October 1993.
4. UNIDO has co-operated closely with the other implementing agencies, endeavouring to make use of the UNDP Field Offices, to facilitate its activities in the Article 5 countries.
5. UNIDO has used the initial periods of its becoming an implementing agency to establish its machinery for implementing activities under the Multilateral Fund.



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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

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PROGRESS REPORT
OF THE
UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
(UNIDO)

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Introduction

It is recalled here that UNIDO was designated as an Implementing Agency at the 8th Meeting of the Executive Committee in October 1992. It is also recalled that UNIDO's Work Programme was approved by the Executive Committee in March 1993. The first progress report on the implementation of the approved Work Programme was presented to the 10th Meeting of the Executive Committee in May 1993. Considering the short duration between the approval of the Work Programme and the first progress report, it was not possible to present a detailed first progress report.

This report therefore presents to the Executive Committee a more comprehensive coverage of UNIDO's Montreal Protocol related activities covering the period between March 1993 and 21 September 1993.

Substantively, the report consists of 3 Sections:

Section I discusses UNIDO's policy, operational and other issues related to the Montreal Protocol. It is intended to provide an overview on how UNIDO has geared up to meet the challenge of implementing Multilateral Fund activities since October 1992 after it became the 4th Implementing Agency.

Section II presents both in table form and narrative the status of each project in each country where UNIDO is active under the Multilateral Fund.

Section III is a financial report on receipts, disbursements and unspent balance.

Section I. Policy, Operational and Other Issues

1. UNIDO policy towards the Multilateral Fund for the Implementation of the Montreal Protocol.

Accountability:

UNIDO attaches great importance to its being designated as an Implementing Agency of the Multilateral Fund and fully realizes at the same time the responsibility associated with the new status. This responsibility is two-fold:

- Responsibility towards Parties operating under Paragraph One of Article 5 of the Montreal Protocol in terms of choice of appropriate technology and adequate financial compensation (support) in the conversion process;
- Responsibility towards the donor community in terms of running a cost-effective operation.

Emphasis on first-hand information:

UNIDO's cumulated experience at the plant level in developing countries gives her a good perspective for examining the specifics of each plant on account of the specific conditions in each country.

This approach is especially emphasized in its Montreal Protocol-related activities since the Organization is very often called upon to formulate and implement investment projects from Country Programmes in whose preparation UNIDO was not a part. In each of the projects it has undertaken implementation responsibility so far, UNIDO has always made a point of a plant visit to verify or collect first-hand data.

A steady but firm process:

It is a conscious policy decision by UNIDO management that a steady but firm process is followed in its Montreal Protocol activities, in the initial period in particular.

2. Institutional Arrangement within UNIDO for the Implementation of Montreal Protocol-related Activities:

Setting up the Team:

Soon after it became the fourth Implementing Agency, an inter-disciplinary core group was assembled under the leadership of the Director of the Industrial Operations Technology Division. This core group draws its expertise from in-house sub-sectoral Branches of Engineering Industries, Chemical Industries and Feasibility Studies. This core group is backed up by a full range of support services for project implementation including Finance, Project Personnel Recruitment, Training and Purchase & Contracts.

Technological up-grading of in-house expertise:

Since the whole subject of CFC conversion is a relatively new one, and the technological advances in the related disciplines develop so rapidly, UNIDO management feels it necessary to keep its technical staff up-to-date on the technological developments, and, therefore, sent its key technical staff to a training course in the Polymer Institute of the University of Detroit Mercy in Detroit, Michigan, USA in 1993. The Organization feels that this investment will pay off in quality service it delivers to its customers.

Be familiarized with the Policies and Procedures of the Multilateral Fund:

To get to know the policies and procedures of the Multilateral Fund for the Implementation of the Montreal Protocol is an operational prerequisite. For that, related documentation is carefully examined. To complement that, Dr. El-Arini, Chief Officer of the Multilateral Fund Secretariat and Mr. P. Horwitz, International Adviser from EPA of the U.S. Government, were invited to Vienna where very useful discussions were held between the invitees and UNIDO's technical staff on various aspects of the Multilateral Fund. Both visits proved to be very helpful to UNIDO staff in understanding the operations of the Multilateral Fund.

Synchronizing and Streamlining in-house Procedures:

UNIDO procedures on project development, appraisal, approval and implementation and the set of procedures the Multilateral Fund follows are not always synchronized. However, efforts are being made to synchronize them and streamline them where necessary.

