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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-fourth Meeting
Montreal, 25-27 March 1998

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Projects and activities presented to the 24th Meeting

Submissions by Agencies and Bilateral Partners

1. The total value of the projects and activities received by the Fund Secretariat from implementing and bilateral agencies for consideration at the 24th Meeting, is US \$35,444,255, including US \$17,908,710 for the remainder of the 1997 shares of UNDP and the World Bank. As agreed no investment projects from agencies' 1998 business plans have been submitted. The total is comprised of:

- (a) Investment projects:
 - 29 proposals for investment projects submitted to the 24th Meeting by UNDP and the World Bank with a total value, as submitted, of US \$17,908,710.
- (b) Bilateral cooperation:
 - 13 project proposals were received from Canada, France, Germany and United States of America, with a total value of US \$2,209,759 as submitted.
- (c) 1998 Work Programmes and Work Programme Amendments (including the balance of 1998 Work Programmes, advances for which were approved at the 23rd Meeting):
 - Work Programme Amendment requests totaling US \$11,750,860, of which US \$3,448,860 has been proposed for country programme preparation and institutional strengthening projects and US \$8,302,000 for project preparation and other activities.
- (d) Methyl bromide demonstration projects:
 - Eight projects were submitted at a total value of US \$3,574,957.

Secretariat's review of proposed projects and activities

2. The review of project proposals by the Fund Secretariat has resulted in the following:

- (a) Investment Projects:
 - 22 project proposals with a total value of US \$7,928,862 have been recommended for blanket approval.

- 6 project proposals with a total value of US \$7,438,475 have been recommended for individual consideration by the Sub-Committee on Project Review (see Annex II).
- 2 project proposals with a total value of US \$1,612,627 have been withdrawn or deferred.
- (b) Bilateral projects:
 - 5 bilateral projects with a total value of US \$1,087,350 have been recommended for blanket approval.
 - 8 bilateral projects with a value of US \$1,124,764 have been withdrawn.
- (c) Activities included in 1998 Work Programmes and Work Programme Amendments:
 - 1 institutional strengthening project with a total value of US \$70,000 has been recommended for blanket approval.
 - 107 non-investment activities and project preparation activities with a total value of US \$3,146,000 have been recommended for blanket approval.
 - 44 activities with a total value of US \$2,122,260 are recommended for individual consideration
 - 19 activities with a total value of US \$1,362,000 have been withdrawn.
- (d) Methyl bromide demonstration projects:
 - 7 methyl bromide demonstration projects with a total value of US \$2,379,740 have been recommended for individual consideration.

Status of the Fund

3. At the time of preparation of this paper, the shortfall of Multilateral Fund resources amounts to US \$34.6 million. If this shortfall is not rectified through receipts of contributions by the time of the Meeting, there will be no funds available for new commitments.

Methyl bromide projects and activitiesMethyl bromide demonstration projects

4. UNIDO has submitted seven demonstration projects on alternatives to methyl bromide for soil fumigation and/or commodities fumigation (UNEP/OzL.Pro/ExCom/24/31 to 24/37). The projects are included in Annex I.

5. At its 22nd Meeting, the Executive Committee approved four demonstration projects on alternatives to methyl bromide submitted by UNIDO, on the basis of interim guidelines on methyl bromide projects approved by the Committee at its 20th Meeting. Two additional demonstration projects were submitted to the 23rd Meeting. On average, costs for international and local consultant comprised some 50 to 70 percent of total project costs.

6. At its Twenty-third Meeting (November 1997), the Executive Committee requested the Secretariat to convene a meeting of stakeholders for the purpose of developing a strategy and guidelines for investment projects in the methyl bromide sector. It also urged the implementing agencies to present well considered investment projects in the sector during 1998 based on the strategy and guidelines.

7. It is evident from the projects submitted to this meeting that salaries for international and national consultants (excluding study tours) continue to constitute a major portion of the total project costs, ranging from 51 to 75 per cent. The use of international resource persons as opposed to appropriately experienced local or regional resource persons appears to be a significant factor. In the light of the allocation for methyl bromide projects made by the Parties at their Ninth meeting, the Fund Secretariat is seeking guidance from the Executive Committee as to whether the implementing agencies concerned should continue with the preparation of similar demonstration projects with the same cost structure.

Other methyl bromide activities

8. 44 Requests for funding to prepare methyl bromide demonstration projects at a total value of US \$1.46 million have been submitted with implementing agencies' work programmes or work programme amendments. It is clear that project preparation funding is needed to enable methyl bromide activities to move forward as mandated by the Parties. However there is also a need to ensure that Multilateral Fund resources are well directed to achieve the purposes for which the Fund was created. The Secretariat is concerned that methyl bromide project preparation requests submitted to the 24th Meeting may not be sufficiently well directed. For example, requests have been received for a wide range of countries irrespective of the ODS consumption of the country concerned, its status as an LVC or otherwise, its status in relation to the methyl bromide consumption categories established in the draft guidelines, the availability or otherwise of country data on methyl bromide or fieldwork. For some of the countries requests have been submitted to prepare additional methyl bromide projects for uses not covered by demonstration projects approved recently (22nd and 23rd Meetings) for the countries.

