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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-seventh Meeting
Montreal, 17-19 July 2002

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Projects and activities presented to the 37th Meeting

Submissions by Agencies and Bilateral Partners

1. The total value of projects and activities received by the Fund Secretariat from implementing and bilateral agencies for submission to the 37th Meeting is US \$324,810,469 (including agency support costs where applicable). The requested funding amounts to US \$168,417,180 including tranches for sector plans and methyl bromide projects.

Secretariat's review of proposed projects and activities

2. The review by the Fund Secretariat of proposals for the funding of projects and activities has resulted in a recommendation for blanket approval of 78 investment projects as well as other activities in the amount of US \$22,352,250. Thirty-three investment projects and other activities with a total value of US \$11,133,953 have been withdrawn or deferred, including projects which did not provide adequate information or the eligibility of which was in doubt. Twenty-four investment projects and sector plans are submitted for individual consideration with a total value of requested funds amounting to US \$133,896,869.

Status of the Fund

3. At the time of preparation of this paper, Multilateral Fund resources available for commitment amount to some US \$64 million.

Issues arising from project review

Refrigerant management plans and terminal phase-out plans

4. Included in the portfolio of projects submitted to this meeting is one request for approval of a terminal phase-out plan for an LVCC (Jamaica) and 2 requests for preparation of terminal phase-out plans in LVCCs. The issue of whether RMP activities included in the business plans could be resubmitted as new terminal phase-out management plans is to be discussed by the Executive Committee in Agenda Item 10. The Sub-Committee on Project Review may wish to consider the relevant project proposals on their individual merits, but to agree that any positive recommendations would be subject to the outcome of the Executive Committee's discussions on Agenda Item 10.

Phase-out plans in the refrigeration sector

5. Since in many cases the same enterprises consume CFCs in refrigeration servicing and in refrigeration manufacture, it is difficult at the national level to separate consumption for servicing (if addressed by an RMP) from consumption for manufacture (if addressed in domestic and commercial refrigeration projects). The accurate determination of reductions in consumption for the purposes of verifying performance separately in an RMP covering the servicing sub-sector and a phase-out plan covering the manufacturing sub-sector, may not be practicable. The Sub-Committee on Project Review might wish to urge Article-5 countries and implementing agencies wherever possible not to separate phase-out plans for manufacturing and

servicing, but to present sector phase-out plans for the complete refrigeration sector or for total CFC phase-out, as appropriate.

Refrigerant management plans for non-LVC countries

6. Two proposals have been submitted to the 37th Meeting for RMPs for large-volume-consuming countries. One of the proposals requests long term funding commitments and payment in tranches with an undertaking to reduce consumption in the refrigeration-servicing sub-sector by 50 percent and 85 percent by 2005 and 2007, respectively. It should be noted that for a large-volume-consuming country with unfunded CFC consumption in other sectors or sub-sectors, this undertaking does not constitute a commitment to meet Montreal Protocol compliance deadlines. Additionally, it does not constitute a commitment to sustained permanent reductions in consumption.

7. The Secretariat has expressed concerns on previous occasions about the appropriateness and efficacy of RMPs for large-volume-consuming countries. These concerns may be addressed through the development of sector plans for the whole refrigeration sector as mentioned in paragraph 5 above. Decision 31/48(c) on RMP guidelines also refers to funding for the development of long term strategies for the refrigeration sector (not the servicing sub-sector). Where separate RMPs continue to be developed for the refrigeration servicing sub-sector in non-LVCCs, the Sub-Committee on Project Review might agree that, since partial phase-out cannot be determined accurately unless use of CFCs for manufacturing has been completely phased-out, the use of performance based agreements with interim steps is not appropriate. In these circumstances, an appropriate undertaking for the RMP would be complete phase-out, as would be the case if it were part of a national CFC phase-out plan or a sector plan

Projects with implementation times resulting in non-compliance

8. Two sector plans have been submitted to the 37th Meeting containing proposed implementation times and reductions in consumption that would not meet the relevant Montreal Protocol compliance targets. The first is a project to phase out the use of methyl bromide in grain storage in Egypt. This proposal has a four year implementation period and would not reduce MB consumption to Egypt's 20 percent reduction required in 2005 or to the baseline freeze level required in 2002. The second proposal is for phase-out in the process agent sector in China. Under the implementation programme proposed, while consumption of carbon tetrachloride would be phased out in 2010 as required, the 85 percent reduction of the 1998-2000 compliance baseline would also not be reached until 2010, five years later than required. The Executive Committee might consider whether or under what circumstances it might wish to provide funding for projects and activities that do not meet Montreal Protocol compliance targets.