3. Inter-Agency Co-operation:

UNIDO has made a point to work together with the other three Agencies. Some progress has already been achieved and is reported as follows:

o **Co-operation with UNDP:**

UNIDO/UNDP co-operation has been going on over three decades under the UNDP-IPF arrangement where UNDP was the central fund-raising Agency and UNIDO was the industrial technical arm of IPF-funded projects. In the field, UNDP Resident Representatives have been and are still UNIDO's representatives in a country. Because of that, UNIDO has sent a letter to all UNDP Resident Representatives requesting their assistance in implementing Montreal Protocol-related activities. However, this initiative has yet to produce concrete results. UNIDO looks forward to an improved co-operation with the UNDP under the Montreal Protocol.

o **Co-operation with the World Bank:**

Co-operation with the World Bank under the Montreal Protocol has been worked out in several countries: in Thailand and Nigeria in particular. In the case of Thailand, UNIDO - at the request of the Bank - will come in to implement the project on recycling of CFCs from mobile air conditioners which has been developed by the Bank. In Nigeria, UNIDO is going to proceed simultaneously with the preparation of the Country Programme by the Bank to identify and formulate projects. This will reduce the lag time between the preparation of the Country Programme and the formulation and implementation of investment projects proposals.

It is anticipated co-operation between these two Agencies will continue to grow.

o **Co-operation with UNEP:**

UNIDO/UNEP IE/PAC co-operation has taken a greater leap in early September when the UNIDO Delegation visited UNEP IE/PAC at the kind invitation of the latter. Very fruitful discussions were held on areas and modalities of co-operation between the two Organizations under the Montreal Protocol. The result of this Paris meeting is a draft Memorandum of Understanding. Among other things, the Memorandum covers joint actions in -

- formulation of investment projects in country programmes already approved or under preparation;
- participation of UNIDO in UNEP country programming exercises;
- UNIDO/UNEP co-operation in information exchange and training.

In this spirit of cooperation, joint action has already found expression in this current submission of ***UNIDO Work Programme Amendments*** in the case of Cameroon and the global project on development of a strategy for the phase-out of ODSs in low consuming countries.

Section II. Montreal Protocol Operations Status Report

A status report is provided on each on-going project by country in Attachment A. The reporting format draws from the consolidated progress report the Fund Secretariat adopted at the 9th Meeting of the Executive Committee. Although the Attachment is self-explanatory, a brief summary of progress for each project is represented in the following paragraphs:

CHINA:

Project 1 - Preparation of Investment Projects in Foams and Solvents Sectors.

- Tobacco Expansion:

Presently, national experts are working on a study of the tobacco expansion sector in China. It is expected that this study will be completed by the end of September 1993. The final formulation of the project will be made in mid-October 1993 in China by a team comprising national experts, an international consultant and a UNIDO staff member.

UNIDO is pursuing active negotiations with the Government for project identification and formulation in the two sectors identified. A UNIDO high-level mission is scheduled to visit China for that purpose end-October/beginning November 1993.

INDIA:

Project 1. Feasibility study for the recovery and recycling of CFC refrigerants (project formulation activity, budget US\$ 55,000).

At the outset, it was agreed with the Government and the World Bank that this project should benefit from the results of a number of then ongoing World Bank projects in the same subject (namely projects in Malaysia and Thailand). Feasibility study in Thailand has been completed and UNIDO has been involved in the later phases of the study and will take over the implementation from the World Bank.

With this background, UNIDO is now ready to start the feasibility study. This work will be carried out by a team comprising national experts (or a national consulting company), an international consultant and a UNIDO staff member.

Project 2. Project formulation for the conversion of electronic cleaning processes from CFC-113/alcohol blended solvents and 1,1,1 Trichloromethane to non-CFC cleaning (project formulation activity, budget US\$ 74,000).

- a) Identification of a national consulting/coordinating institution for the project is under way.
- b) At the same time, international expert consultant of the project will be recruited.
- c) The national consulting/coordinating institution will start in October 1993 to collect data in four sites in two selected states.

ITI-Mankapur elimination of ODS solvents (proposed budget US\$ 1,040,000).

Following two UNIDO missions in April and June 1993, UNIDO in co-operation with the Centre for Materials for Electronics Technology of the Department of Electronics, has finalized the project formulation and submitted it to Government.

Project 3. Project formulation for phasing out of ODS's in unorganized sector (Project formulation activity, budget US\$ 55,000).

National consulting firms are being identified to -

- Carry out a quick survey in four-to-five states to determine the extent to which the unorganized sector is involved in ODS using activities.
- Based on this data, national coordinating agency would select two states and other activities of the project would follow. These activities are, among other things:
 - i) sampling process
 - ii) demonstration units
 - iii) proliferation of appropriate non-ODS technologies

EGYPT:

Project 1. Development of a strategy on the refrigeration and air-conditioning industry in Egypt and preparation of investment projects. Proposals to the Government of Egypt.