9. Demonstration projects need to be implemented first in circumstances where there is a good probability of success, the lessons from which can be built upon in other countries, which may result in more cost-effective projects. Requests for funding for preparation of these projects need to demonstrate that they will give rise to good projects which conform to the methyl bromide strategy and guidelines being considered at this meeting. The Executive Committee might consider whether the information presented by the implementing agencies provides the necessary assurances in this regard. If not the Committee might consider approving only an initial proportion of the requested funding, with further requests to be brought forward to future meetings in the form of Work Programme amendments.

10. Information exchange, training and other non-investment activities (other than demonstration projects) to support reductions in the consumption of methyl bromide represent a new area of activity for the Fund and for UNEP. UNEP has requested funding for 14 methyl bromide-related activities outside its core programme for 1998, at a total value of US \$1,105,000. The Executive Committee might therefore wish to consider these requests individually. The Secretariat's comments are to be found in paragraphs 17-26 of document UNEP/OzL.Pro/ExCom/24/22.

Issues arising from Project Review

Terminal umbrella projects

11. The Executive Committee is now starting to see terminal umbrella projects covering large numbers of enterprises. A project for conversion of 224 small commercial refrigerator manufacturers in Thailand is being presented to this meeting for individual consideration. The Fund Secretariat understands that a similar project under preparation for Turkey could involve up to 2000 enterprises. The eligibility of each enterprise for funding, the overall level of funding and

compliance with the requirements of Decision 19/32 all depend on the provision of accurate information on CFC consumption, including consumption at the enterprise level.

12. For example, in the commercial refrigeration sub-sector, enterprises may manufacture or may service refrigeration equipment or may undertake both activities. CFCs used for servicing are not eligible for inclusion in the calculation of consumption for a refrigerator manufacturer, and such use is considered within an RMP and/or recovery and recycling projects. However small enterprises may use more than 50 percent of their CFC consumption for servicing, giving rise to substantial uncertainties in the overall ODS consumption of the project and thus the overall level of funding which might be eligible. In extreme cases, if an enterprise uses most or all of its CFCs for servicing it would be eligible for little or no funding.

13. One of the reasons for the Thai project being referred for individual consideration is that, because information on the amount of CFCs consumed for manufacture and for servicing by each enterprise is not available, the Fund Secretariat is unable to confirm that each enterprise is eligible for funding, that the overall level of funding is eligible (since the grant requested for the Thai project is calculated by multiplying the total consumption by the cost-effectiveness threshold value for the sector), or that the proposal complies with Decision 19/32. Because this situation may reoccur in future, it would be useful to establish clearly the necessity to provide essential consumption and production data at the enterprise level in terminal umbrella projects.

Investment projects for individual consideration

14. Six project proposals are listed for individual consideration in Annex II. The proposals have been fully reviewed by the Fund Secretariat and the relevant issues are explained in the Secretariat's evaluation sheets, reference to which is also provided in Annex II. Of the six proposals, four are for conversion of foam manufacture of which three have similar issues, and two are in the refrigeration sector.

Issues arising from activities in Work Programmes

Renewal of institutional strengthening

15. Three requests for renewal of institutional strengthening have been submitted to the 24th Meeting, for Brazil and Colombia (UNDP), and Malawi (UNEP).

16. It is evident from review of the final reports submitted in support of the requests that the expenditure of the ozone offices does not always conform to the budget approved by the Executive Committee for the project, for example expenditure on items which have been considered as ineligible such as the rental of offices and purchase of vehicles. In one instance no breakdown of expenditure is provided under the financial statement.

17. The Executive Committee may wish to consider requesting the implementing agencies to ensure that the agreements entered into between the implementing agency and the government

concerned mandate adherence to the approved budget. The Executive Committee might also request the implementing agencies to ensure that the financial statement provided in the terminal report includes a breakdown of expenditure by the ozone office.

18. The Executive Committee is requested to consider whether the summary of costs provided by the Secretariat for each request obviates the need to include the reports submitted to the Secretariat by the implementing agencies requesting renewals.

Refrigerant management plans

19. It is apparent that refrigerant management plans are moving towards becoming an automatic component of the phase-out process for many Article-5 countries, similar to country programmes. The Executive Committee might consider whether the approval of funding for preparation of RMPs should be related to specific criteria such as the need for RMP activities to assist in meeting the freeze, or whether the country has an industrial sector which should be phased out before embarking on management of installed refrigerant, or whether the country has enacted any policy to regulate the consumption of CFCs.

