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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

PROJECT PROPOSAL: PANAMA

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

Phase out

- National phase-out plan for Annex A (Group I) substances (first tranche) UNDP and UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
COUNTRY: PANAMA

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National Phase Out Plan for Annex A (Group I) substances

UNDP / UNEP

SUB-PROJECT TITLES

- (a) Incentive Program for Retrofitting of Fishing Boat Refrigeration Systems
 (b) Complement of the Custom Officers Training Program and Enhancement of National Capacity to Monitor Trade and Prevent Illegal Trade of CFCs
 (c) Technical Assistance for Refrigeration and Air Conditioning Workshops and Technicians – Recovery Equipment, and Tools
 (d) Technical Assistance for Implementation and Monitoring of the National CFC Phase Out Plan

UNDP
 UNEP
 UNDP
 UNDP

NATIONAL CO-ORDINATING AGENCY:

Ozone Technical Unit - Ministry of Health

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2003, AS OF SEPTEMBER 30 2003)**

CFC 11	15.87	R502 (CFC115 and HCFC 22)	1.41
CFC 12	151.14		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2003, AS OF 1ST MAY 2004)

ODS	Ref.	ODS	Ref.
CFC 11	15.87	R502(CFC115+HCFC 22)	1.04
CFC 12	151.14		

CFC consumption remaining eligible for funding (ODP tonnes)

299.20

CURRENT YEAR BUSINESS PLAN: Total funding US \$1.1 million: total phase-out 161.00 ODP tonnes

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
CFC (ODP tonnes)	Montreal Protocol limits	384.20	192.10	192.10	57.63	57.63	57.63	0.00	941.29
	Annual consumption limit	168.42	131.97	65.98	37.22	18.61	0.00	0.00	422.20
	Annual phase-out from ongoing projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Annual phase-out newly addressed	0.00	36.45	65.99	28.76	18.61	18.61	0.00	168.42
	Annual unfunded phase-out								
TOTAL ODS CONSUMPTION TO BE PHASED OUT		0.00	36.45	65.99	28.76	18.61	18.61	0.00	168.42
Total ODS consumption to be phased-in (HCFCs)									
Project cost as originally submitted (US \$)		354,600	267,600	219,600	193,600	80,600			1,116,000
Final Project costs (US \$):									
Funding for lead agency UNDP		250,152	238,000	200,000	184,000	71,000	0	0	943,152
Funding for UNEP		25,000	15,000	10,000	0	0	0	0	50,000
Total project funding		275,152	253,000	210,000	184,000	71,000	0	0	993,152
Final Support costs (US \$)									
Support cost for lead agency UNDP		18,762	17,850	15,000	13,800	5,325	0	0	70,737
Support cost for UNEP		3,250	1,950	1,300	0	0	0	0	6,500
Total support costs		22,012	19,800	16,300	13,800	5,325	0	0	77,237
TOTAL COST TO MULTILATERAL FUND (US \$)		297,164	272,800	226,300	197,800	76,325	0	0	1,070,389
Final project cost effectiveness (US \$/kg)									5.89

FUNDING REQUEST: Approval in principle of total ODS phase-out, total project funding and total support costs, and approval of funding for first tranche (2004) as indicated above.

**SECRETARIAT'S
RECOMMENDATION**

For individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Panama, UNDP has submitted to the 44th Meeting of the Executive Committee a "National Phase Out Plan for Annex A (Group I) Substances for Panama (NPP)". The NPP will lead to the early final phase-out of CFCs in the country by the year 2009 and will assist the Government of Panama to meet its 2007 compliance targets for CFC consumption.

Background Information

2. Panama's reported consumption of Annex A controlled substances for the year 2003 was 168.5 ODP tonnes of CFC, a figure already well below the 2005 compliance obligation of 192.1 ODP tonnes (50% of the baseline consumption level of 384.2 ODP tonnes). CFC consumption is distributed between several segments of the refrigeration sector. There is no CFC consumption in manufacturing sectors in Panama after the conversion of four enterprises to CFC free technologies, three of them with support of the Multilateral Fund.

3. So far, the Executive Committee has approved US \$494,296 for Panama for conversion to non CFC-foam blowing, as well as two recovery and recycling projects totalling US \$363,592 and several components of a RMP for US \$239,200 plus US \$30,000 for its preparation. The Secretariat took into account these projects while reviewing the activities proposed in the national phase-out plan.

