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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
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WORLD BANK WORK PROGRAMME AMENDMENTS

COMMENTS AND RECOMMENDATIONS FROM THE FUND SECRETARIAT

1. The World Bank is requesting approval from the Executive Committee for US \$413,500 as amendments to its 2000 Work Programme (approved at the 29th Meeting) with agency support costs of US \$53,755.
2. The activities proposed in the World Bank 2000 Work Programme Amendments are presented in Table 1 below:

Table 1: World Bank 2000 Work Programme Amendment

Country	Activity/Project	Amount Requested US \$	Amount Recommended US \$
Chile	Renewal of institutional strengthening	143,500	143,500
Turkey	Renewal of institutional strengthening	200,000	200,000
Global	Global MDI Study	70,000	Pending
Sub-total:		413,500	343,500
Agency support costs:		53,755	44,655
Total:		467,255	388,155

Chile: Renewal of institutional strengthening

Summary of the Project and Country Profile			
Implementing Agency			World Bank
Amount originally approved	June 1992	(US \$)	215,200
First renewal	October 1996	(US \$)	113,500
Second renewal	July 1998	(US \$)	143,500
Amount requested for renewal (US \$)			143,500
Date of approval of country programme			June 1992
ODS consumption reported in country programme (1989), (ODP Tonnes)			1,055.1
Latest reported ODS consumption (1999) (ODP tonnes)*			798.2
Baseline (1995-1997) (ODP tonnes of CFCs)			828.7
Amount approved (US \$)			7,665,060
Amount disbursed (as at December 1999) (US \$)			3,392,214
ODS to be phased out (tonnes ODP)			800
ODS phased out (as at December 1999) (tonnes ODP)			125

* Including 131.2 ODP tonnes of MB

3. The following activities have been approved and funded by the Executive Committee:

		<u>US \$</u>
(a)	Country programme preparation	121,166
(b)	Project preparation	858,697
(c)	Training	122,876
(d)	Technical assistance	551,150
(e)	Demonstration projects	878,637
(f)	Investment projects	4,626,924
	Total:	7,159,450

Progress Report

4. The main achievements reported in the progress report include: implementation of a market-based auction programme with efficient allocation of resources, lower administrative costs and cost-effective conversions; preparation of a draft regulatory framework to regulate import and use of ODS (currently under review by the legal Department of the National Commission for the Environment, CONAMA); improvement in control and monitoring of import of ODSs (the Ozone Unit has online control of imports and is working closely with the Customs Department); design of a phaseout strategy for the end-user sector (CFC-12 and R-502 refrigerants); preparation of the RMP project proposal; implementation of a demonstration project on MB alternatives for soil fumigation; training and awareness activities on MB small farmers; a project for alternatives to MB in the replanting of fruit trees was submitted for consideration by the Executive Committee at its 32nd Meeting; and reporting of ODS consumption data and progress reports to the Multilateral Fund and Ozone Secretariats.

5. CONAMA, established in 1994 as the State Environmental Agency under the supervision of the Minister Secretary General to the Presidency, is responsible for promoting sustainable environmental development and coordinating environmental policy-driven actions and strategies defined by the Government. An Executive Director manages CONAMA, under direction and guidance of the Board of Ministers, with representatives of 13 ministries and presided over by the Minister Secretary General to the Presidency. Instructions and agreements from the Board of Ministers must be carried out through orders that each minister member communicates to his dependent public institutions. This institutional set-up has proven effective for the development of programme activities. The location of the Ozone Unit within CONAMA has enabled good access to the different stakeholders, both in the private and public sectors.

Plan of action

6. The Plan of Action for the next period includes: enactment of a law to control CFC imports by a quota system; ensure phaseout of MB in compliance with the freeze in 2002; consolidate the conversion of SMEs both through the auction system and implementation of the RMP project including development of revolving funds; approval of the regulatory framework by the Parliament; submission of the RMP and sterilants sector projects; implementation of market-based auctions; control and monitoring of approved projects and a monitoring programme for previously implemented projects (fifteen companies will be supervised);

continued public awareness campaigns; and data reporting to the Multilateral Fund and Ozone Secretariats.

Recommendation

7. The Fund Secretariat recommends blanket approval of the above project with associated support costs at the funding level shown in Table 1 above.

Turkey: Renewal of institutional strengthening

Summary of the Project and Country Profile			
Implementing Agency			World Bank
Amount originally approved	October 1992	(US \$)	300,000
Amount requested for renewal (US \$)			200,000
Date of approval of country programme			October 1992
ODS consumption reported in country programme (1990), (ODP Tonnes)			3,607.8
Latest reported ODS consumption (1999) (ODP tonnes)*			2,267.7
Baseline (1995-1997) (ODP tonnes of CFCs)			3,805.3
Amount approved (US \$)			25,294,474
Amount disbursed (as at December 1999) (US \$)			17,975,618
ODS to be phased out (tonnes ODP)			3,034
ODS phased out (as at December 1999) (tonnes ODP)			2,377

* Includes 342.6 ODP tonnes of MB

8. The following activities have been approved and funded by the Executive Committee:

		<u>US \$</u>
(a)	Country programme preparation	1,250
(b)	Project preparation	1,930,517
(c)	Technical assistance	384,860
(d)	Demonstration projects	560,498
(e)	Investment projects	22,117,349
	Total:	24,994,474

Progress Report

9. The main achievements reported in the progress report include: development of a ODS regulatory framework for integration with national ozone policy; promulgation of regulations on the phaseout of ODSs consisting of principles for importation of ODS and ODS-based equipment; issuance of license permits; development of an ODS monitoring system; adoption and implementation of an accelerated phase-out schedule; data reporting to Multilateral Fund and Ozone Secretariats; and implementation of public awareness activities.