Project preparation

20. In Decision 23/51 the Executive Committee adopted criteria for the submission of project preparation proposals. For many project preparation proposals from all relevant agencies, insufficient supporting information has been provided to establish that the required criteria have been followed. For some proposals the criteria seem not to have been followed. The Secretariat has provided comments as relevant on project preparation requests within its overall comments on implementing agencies' 1998 Work Programmes or Work Programme amendments. The Executive Committee might wish to consider project preparation requests in the light of Decision 23/51.

Resource allocation

21. Obligations outstanding from projects and activities approved at the 23rd Meeting represent a shortfall of US \$34.6 million. Since any income expected by the time of the Meeting will be allocated first to projects already approved, it is likely that funds will not be available for allocation to projects and activities submitted to the 24th Meeting until late in the second quarter of 1998. It may be necessary to consider whether some or all of the projects and activities submitted to the 24th Meeting be cleared for approval now, but funded when enough contributions are made.

ANNEX I**METHYL BROMIDE PROJECTS FOR INDIVIDUAL CONSIDERATION**

Evaluation sheets containing the comments of the Fund Secretariat on the issues involved are included in the country project document.

<u>COUNTRY/ DOCUMENT No.</u>	<u>SECTOR</u>	<u>PROJECT TITLE</u>	<u>AGENCY</u>
Algeria UNEP/OzL.Pro/ExCom/ 24/31	Fumigant	Demonstration project - Alternatives to the use of methyl bromide in horticulture	UNIDO
Colombia UNEP/OzL.Pro/ExCom/24/32	Fumigant	Demonstration project - alternatives to the use of methyl bromide in banana growing at Cenibanano	UNIDO
Kenya UNEP/OzL.Pro/ExCom/24/33	Fumigant	Demonstration project - alternatives to the use of methyl bromide for soil fumigation in cut-flowers at Kenya Agricultural Research Institute - KARI	UNIDO
Korea, DPR UNEP/OzL.Pro/ExCom/24/34	Fumigant	Demonstration project - alternatives to the use of methyl bromide in the preparation of seedbeds for the cultivation of rice and maize at Agro-chemical Research Institute - ACRI	UNIDO
Syria UNEP/OzL.Pro/ExCom/24/35	Fumigant	Demonstration project - alternatives to the use of methyl bromide in horticulture and commodities fumigation	UNIDO
Tunisia UNEP/OzL.Pro/ExCom/24/36	Fumigant	Demonstration project - alternatives to the use of methyl bromide in horticulture at Société Méditerranéenne Fruitière	UNIDO
Vietnam UNEP/OzL.Pro/ExCom/24/37	Fumigant	Demonstration project - alternatives to the use of methyl bromide on stacked bags of rice, grain in silos, and timber on a warehouse under tarps at Vietnam Fumigation Company	UNIDO

ANNEX II**INVESTMENT PROJECTS FOR INDIVIDUAL CONSIDERATION BY THE SUB-COMMITTEE ON PROJECT REVIEW**

Evaluation sheets containing the comments of the Fund Secretariat on the issues involved are included in the country project document.

<u>COUNTRY/ DOCUMENT No.</u>	<u>SECTOR</u>	<u>PROJECT TITLE</u>	<u>AGENCY</u>
Thailand UNEP/OzL.Pro/ExCom/ 24/29	Refrigeration	Elimination of ODSs used in the production of household refrigerators at Hitachi Consumer Products (Thailand) Co. Ltd.	IBRD
	Refrigeration	Umbrella project to convert CFC-12 commercial refrigeration to HFC-134a, and CFC-11 to HCFC-141b as the blowing agent for foam insulation at 224 small- and medium-sized enterprises (Kulthorn Engineering Co. Ltd.)	IBRD
Turkey UNEP/OzL.Pro/ExCom/24/30	Foam	Conversion from CFC-11 into all-water and HCFC-141b for integral skin foam at Polifleks Sentetik Maddeler Sanayii Ve Ticaret A.S.	IBRD
	Foam	Phase out of CFC-11 for flexible moulded, integral skin and rigid foam at Pimsa Poliuretan Imalat Sanayii Ve Ticaret A.S.	IBRD
	Foam	Conversion from CFC-11 into all-water for flexible moulded and HCFC-141b for integral skin foam at EPS Entegre Poliuretan Sunger Ve Koltuk San Tic. Ltd. Sti.	IBRD
	Foam	Conversion to non-CFC foam blowing agents in the production of polyurethane (PU) insulation panels, spray/in situ foam and one component foams at Izopoli Yapi Elemanteri Taahhuet Sanayii ve Ticaret Ltd. Sti.	IBRD