4. Panama acceded to the Vienna Convention and the Montreal Protocol on January 3, 1989, and ratified the London and Copenhagen Amendments in 1993, and 1996, respectively. The Montreal Amendment was ratified in 1998, and the Beijing Amendment in 2001.

5. The Country Programme for the Phase out of ODS (CP) in Panama was approved by the Executive Committee of the Multilateral Fund at its 11th Meeting in December 1993. The Refrigerant Management Plan for Panama was approved at the 29th Meeting in 1999.

6. Panama does not manufacture CFCs and in this way the imports correspond to the total consumption in the country. No re-export has been reported. A decree of November 1998 established the schedule for the reduction of ODS import and the certification of refrigeration and air conditioning mechanics. Regarding the CFC import, the decree also established an early reduction schedule with complete elimination of imports in 2009. A resolution in 2000 established a quota system for CFC import.

Eligibility

7. Panama is a non-LVC. Its remaining eligible CFC consumption is 299.2 ODP tonnes. Panama received funding for a Refrigerant Management Plan at the 29th Meeting; the decision of the Executive Committee - RMPs should achieve, without further requests for funding, at least the 85% reduction step in 2007 - is only valid for RMPs approved after the 31st Meeting.

8. Panama's latest reported consumption for 2003 is 168.50 ODP tonnes. Panama has asked for funding to achieve full phase out starting at this level of consumption; the determination of incremental costs is based exclusively on the latest consumption figures.

9. Based on the above considerations, Panama is fully eligible to receive support for the phase-out of its remaining CFC consumption. Panama accepts and understands that, with the approval of this phase-out plan, there will be no further eligibility for CFC phase-out activities in the country.

Content

10. The only CFC consumption remaining in Panama is related to servicing of refrigeration equipment. The NPP provides a detailed description of the characteristics of the refrigeration servicing sector, and the remaining consumption in various sub-sectors including a sub-sector break-down by province and type of equipment. The level of detail and consistency of information in the project proposal provided further confidence to the Secretariat in the thoroughness of the proposal.

11. The NPP for Panama consists of three main operational components:

- (a) Incentive Program for Retrofitting of Fishing Boat Refrigeration Systems
- (b) Technical assistance for the Prevention of Illegal CFC Trade
- (c) Technical Assistance for Refrigeration and Air Conditioning Workshops and Technicians – Recovery Equipment, and Tools

12. An additional component “Technical Assistance for Implementation and Monitoring of the National CFC Phase-out Plan” is meant to cover the management efforts of the implementation.

13. The components complement and extend activities started under the previously approved RMP. UNDP is the lead agency implementing the majority of the NPP, while UNEP is responsible exclusively for the technical assistance for the prevention of illegal CFC trade.

14. Intensive discussions between the Secretariat and the Implementing Agencies have led to some adjustments in the planned activities, in terms of funding, schedule and content. Key aspects of the NPP are pointed out below:

- (a) Refrigeration systems on fishing boats represent the single most prominent source of CFC consumption in the country, concentrated on a limited number of users,

with a share of 24% of the CFC consumption. A specific component targeting these users and trying to facilitate the conversion of their equipment seemed to be a meaningful way forward.

- (b) Taking into account the very unusual situation of Panama with an international zone separating the country into two parts, a component for the prevention of illegal CFC trade was agreed despite the fact that the earlier RMP had already a customs training project. The project focuses largely on the placement of a dedicated customs officer in the customs department. This officer acts as official link with between the NOU and the Customs higher authorities. It is intended that he/she will play a role in advising on related legislation adjustments, and in evaluating current procedures and developing revised procedures and guidelines for follow-up of illegal activities, while at the same time working as the official repository and disseminator of information concerning CFC trade and carrying out program training activities. For Panama, as a country with very long trade- and traffic-intensive borders, this is proposed as a sustainable way of supporting legal CFC import and trade control measures.
- (c) The third component project will focus on technical assistance to refrigeration and air conditioning technicians/shops through the provision of CFC recovery equipment and a set of necessary tools for the improved management of CFC refrigerant, and the handling of CFC alternative refrigerants. Technicians eligible to receive this assistance from the project will have to be previously trained by the training and certification program. The project will benefited 150 technician shops.