Reductions in consumption in the chiller sub-sector

9. The last guidance provided by the Executive Committee in relation to consideration of projects to reduce consumption in chillers was provided by the Executive Committee at its 12th Meeting. This guidance included noting that because of the significantly greater efficiency of modern chillers, chiller replacement programmes frequently generated savings that covered

most or all of the cost in a few years. The guidance indicated that for this reason, chiller retrofits should not be given priority. However, because of the savings, incremental costs eligible for chiller replacement are likely to be very low. For this reason, little emphasis has been given to chillers in Fund projects. Two projects using loan mechanisms have been approved recently, for Thailand (26th Meeting) and Mexico (28th Meeting). One additional chiller project for Côte D'Ivoire has been submitted to the 37th Meeting as bilateral co-operation by the Government of France at a cost of US \$1 million as a part of a proposed US \$16 million project on energy efficiency. Because of the absence of guidelines, the Secretariat has not made a recommendation on the project. The Sub-Committee on Project Review might wish to request the Secretariat to re-examine the chiller sub-sector and report to a future meeting on a possible update of policy guidance, taking into account any views expressed by the Executive Committee at the 37th Meeting.

Transfer of institutional strengthening project

10. The Government of Mexico has advised the Secretariat that for the future it wishes to use UNIDO to deliver its institutional strengthening project. The project, nearing the end of its 5th renewal, is currently being implemented by UNDP. A proposal for a 6th renewal of the project has been submitted by UNIDO as part of the requested amendment to its 2002 work programme. This will be addressed in Agenda Item 7. The Sub-Committee might recommend that the Executive Committee note the transfer from UNDP to UNIDO of the balance remaining unspent from the current project.

China solvent sector plan

11. At the 36th Meeting in Decision 36/50, the Executive Committee approved US \$6,963,000 for the 2002 implementation programme of the solvent sector phase out plan for China. The programme was approved on the condition that no disbursement would occur until after the required information on the use of carbon tetrachloride as a process agent had been provided. UNDP has provided the Secretariat with a further progress report. However China has not at this stage been able to provide the data required by Decision 36/50. No disbursement has taken place. This advice is provided for the information of the Executive Committee.

Projects with data discrepancies: implementation of Decision 34/18

12. In the course of reviewing proposals for investment projects submitted to the 37th Meeting, it was found that data discrepancies between the consumption remaining to be addressed in the relevant sector or sub-sector and the consumption to be phased out in the project, existed in 24 projects from three countries, India, Iran and Pakistan.

13. As required in sub-paragraph (b) of Decision 34/18, relevant details of these projects are listed for the information of the Executive Committee in a table in Annex I to this document. As required by sub-paragraph (a) of the decision, the projects have not been submitted to the meeting.

Annex I

List of projects with data discrepancies

1. In accordance with Decision 34/18, the following projects were received by the Secretariat, but were found to have discrepancies between the consumption planned to be phased out in the projects and the sectoral consumption remaining to be addressed. Consumption was assessed on the basis of consumption figures reported to the Fund and Ozone Secretariats by the countries concerned and consumption quoted in projects approved by the Executive Committee. The projects have not been included in the submission to the 37th Meeting. Consumption details for each project, as requested in Decision 34/18, are included in Table 1 below.

Table 1

Country and Project	Sector/Sub-sector	Total reported sector/sub-sector consumption ODP tonnes	Sector/sub-sector consumption remaining to be addressed ODP tonnes	Project consumption ODP tonnes	Date production capacity established	Project cost as submitted (inc. support costs) US \$
India						
Bharat Electronics Limited, Bangalore	Solvents/CFC-113	0	-21.8	16	1986	179,660
Iran						
Nine projects submitted in the domestic and commercial refrigeration sub-sectors by UNDP	Total refrigeration sector consumption	1,920 (Total 1999 refrigeration sector consumption reported in May 2001)	502.95	958	Prior to 1995	1,896,146
Two group projects submitted in the domestic and commercial refrigeration sub-sectors by UNIDO					Prior to 1995	1,444,874
One RMP comprising 3 sub-projects submitted by UNIDO					N/A	6,734,912
Pakistan						
One RMP comprising 4 sub-projects submitted by UNIDO	Total Annex A Group I consumption	1,422 (1999 starting point figure) 1,942 (2000 figure)	251 (starting point option 2) 487 (starting point option 1)	859.3	N/A	3,312,805
Four projects in the foam sector submitted by the World Bank					Prior to 1995	961,543
PEL Appliances limited	Solvents/TCA	2.5 (25 metric tonnes)	2.5 (25 metric tonnes)	8.8 (88 metric tonnes)	Prior to 1995	228,098

Notes: Negative values indicate excess consumption in uncompleted projects over the sector consumption.