10. The Ministry of Environment is the main coordination and enforcement body for Montreal Protocol activities. It supervises the Ozone Panel comprising several Ministries, industry representatives and universities, which is responsible for policy formulation and ODS

phaseout schedules. The Ozone Unit provides feedback for ozone policy development resulting in the adoption and implementation of an accelerated phaseout schedule and promulgation of regulations for import permits, and guidance on principles for importation of ODS and ODS-based products.

Plan of action

11. The Plan of Action for the next period includes: implementation of the quota system through the customs authorities; maintaining a database of all ODS import/users; monitoring demand of ODSs required for the refrigeration servicing sector and revising annual import quotas based on the actual ODS demand in the refrigeration servicing sector; providing policy and regulatory support to the refrigeration ODS phaseout sector plan and the halon bank management project; phaseout in the consumption of MB in compliance with the Montreal Protocol and establishment of a MB national strategy and steering committee to implement a monitoring system for the evaluation of strategic studies; setting-up a regulatory framework for MB phaseout specifically aimed at training and licensing for MB fumigators; application of the regulatory framework and strategy and training programmes; annual reports to the Multilateral Fund and Ozone Secretariats; implementing public awareness activities ozone layer protection issues.

Recommendation

12. The Fund Secretariat recommends blanket approval of the above project with associated support costs at the funding level shown in Table 1 above.

Global MDI Study

13. The World Bank is proposing to undertake a global study to gain better understanding of the supply and demand for MDI products. While the use of CFCs for MDI products is still considered by the Parties as essential use for non-Article 5 countries, it is important for them to develop their strategy to pre-empt any unnecessary growth in the demand of these products, and to have better understanding on how to ensure that decreased production of MDI products in developed countries will not result in an increase in the production of CFC-based MDIs in their own countries. The global study will also focus on how non-Article 5 countries are planning to reduce their dependency on CFC-based MDIs. This would enable Article 5 countries to plan ahead of time in reducing their dependency on these products. The World Bank proposes to complete the study within six months and is requesting US\$70,000 for its implementation (supporting the costs of a small team of international consultants to undertake interviews with the producers of MDIs and key government officials in a few Article 5 countries).

14. The Fund Secretariat referred to the draft decision on “Measures to facilitate the transition to CFC-free MDIs” that will be considered by the Parties at their XII Meeting, and pointed out to the Bank that this decision, if adopted, will provide most of the information that is being proposed to be gathered in the Bank’s Global Study. It is to be noted that, through the draft MDI decision, Article 2 parties will be encouraged to:

- (a) Urge each MDI manufacturing company within its territory to diligently seek approval for the company's CFC-free alternatives in its export markets, and to require each Party to provide a general report on such efforts to the Secretariat by 31 January 2002 and each year thereafter.
- (b) Develop a national or regional transition strategy based on alternatives or substitutes that are acceptable from the standpoint of environment and health and that includes effective criteria and measures for determining when CFC MDI product(s) is/are no longer essential in its domestic market; and submitting the text of such a strategy to the Ozone Secretariat by 31 January 2002.

15. The Secretariat also indicated that the draft decision encourages Article 5 Parties to develop a national or regional transition strategy based on alternatives or substitutes that are acceptable from the standpoint of environment and health and that include effective criteria and measures for determining when CFC MDI product(s) can be replaced with CFC-free alternatives; and to submit the text of such a strategy to the Secretariat by 31 January 2005. Moreover, several strategies have already been completed for a number of Article 2 and Article 5 Parties (Australia, European Community, Japan, Malaysia, New Zealand, South Africa and the United States).

16. Based on the above considerations, the Secretariat considered that the Bank's proposal should be deferred until after the Parties take a final decision on this matter. The Bank was also advised to re-consider the objectives and scope of the proposal in light of the information that is likely to become available from Article 2 and Article 5 countries as a result of the possible adoption of the decision. Also, as a result of the decision, higher priority might be attached to more country/region specific activities.

17. Responding to the Secretariat's comments, the World Bank indicated that, as pointed out in the draft decision on MDIs, it is important for Article 5 countries to develop CFC transition strategies now, since they are already putting in place national policies for compliance with their Protocol obligations. Moreover, since the greatest growth in asthma and chronic obstructive pulmonary diseases (COPD) will be in Article 5 countries, it is in their best interest to provide patients with CFC-free therapy as soon as possible, to avoid an increased demand for CFC-based MDIs at a time when most countries are eliminating CFC production and consumption.

18. Experiences of developed countries, including their transition strategies based on alternatives or substitutes that include criteria and measures for determining when CFC MDIs are no longer essential, are useful for Article 5 countries in developing their own strategies. This global study will provide a compendium of various strategies that have already been completed by a few developed and developing countries, and can be used as a basis for development of national or regional transition strategies in all Article 5 countries.

19. When implementing the study, the World Bank will also take into account comments and suggestions from various sources, including the outcome of the discussion at the upcoming meeting of the Parties. Once the funding request for preparing this study is approved, the Bank will start working closely with TEAP experts to ensure that concerns and suggestions from the Parties and experts are fully reflected in this study.

Recommendation

20. The Executive might wish to consider the request by the World Bank in light of the above comments and observations, the appropriate timelines of the study, and whether terms of reference should be developed by the Executive Committee for such a study in the future.