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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty-fourth Meeting  
Prague, 29 November-3 December 2004

**Addendum**

**PROJECT PROPOSAL: PAKISTAN**

This document is issued to add the following project proposal after paragraph 12:

Solvent

- Sector phase-out plan for CTC (second tranche)

UNIDO

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS  
PAKISTAN**

**PROJECT TITLE****BILATERAL/IMPLEMENTING AGENCY**

(a) Sector phase-out plan for CTC (second tranche)	UNIDO
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**NATIONAL CO-ORDINATING AGENCY**

Ministry of Environment

**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT****A: ARTICLE-7 DATA (ODP tonnes, 2003 as of October 2004)**

Annex B Group II CTC	589		
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**B: COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes, 2003 as of October 2004)**

ODS Name	Sub-sector/quantity	Sub-sector/quantity	Sub-sector/quantity	Sub-sector/quantity.
CTC	Solvent 589			

**CFC consumption remaining eligible for funding (ODP tonnes)**

n/a

**CURRENT YEAR BUSINESS**

Funding US \$

Phase-out ODP tonnes

<b>PLAN ALLOCATIONS</b>	(a)	1,200,000	344.5
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	2003(*)	2004	2005	2006	2007	2008	2009	2010
Montreal Protocol limits	-	-	61.9	63.5	63.5	63.5	63.5	0
Max allowable consumption	650	<b>389.3</b>	61.9	42.0	32.0	15.0	0	0
Reduction from ongoing projects	-	<b>160.7</b>	0	0	0	0	0	0
New reduction under plan	-	<b>100.0</b>	326.5	20.5	10.0	17.0	15.00	0
Total annual reduction	-	<b>260.7</b>	326.5	20.5	10.0	17.0	15.00	0
Project funding (US\$)	1,200,000	<b>1,300,000</b>	245,665	0	0	0	0	0
Support costs (US \$)	90,000	<b>97,500</b>	18,424	0	0	0	0	0
Total funding (US \$)	1,290,000	<b>1,397,500</b>	264,089	0	0	-	-	-
Project cost effectiveness (US\$/kg)								7.97

Funding request: Approval of funding for the 2004 tranche as indicated above.

**SECRETARIAT'S RECOMMENDATION**

Blanket approval

## PROJECT DESCRIPTION

### Background

1. At its 41st Meeting, the Executive Committee approved in principle the sector phase-out plan for CTC for Pakistan (CTC Plan) at a total level of funding of US \$2,745,665 plus agency support costs of US \$205,924 for UNIDO for the phase out of 489 ODP tonnes of CTC by 2009. At the same Meeting, the Executive Committee allocated US \$1,200,000 for the first tranche of the CTC Plan.
2. On behalf of the Government of Pakistan, UNIDO has submitted for consideration by the Executive at its 44th Meeting a request for the second tranche of the CTC Plan at the amount of US \$1,300,000 excluding agency support costs.

### Progress report

3. The level of CTC consumption in Pakistan, as reported by the Government under Article 7, decreased by more than 47.8 ODP tonnes between 2002 (636.9 ODP tonnes) and 2003 (589.1 ODP tonnes). The CTC baseline for compliance is 412.9 ODP tonnes.
4. Implementation of the CTC Plan started in January 2004, with discussions between the Ozone Unit and UNIDO. The Government of Pakistan is working on the procedure to restrict imports of CTC and has undertaken the following actions:
  - (a) The Ministry of Environment has been actively pursuing with the Ministry of Commerce the introduction of import regulations for all ODS besides CFC which are already regulated. Subsequently, the Ministry of Commerce has issued a public notice through the daily newspapers, informing that ODS imports will be regulated through a licensing and quota system;
  - (b) Revision of the current tariff structure of chemicals, which has resulted in the reduction of the estimated and actual amounts of CTC imported into the country (i.e., from an estimated consumption of 650 ODP tonnes to a reported consumption of 589 ODP tonnes);
  - (c) It is expected that ODS import regulations will be in place by December 2004 to enforce a series of control measures with effect from 1 January 2005.
5. During the implementation of Phase I of the Sector Plan, identification and verification of the eligibility of industries using CTC was conducted so that conversion equipment would be provided only to those enterprises whose eligibility had been verified. As a result, 17 industries were identified and visited by the representatives of the Government of Pakistan and UNIDO. During the visits to the industries, technical and occupational safety issues (i.e., requirement of local utilities and proper handling of alternative solvents) were discussed with their personnel. Technical specifications of the equipment were prepared and competitive bidding organized (bids are currently being reviewed).

6. According to the CTC Plan, a total of 100 ODP tonnes of CTC should be phased out in 2004. This reduction is expected to be realized through the following activities which are under current implementation:

- (a) Direct investment (alternative cleaning equipment) and technical assistance has been provided to 14 eligible small industries according to the proviso of Decision 41/75(b) (i.e., UNIDO was requested to ensure equipment for conversion was provided only to small enterprises whose eligibility had been verified);
- (b) Technical assistance programmes and awareness workshops have been provided to several small companies which would not receive conversion equipment;
- (c) Regulatory measures by the Government of Pakistan promoting import of non-ODS solvents through revised tariff structure where incentives on lower customs duties on non-ODS solvent are indicated, and finalize the legislation to introduce import regulations through licensing and progressive quota system.