The strategy was completed in July 1993 and a draft was transmitted to the Government of Egypt for comments. Subsequently, the comments were incorporated in the finalized version of the document, and the final product was delivered to the Government of Egypt officially. Further, comments have just been received from the Government of Egypt and the appropriate further revisions are presently being carried out. As part of this strategy, two project proposals in the refrigeration sector are being formulated.

Phasing-out of CFCs at Kiriazi and Electostar Household Refrigerators Manufacturing Co.

One consultant has been contracted to do project formulation for both plants. Because of the holiday season in the host country, the consultant could not be fielded in July or August and then he was otherwise engaged. However, he will be in the field from 21-30 September 1993 to:

- assess the technologies currently applied by the companies in insulation foam-making and in the refrigeration system as well as the equipment employed;
- assess available, and identify the most viable, technology options for the conversion of the insulation foam-making and refrigeration to non-ODS based on the actual and planned production range of refrigeration systems and annual outputs;

- specify the equipment needed, training programme required, testing and quality control methods and procedures to be introduced;
- estimate the project cost and incremental cost.

UNIDO staff will join the consultant during the last week of the consultant stay in the country and finalize the project documents.

Draft project documents for both plants have been prepared and are being finalized.

Phasing out the use of CFC-12 in the manufacture of extruded polystyrene foam at Advechems.

Funds for this project were transferred to UNIDO treasury in August 1993. A detailed work plan for project implementation has been prepared together with the national project authorities. The execution of the sub-contract is underway and the project site is being cleared for the conversion of the manufacturing process.

Project 2. Institutional Strengthening Unit for the Montreal Protocol Related Activities

Detailed work plan and budget prepared and disbursement of funds to the project will start in October 1993.

SYRIA.

Project 1. Preparation of investment projects on phasing out of CFCs at El-Hafez Refrigerator Factory and at Barada Company for Metal Industry (A household refrigerator manufacturer)

A consultant has been identified with the terms of reference along the same lines as *Project 2* in Egypt. He is going to cover both plants. The consultant has been submitted to the Government for clearance. It is expected that the consultant will be fielded in early October 1993.

Project 2. Support to Strengthen the General Commission for Environmental Affairs to Implement Montreal Protocol-related Activities.

Detailed work plan and budget have been prepared. Disbursement of funds to the project is expected to start in October 1993.

JORDAN.

Project 1. Preparation of investment projects for phasing out CFCs in the Refrigeration Sector.

This project requires project formulation work at four plants in the country. The terms of reference for the required consultancy have been prepared and it is anticipated that the consultant will be in the field in October/November 1993.

IRAN.

Project 1. Preparation of investment project proposals for phase out of CFC-11 and CFC-12 in domestic refrigeration industry.

UNIDO staff and consultant were in the country in July 1993 where a survey of 5 companies was carried out. On that basis, an investment project has been prepared encompassing 5 companies. The project document will be submitted to the Executive Committee as at end of September 1993 and this is going to be the first phase.

BRAZIL.

Project 1. Preparatory Assistance for Elimination of CFCs in the Sector of Polymer Foams Manufacturing of Brazil.

A workshop was organized by UNIDO in the Country in which two consultants also participated. Representatives of the Government Implementing Agency and potential counterparts from private and public sectors of industry were invited and briefed on the technological options in the conversion business and the cost implications thereof. The participants were also briefed on the requirements and procedures of formulation/implementation of investment projects for the Multilateral Fund.

Further follow-up activities on specific projects to be done are expected from the Government.

Section III: Financial Summary as at 20 September 1993

Country	Multilateral Fund Allocation	Cumulative Expenditures (disbursements and obligations) US\$	Balance US\$
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Projects approved by the Executive Committee in its Ninth Meeting March 1993; UNIDO Work Programme 1993 - Preparatory Phase:

Brazil	150,000	16,978	133,022
China	150,000	29,000	121,000
Egypt	50,000	34,730	15,270
Egypt	50,000	15,516	34,484
Iran	50,000	14,570	35,430
Syria	35,000	27,716	7,284

Projects approved by the Executive Committee in its Tenth Meeting June 1993: Amendment to UNIDO Work Programme 1993:

Egypt	263,450	2,144	261,306
India	55,000	0	55,000
India	55,000	0	55,000
India	74,000	3,880	70,120
Jordan	90,000	2,294	87,706
Syria	235,180	0	235,180

Full-fledged project approved:

Egypt	904,000	4,925	899,075
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Sub-total	2,161,630	151,753	2,009,877
Support costs	281,012	19,728	261,284
Total	2,442,642	171,481	2,271,161