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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

PROJECT PROPOSAL: ZIMBABWE

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

Fumigant:

- Phase-out of methyl bromide in the tobacco sector

France

**PROJECT EVALUATION SHEET
ZIMBABWE**

SECTOR: Fumigant ODS use in sector (2001): 544.2 ODP tonnes

Sub-sector cost-effectiveness thresholds: n/a

Project Titles:

(a) Phase-out of methyl bromide in the tobacco sector

Project Data	Methyl bromide
Enterprise consumption (ODP tonnes)	382.00
Project impact (ODP tonnes)	382.00
Project duration (months)	72
Initial amount requested (US \$)	13,205,035
Final project cost (US \$):	
Incremental capital cost (a)	19,083,651
Contingency cost (b)	1,908,365
Incremental operating cost (c)	-12,931,266
Total project cost (a+b+c)	8,060,750
Local ownership (%)	100%
Export component (%)	0%
Amount requested (US \$)	8,060,750
Cost effectiveness (US \$/kg.)	21.10
Counterpart funding confirmed?	Yes
National coordinating agency	Ministry of the Environment and Tourism
Implementing agency	France

Secretariat's Recommendations	
Amount recommended (US \$)	
Project impact (ODP tonnes)	
Cost effectiveness (US \$/kg)	
Implementing agency support cost (US \$)	
Total cost to Multilateral Fund (US \$)	

PROJECT DESCRIPTION

1. The Government of France is submitting a project to phase out 382 ODP tonnes of MB used in the fumigation of 1,156 ha of traditional tobacco seedbeds in Zimbabwe. The project was prepared by UNIDO.
2. Almost 95 per cent of tobacco products are exported. However, tobacco is not exported by farmers who rely on their own financial resources to produce tobacco; they sell their crop in the tobacco auction market where it is purchased by companies, middlemen and local manufacturers.
3. The alternative technology to replace MB in the production of tobacco seedlings is the floating tray system installed in micro-tunnels. The selection of this technology is based on the results of a demonstration project (approved at the 23rd Meeting of the Executive Committee at a cost of US \$370,700 and implemented by UNIDO).
4. The total capital costs of the project have been estimated at US \$23.6 million including technology transfer and training; the operating savings have been estimated at US \$10.41 million. The amount requested by the Government of Zimbabwe from the Multilateral Fund is US \$13.2 million. The cost effectiveness of the project is US \$34.56/kg.
5. The project will be implemented by UNIDO, under national co-ordination by the Ozone Office, in close co-operation with the Zimbabwe Tobacco Association (ZTA) and the Tobacco Research Board. The estimated time for the implementation of the project is 6 years.
6. ZTA has agreed to cover the distribution costs from the central warehouse to each farmer (estimated at US \$1 million). While the estimated operational savings associated with the floating tray systems (US \$10.41 million) will be realised after 4 years of production with the new technology, the total capital cost (US \$23.6 million) is needed when implementation of the project commences. In this regard, ZTA in co-operation with its members agreed to advance the US \$10.4 million to purchase all the equipment needed for the new technology (ZTA has proposed that the project, instead of purchasing a limited amount of all items necessary to make complete micro-tunnels sets, purchases the full amount of some components).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

7. Implementation of this project will lead to the phase out of 382 ODP tonnes of MB representing all controlled uses of MB, except for 23 ODP tonnes used in grain storage.
8. The project proposal indicates that in 2000 and 2001, the surface area covered with flue-cured Virginia tobacco was 83,460 ha and 81,607 ha, respectively. The Secretariat noted, however, that according to a report issued in March 2002 by ZTA, in 2000-2001 the tobacco production covered a surface area of 75,648 ha and in 2001-2002 a surface area of 68,000 ha. In this regard, the Secretariat was informed that about 80 per cent of the farmers are members of

one of the following farmers associations: (ZTA), the Indigenous Commercial Farmers Union (ICFU), the Zimbabwe Farmers Union (ZFU) and the Air-cured Tobacco Association (ACTA). ZTA is the most important and represents about 57 per cent of the total growers in the country. Therefore, UNIDO obtained data from all farmers associations and cross-checked with the MB consumption data reported by the Government of Zimbabwe and the estimation of the Tobacco Research Board. Furthermore, at the time when the project was prepared, the 2001-2002 figures were only estimated.

9. The Secretariat noted that the project was calculated on the basis of trays with 200 cells. If trays with 244 cells were used, the total area required for the installation of the micro-tunnels could be reduced by about 18 per cent. The Secretariat pointed out that based on research conducted in the tobacco production region in the United States, stem diameters and plant size of 200- and 244-cell transplants were very similar (there were no differences in plant stand, early-season growth, or yield of plants from any of the float trays evaluated). UNIDO informed the Secretariat that under the climatic conditions in the country during the transplanting period, the trays with 200 cells are needed for the development of plants with a strong root system and a sizeable amount of substrate adhered to the roots to resist the drought period. Subsequently, UNIDO calculated the capital cost of the project on the basis of 244 cell trays, which amounts to US \$8,060,750. This cost covers the equipment, training and technical assistance requirements for achieving the phase out of 382 ODP tonnes of MB. This cost has taken into consideration operating savings estimated at US \$10.41 million.

