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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-eighth Meeting
Montreal, 3-7 December 2012

PROJECT PROPOSAL: CUBA

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

Phase-out

- HCFC phase-out management plan (stage I, advance on second tranche)

UNDP

PROJECT DESCRIPTION

1. On behalf of the Government of Cuba UNDP, as the lead implementing agency, has submitted to the 68th meeting of the Executive Committee a request for an advance of funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$537,527, plus agency support costs of US \$40,315 for UNDP. The submission includes a justification for the funding advance request and a progress report on the implementation of the first tranche of the HPMP.

Background

2. Stage I of the HPMP for Cuba was approved in principle at the 65th Executive Committee meeting, at a total funding level of US \$1,747,527, which included activities in the refrigeration servicing sector (US \$560,000) and the complete phase-out of HCFC-141b contained in imported pre-blended polyols used by five foam enterprises (US \$1,187,527). The disbursement schedule for stage I of the HPMP is presented in Table 1.

Table 1. Disbursement schedule for stage I of the HPMP of Cuba

Costs US \$	2011(*)	2012	2013	2014 2015	2016	2017	2018	2019	2020	Total
Foams	650,000		537,527							1,187,527
Servicing	100,000		162,473		141,527		100,000		56,000	560,000
Total	750,000		700,000		141,527		100,000		56,000	1,747,527
Support	56,250		52,500		10,615		7,500		4,200	131,065
Grand total	806,250		752,500		152,142		107,500		60,200	1,878,592

(*) Released at the 65th meeting

Request for a funding advance for the second tranche of stage I of the HPMP

3. UNDP informed the Secretariat that given the approved distribution of tranches for stage I of the HPMP for Cuba, UNDP could only procure part of the equipment required with the funds available from the first tranche, and the rest of the equipment once the second tranche was approved.

4. In justifying the request, UNDP indicated that the most cost-effective option for the procurement of equipment is by selecting a single provider through a single bidding process for the following reasons:

- (a) Equipment transportation, installation, trials, testing and commissioning will take place at the same time in all enterprises, resulting in a reduction of costs. This is particularly important for the enterprises providing a large co-financing element;
- (b) Transaction and administrative costs are also reduced having only one procurement process;
- (c) Given that some projects are more attractive to suppliers as their conversions involve fewer technical challenges, procuring the equipment for all enterprises as a package will ensure that a larger group of technology providers participate in the bidding process for all the enterprises;
- (d) Having one procurement process will shorten the implementation of the project by five months.

5. In view of the above facts, UNDP asked the Secretariat to enquire if the Executive Committee could approve an advance of US \$537,527 of the funding associated with the second tranche (to be submitted to the 69th meeting), which represents the remaining part of the funds associated with the foam

sector plan. This would allow UNDP to undertake only one procurement process. Table 2 shows the proposed disbursement schedule as proposed by UNDP.

Table 2. Proposed disbursement schedule stage I of the HPMP of Cuba

Cost (US\$)	2011	2012	2013	2014 2015	2016	2017-	2018	2019	2020	Total
Foams	650,000	537,527								1,187,527
Servicing	100,000		162,473		141,527		100,000		56,000	560,000
Total	750,000	537,527	162,473		141,527		100,000		56,000	1,747,527
Support	56,250	40,315	12,185		10,615		7,500		4,200	131,065
Grand total	806,250	577,841	174,658		152,142		107,500		60,200	1,878,592

Note: Funding advance proposed for 2012 is marked in bold

Progress report on the implementation of the first tranche of the HPMP

6. In submitting the request, UNDP also provided a summary of the activities undertaken under the HPMP for Cuba. Specifically, a licensing and quota system is operational; the members of the steering committee for project implementation and monitoring were identified; and the committee is being established. With regard to the five foam enterprises, work plans for conversions including transfer of information on handling explosive substances were agreed; the terms of reference for conversions were prepared; and the bidding process for the procurement of all equipment is ready to commence.

7. In line with decision 63/17, and as required under the Agreement between the Government of Cuba and the Executive Committee, the Government of Cuba confirmed that an enforceable national system of licensing and quotas for HCFC imports and exports is in place and that the system is capable of ensuring compliance with the Montreal Protocol HCFC phase-out schedule for the duration of the Agreement.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

11. The Secretariat has given due consideration to the request by the Government of Cuba for a partial advance of the funding associated with the second tranche of stage I of the HPMP, which was discussed with UNDP. In its analysis, the Secretariat noted that:

- (a) A second option besides dividing the procurement in two parts is to only start the procurement process when the second tranche is approved in April 2013 incurring in a project interruption of five months. Although the enterprises use HCFC-141b in imported pre-blended polyols and therefore a delay would not have any impact on the country's compliance with the Montreal Protocol, a five months delay would represent emissions into the atmosphere of some 36,145 tonnes of CO₂-equivalent¹.
- (b) In reviewing HPMPs for other low-volume consuming (LVC) countries that had had the phase-out activities approved in the manufacturing and servicing sectors (as is the case for Cuba), it was noted that the level of funding for the first tranche covered almost all the costs required for the conversion of the enterprise in addition to costs associated with activities addressing the consumption in the servicing sector. For example, the funding approved for the first tranche represents between 61 and 85 per cent of the total funding approved for the HPMPs for Costa Rica, Dominican Republic, El Salvador and

¹ Based on climate impact calculation for the foam sector plan in Cuba in document 65/29

Swaziland, as compared to 43 per cent for Cuba;

- (c) UNDP has confirmed that no other HPMP under its implementation presents a situation similar to that of Cuba (it is to be noted, that a request has been submitted by UNIDO for modifying the funding distribution associated with the second and third tranches of stage I of the HPMP of Guatemala to this meeting, for the same reason);
- (d) Although the advance of funds would exceed the Business Plan allocation for Cuba in 2012, the amount requested is already allocated in 2013. Therefore the total amount for the HPMP of Cuba remains at the same level and within the total allocation for the triennium; and
- (e) As the request constitutes an advance of funding that was already programmed for the second tranche, with no changes in the distribution among sectors or changes in the country's commitments, no modifications to the HPMP Agreement are required.

8. Based on the above observations, the Secretariat is of the view that with the release of the funding advance, UNDP would be able to continue the implementation of the foam sector plan in an expeditious and cost-effective manner.

RECOMMENDATION

9. In light of the Secretariat's comments above, the Executive Committee may wish to consider, on an exceptional basis, approval of an advance of funding on the second tranche of stage I of the HPMP for Cuba, at the amount of US \$537,527, plus agency support cost of US \$40,315 for UNDP.

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