Performance targets and disbursement schedule

15. All previous CFC phase-out projects in Panama have been completed, thus there is no remaining phase-out from ongoing projects.

16. The performance targets are well in advance of the Montreal Protocol's reduction schedule. They are closely related to the pre-established national import quotas but provide some leeway to avoid minor difficulties in the management of import licenses leading to non-compliance with the agreement. Panama proposes performance targets which amount to a 55% reduction in aggregated consumption as compared to the Montreal Protocol reduction schedule.

Draft agreement and implementation programme

17. The draft agreement and the first annual implementation programme have been discussed and agreed upon. The draft agreement is annexed to this document.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

18. Panama is a model for early and appropriate action. There has been no Halon consumption since 1993. Methyl bromide was phased out in 1995. Panama has ratified or acceded very quickly to the Montreal Protocol and its amendments, has adopted very early specific phase-out targets, and has formulated and enforced the related legislation successfully.

19. The Secretariat noted with appreciation that the recovery and recycling equipment provided in two previous projects has been successfully used and is largely still operating, although the results in terms of CFC recycled were lower than previously assumed.

20. The Secretariat, the implementing agencies and the country have agreed a disbursement schedule reflecting the need of the country to receive continuous and substantive support until 2009.

21. The results described in the preceding paragraphs were achieved following extensive discussion and interaction between the Secretariat, UNDP, UNEP and the Government of Panama. Open policy and eligibility issues have been resolved.

RECOMMENDATION

22. Based on above comments of the Fund Secretariat, the Executive Committee might wish to consider approving the National phase-out plan for Annex A (Group I) substances, the associated "Agreement between Panama and the Executive Committee of the Multilateral Fund for the Phase-out of Annex A Group I Ozone Depleting Substances" and the first tranche of the plan at the funding levels shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	National phase-out plan for Annex A (Group I) substances (first tranche)	250,152	18,762	UNDP
(b)	National phase-out plan for Annex A (Group I) substances (first tranche)	25,000	3,250	UNEP

Annex I

**DRAFT AGREEMENT BETWEEN PANAMA AND THE EXECUTIVE COMMITTEE
OF THE MULTILATERAL FUND FOR THE PHASE-OUT OF ANNEX A GROUP I
OZONE-DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of the Republic of Panama (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances set out in Appendix 1-A (The “Substances”) prior to 2010, compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out targets set out in Appendix 2-A (“The Targets, and Funding”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. Subject to compliance with the following paragraphs by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 10 of Appendix 2-A (“The Targets, and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of the Target has been independently verified as described in paragraph 9; and
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (“Format for Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (“Monitoring and Institutions Roles”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country 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, endorsed by the Executive Committee as described in sub-paragraph 5(d) and be subject to independent verification as described in paragraph 9.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing subsector:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The recovery and recycling programme for the refrigeration-servicing sector will be implemented in stages so that remaining resources can be diverted to other phase-out activities, such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNDP (the “Lead IA”) has agreed to be the lead implementing agency and UNEP (“Cooperating IA”) has agreed to be co-operating Implementing Agency under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A, including but not limited to independent verification. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Co-operating IAs will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Co-operating IA with the fees set out in rows 7 and 9 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 1-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. In the discretion of the Executive Committee, Funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under the Funding Approval Schedule. The

Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7- A in respect of each ODP tonne of the amount exceeding the Maximum Allowable Total Consumption of CFCs limit (Appendix 2-A) in any one year.

11. The Funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the Funding of any other consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA and the Co-operating IA to facilitate implementation of this Agreement. In particular, it will provide access to the Lead IA and the Co-operating IA to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