#### 2005 plan of action

7. The following activities to phase-out 327.4 ODP tonnes of CTC are being proposed:

- (a) Establishment of quotas to licensed ODS importers (to be enacted latest by January 2005) and enforcement of the licensing and quota system (January to September 2005);
- (b) Recruitment of local consultants to assist small and medium industries with installation and commissioning of conversion equipment, technology transfer and training; and also to assist with the verification of industries eligible for funding, at a cost of US \$99,722;
- (c) Direct assistance to 13 identified and verified users by providing a low-capacity closed-loop cleaning and degreasing equipment and ancillary equipment, technical assistance and training, at a total cost of US \$1,083,500 (i.e., US \$350 per enterprise); and
- (d) Procurement of equipment (a low-capacity closed-loop cleaning and degreasing equipment and ancillary equipment) for PEL Co. one of the largest CTC user industries in Pakistan with a total consumption of 46 ODP tonnes of CTC, technical assistance and training at a total cost of US \$116,732.

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

8. The Secretariat noted that the 2003 CTC consumption reported by the Government of Pakistan under Article 7 was 589 ODP tonnes. Therefore, about 200 ODP tonnes of CTCs would need to be phased-out to meet the 2004 consumption limit of 389.3 ODP tonnes specified in the Agreement. The Secretariat also noted that:

- (a) No CTC investment projects were completed in 2003 to contribute to reduced consumption in 2004;
- (b) The investment projects proposed for completion in 2004 will contribute a total of 90 ODP tonnes of CTC only to the 2005 reductions, and
- (c) The Himont process agent project with a CTC consumption of 80 ODP tonnes and the Riaz solvent project with a CTC consumption of 10 ODP tonnes (two enterprises included in the CTC Plan) will contribute to reductions only in 2005 (as per the project data in the Agreement).

9. Based on the above observations, the Secretariat sought a further explanation by UNIDO on measures that are in place or being established to achieve the total reduction of 200 ODP tonnes and whether Pakistan is on target to meet this limit.

10. UNIDO indicated that only 90 ODP tonnes of CTC would be achieved from on-going investment projects compared to 160.7 ODP tonnes as originally planned. 109.7 ODP tonnes of CTC would be reduced by the activities proposed under the CTC Plan for 2004 (i.e., provision of equipment and technical assistance to 14 eligible industries; technical assistance programmes to companies which would not receive equipment; and regulatory measures by the Government). The total reductions in 2004 were therefore expected to be 199.7 ODP tonnes, which would reduce the reported 2003 consumption of 589 ODP tonnes to 389.3 ODP tonnes and meet the 2004 target.

11. Upon a request by the Secretariat on what actions are planned in relation to the 900 enterprises using CTC that were identified in the CTC Plan, and to achieve successful enforcement of the licensing and quota system, UNIDO indicated that assistance to these industries will be provided through public awareness and technical assistance workshops. In 2004, 570 identified industries in the sector were invited to the technical information and public awareness workshop carried out in September 2004. Another 330 companies will be invited for further workshops.

12. The Secretariat pointed out that verification of the 2004 consumption will be needed when the next report is presented in late 2005. The final tranche for 2006 would not be able to be approved without a satisfactory verification report. Therefore, the Secretariat advised UNIDO that the 2005 annual implementation programme should contain an outline of how the verification measures are to be undertaken and by whom. Subsequently, UNIDO indicated that consumption verification requirements have been included in the proposal and re-allocation of

funds to cover the cost of auditing and consumption verification has been indicated in 2005 annual budget.

13. The 2005 annual implementation plan follows the required format. As indicated in the Agreement between the Government of Pakistan and the Executive Committee, Pakistan “may use the funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the funding must, however, be documented in advance in the country’s annual implementation programme”. In this regard, UNIDO documented in its submission of the 2005 work plan the investment and non-investment activities proposed for implementation in 2005. Of the total funding requested for 2005, about US \$1.2 million would be used for installation of alternative cleaning processes in 14 eligible enterprises. The remaining funding of US \$100,000 would be used to provide technical assistance and awareness to the 900 small enterprises in Indonesia that would not receive conversion equipment.

14. UNIDO also indicated that CTC phase-out will be effected through import control. In this regard, the Government of Pakistan has already organized specialized training for custom officers jointly with UNIDO in the framework of the RMP project under current implementation (the training provided included all ODSs, thus the enforcement of license and quota system will be ensured through identification, strict control and record keeping of imported chemicals according to established codes).

### RECOMMENDATION

15. The Fund Secretariat recommends blanket approval of the second tranche of the sector phase-out plan of CTC for Pakistan at the level of funding indicated in the table below:

	<b>Project Title</b>	<b>Project Funding (US\$)</b>	<b>Support Cost (US\$)</b>	<b>Implementing Agency</b>
(a)	Sector phase-out plan of CTC (second tranche)	1,300,000	97,500	UNIDO

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