10. UNIDO assisted the Government of Zimbabwe in drafting a proposal for a revised agreement between the Government and the Executive Committee with the commitments proposed and action plan for the phase out of MB in the tobacco sector in Zimbabwe, taking into account the current agreement covering the phase out of MB in cut flowers, approved at the 31st Meeting of the Executive Committee. The draft agreement is attached to this document as Annex I.

RECOMMENDATION

11. The Executive Committee may wish to consider the project proposal on the basis of the above comments.

Annex I

AGREED CONDITIONS FOR PHASE-OUT OF METHYL BROMIDE IN ZIMBABWE

(DRAFT)

1. The Executive Committee:

- (a) at its 31st Meeting, approved US \$904,200 as the total funds that will be available to Zimbabwe to achieve the complete phase out of methyl bromide used in cut flowers (132 ODP tonnes);
- (b) at its 37th Meeting, approved in principle US \$8,060,750 as the total funds that will be available to Zimbabwe to achieve the complete phase out of methyl bromide used in tobacco seedbeds (additional 382 ODP tonnes).

2. As reported to the Ozone Secretariat, the methyl bromide baseline for compliance for Zimbabwe is 557 ODP tonnes; the 2001 methyl bromide consumption was 544 ODP tonnes. Accordingly, Zimbabwe has achieved compliance with the Montreal Protocol's 2002 freeze obligation and must reduce by at least 98.4 ODP tonnes to achieve compliance with the Protocol's 20 per cent reduction in 2005.

3. Through the implementation of the above investment projects, the Government of Zimbabwe commits to a permanent national reduction in aggregate consumption of controlled uses of methyl bromide to no more than the following levels:

Year	MB phased out per year (ODP tonnes)			Maximum remaining MB consumption excluding QPS applications (ODP tonnes) (*)
	Flowers (UNIDO)	Tobacco (France)	Total phased out per year	
2001				598
2002	41.0		41.0	557.0
2003	39.6		39.6	517.4
2004	102.0	76.4	178.4	339.0
2005	0.0	76.4	76.4	262.6
2006	0.0	76.4	76.4	186.2
2007	0.0	76.4	76.4	109.8
2008	0.0	76.4	76.4	33.4

(*) the remaining consumption is used for post-harvest fumigation maize.

4. The projects will phase out all remaining soil uses of methyl bromide in cut flowers and tobacco seedbeds in Zimbabwe, excluding quarantine and pre-shipment applications. Zimbabwe commits to permanently sustain the consumption levels indicated above through the use of import restrictions and other policies it may deem necessary.

5. Funding for the projects will be disbursed by the Government of France and UNIDO in line with the following yearly budget breakdown:

Year	Flowers (US \$)	Tobacco (US \$)	Total funding (US \$)
2001	298,320		298,320
2002	298,320	2,500,000	2,798,320
2003	307,560	0	307,560
2004	0	2,000,000	2,000,000
2005	0	1,000,000	1,000,000
2006	0	1,000,000	1,000,000
2007	0	1,000,000	1,000,000
2008	0	560,750	560,750

6. The Government of Zimbabwe has reviewed the consumption data identified in the tobacco project and is confident that it is correct. Accordingly, the Government is entering into this agreement with the Executive Committee on the understanding that, should additional methyl bromide consumption (in the cut flowers and tobacco seedbeds sectors) be identified at a later date, the responsibility to ensure its phase-out will lie solely with the Government. The remaining consumption of 33.4 ODP tonnes which figures in the reduction schedule listed above, is used for post-harvest fumigation of maize. This remaining consumption, if eligible, will be addressed through a separate, future phase-out project.

7. The Government of Zimbabwe, in agreement with the Government of France and UNIDO, will have the flexibility in organising and implementing the projects' components which it deems more important in order to meet methyl bromide phase-out commitments noted above. The Government of France and UNIDO agree to manage the funding for the project in a manner designed to ensure the achievement of the specific MB reductions agreed upon.

8. The Government of France and UNIDO shall report back annually to the Executive Committee on the progress achieved in meeting the methyl bromide reductions required in the cut flowers and tobacco seedbeds sectors, as well as on annual costs related to the use of the alternative technologies selected and the inputs purchased with the project funds.

9. These agreed conditions between the Government of Zimbabwe and the Executive Committee have taken into account the already approved methyl bromide phase-out projects in cut flowers. Subsequently, they supersede the conditions agreed at the 31st Meeting of the Executive Committee.