APPENDIX 1-A THE SUBSTANCES

1. The ozone-depleting substances to be phased out under the Agreement are as follows.

Annex A:	Group I	CFC-11, CFC-12, CFC-113 CFC 114 and CFC-115

APPENDIX 2-A - THE TARGETS AND FUNDING

	2004	2005	2006	2007	2008	2009
Montreal Protocol Reduction Schedules	384.20	192.10	192.10	57.63	57.63	57.63
1. Max allowable total consumption of Annex A Group I substances (ODP tonnes)	168.42	131.97	65.98	37.22	18.61	0.00
2. Reduction from ongoing projects (ODP tonnes)	0.00	0.00	0.00	0.00	0.00	0.00
3. New reduction under plan (ODP tonnes)	0.00	36.45	65.99	28.76	18.61	18.61
4. Unfunded reductions (ODP tonnes)	0.00	0.00	0.00	0.00	0.00	0.00
5. Total annual reduction of Annex A Group I substances (ODP tonnes)	0.00	36.45	65.99	28.76	18.61	18.61
6. Lead I.A. agreed funding (US\$)	250,152	238,000	200,000	184,000	71,000	0
7. Lead I.A. support costs (US\$)	18,762	17,850	15,000	13,800	5,325	0
8. Co-operating I.A. agreed funding (US\$)	25,000	15,000	10,000	0	0	0
9. Co-operating I.A. support costs (US\$)	3,250	1,950	1,300	0	0	0
10. Total agreed funding (US \$)	275,152	253,000	210,000	184,000	71,000	0
11. Total agency support costs (US \$)	22,012	19,800	16,300	13,800	5,325	0
12. Total grant for tranche (US\$)	297,164	272,800	226,300	197,800	76,325	0

APPENDIX 3-A FUNDING APPROVAL SCHEDULE

1. Funding other than the payments in year 2004, will be considered for approval at the last meeting of the year prior to the year of the annual plan.

APPENDIX 4-A FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES

This format is proposed for use by the Article 5 country to prepare the annual implementation programme for the implementation of performance-based ODS phase-out plans; however, it should be modified to suit the specific needs of each plan.

1. Data

Country _____

Year of plan _____

of years completed _____

of years remaining under the plan _____

Target ODS consumption of the preceding year _____

Target ODS consumption of the year of plan _____

Level of funding requested _____

Lead implementing agency _____

Co-operating agency(ies) _____

2. Targets

Target:				
Indicators		Preceding Year	Year of Plan	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. **Industry Action**

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-Out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
GRAND TOTAL						

4. **Technical Assistance**

Proposed Activity: _____

Objective: _____

Target Group: _____

Impact: _____

5. **Government Action**

Policy/Activity Planned	Schedule of Implementation
Type of Policy Control on ODS Import: servicing, etc	
Public Awareness	
Others	

6. **Annual Budget**

Activity	Planned Expenditures (US \$)
TOTAL	

7. **Administrative Fees**

APPENDIX 5-A MONITORING INSTITUTIONS AND ROLES

1. All the monitoring activities will be coordinated and managed through the project "Technical Assistance for Implementation and monitoring", which is included within this National Phase Out Plan. The actual monitoring activities will be delegated to Ozone Unit of the Ministry of Health, and they will be developed by a personnel hired for this purpose.

2. The success of the monitoring programme will be based on three axes: 1) Well designed forms for data collection, evaluation and reporting, 2) Regular programme of monitoring visits, and 3) Appropriate cross-checking of information from different sources.

Verification and Reporting

3. The outcome of the different elements of the National Phase Out Plan and of the monitoring activities will be verified independently by an external organization. The Government and the independent organization will jointly design the verification procedures as part of the design phase of the monitoring programme.

Institution for conducting the verification:

4. The Government of Panama wishes to designate UNDP, with the support of UNEP, as the organizations to carry out the verification of the National Phase Out Plan results and the monitoring programme.

Frequency of verification and reporting:

5. The monitoring reports will be produced and verified each year, previous to the first meeting of the Executive Committee. These reports will produce the input for the yearly implementation reports required by the Executive Committee.

APPENDIX 6-A -ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities specified in the project document as follows:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;

- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
- (e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing an Annual Implementation Programme for the year for submission to the Executive Committee;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Target;
- (j) Ensuring that disbursements are made to the Country in a timely and effective manner; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 6-B ROLE OF THE CO-OPERATING IMPLEMENTING AGENCY

1. The United Nations Environmental Program – UNEP, Division of Technology, Industry and Economics as co- implementing agency, will be:

- (a) Assisting the Country in the implementation and verification of the activities to be undertaken by UNDP as funded in rows 6 and 8 of Appendix 2-A and as specified in the project document;
- (b) Ensuring that disbursements are made to the Country in a timely and effective manner;
- (c) Reporting to the Lead IA on these activities and
- (d) Providing assistance relating to the activities being undertaken when required.

APPENDIX 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$11,780 per ODP tonne of reductions in consumption not achieved in the year.
