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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: TURKEY

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

Phase out

- Total phase out of CFCs plan: 2005 annual programme World Bank

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
COUNTRY: TURKEY**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

Total phase out of CFCs plan: 2005 annual programme

World Bank

NATIONAL CO-ORDINATING AGENCY:

MoEF & TTGV

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2003 DATA , AS OF AUGUST 31, 2004)**

CFC-11	135	R-502	0
CFC-12	323		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2003 DATA, AS OF JULY 14, 2004)

ODS	Foam	Ref.	Aerosol				
CFC-11	0	121	0				
CFC-12		318					
CFC-114		2					

CFC consumption remaining eligible for funding (ODP tonnes)

316 MT

CURRENT YEAR BUSINESS PLAN: Total funding: US \$1 million; total phase-out: 375 ODP tonnes

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total*
CFC (ODP tonnes)	Montreal Protocol limits (Annex A-1)	3,805.7	1,903	1,903	571	571	571	0	
	Annual consumption limit	316	150	0	0	0	0	0	
	Annual phase-out from ongoing projects	0	0	0	0	0	0	0	
	Annual phase-out newly addressed	166	150	0	0	0	0	0	
	Annual unfunded phase-out	0	0	0	0	0	0	0	
TOTAL ODS CONSUMPTION TO BE PHASED OUT		166	150	0	0	0	0	0	
Total ODS consumption to be phased-in (HCFCs)		N/A							
Final Project costs (US \$):									
Funding for lead agency – World Bank		750,000	750,000	500,000	0	0	0	0	9,000,000
Total project funding		750,000							
Final Support costs (US \$)									
Support cost for lead agency - World Bank		45,000	30,000	30,000	30,000	30,000	25,000		810,000
Total support costs		45,000							810,000
TOTAL COST TO MULTILATERAL FUND (US \$M)		795,000							9,810,000
Final Project cost effectiveness (US \$/kg)									US \$9.2/kg ODP

*Total accumulated phase-out is 977 ODP tonnes. Total MLF funding for sector plan is US \$9,000,000

FUNDING REQUEST: Approval of funding for fourth tranche (2004) as indicated above.

**SECRETARIAT'S
RECOMMENDATION**

For blanket approval

PROJECT DESCRIPTION

1. The World Bank has submitted for consideration by the Executive Committee a progress report on the implementation of the National Plan for Total Phase-out of CFCs in Turkey for the period from December 2003 through August 2004, as well as on the 2005 annual implementation programme combined with a request for release of the fourth tranche of US \$750,000.
2. The Agreement on phase-out of CFCs in Turkey was approved at the 35th Meeting of the Executive Committee in December 2001 at a total cost of US \$9.0 million. Under the National CFC Phase-out Plan, the following control targets have been agreed between the Executive Committee and the Government of Turkey.

National Control Targets of Turkey for CFC-11, CFC-12 and CFC-115 consumption in ODP tonnes

	1999 Baseline	2001	2002	2003	2004	2005	2006	2007	2008	2009
Maximum allowable CFC-12 consumption (ODP tonnes)	736	700	650	334	166	100	0	0	0	0
Maximum allowable CFC-11 consumption (ODP tonnes)	1,049	300	250	200	150	50	0	0	0	0
Maximum allowable CFC-115 consumption (ODP tonnes)	9	9	9	0	0	0	0	0	0	0
Max allowable total ODP (ODP tonnes)		977	909	534	316	150	0	0	0	0
Total agreed funding (US \$ million)		3.5	2.5	1	0.75	0.75	0.5	0	0	0
Agency support costs (US \$ million)		0.295	0.175	0.150	0.045	0.03	0.03	0.03	0.03	0.025

3. Also at the 35th Meeting, the Executive Committee approved a disbursement of US \$3.5 million and agency support costs of US \$295,000 for the implementation of the 2002 annual programme covering activities undertaken in 2002. At the 38th Meeting in November 2002, the Executive Committee approved the 2003 annual implementation programme at the level of US \$2,500,000 and agency support costs of US \$175,000. In 2003, the Executive Committee, at its 41st Meeting, approved the next tranche of US \$1.0 million and US \$150,000 support costs for the World Bank.

4. The 2004 progress report describes the implementation status of the following key components:

Review and strengthening of existing phase-out policies and regulations

5. According to the National CFC Phase-out Plan, CFC consumption will be zero in 2006 in Turkey. Under the terms of the Montreal Protocol, Article 5 countries are permitted to continue production of CFCs until 2010. To address possible future illegal trade in ODS, the Ministry of Environment of Turkey is planning to discuss with neighbouring countries identification codes for bulk CFCs and labelling systems for ODS-containing equipment. The Ministry also plans to cooperate with customs, the security department and judicial authorities at the national level. The regulations will be further discussed and revisions will be finalized after the Halon Banking project starts and after the best practices are determined for successful implementation of the project.

CFC import quotas for 2004

6. Quotas are issued to eligible importers on an annual basis. Each importer is entitled to a quota based on his historical imports and adjusted so the aggregate import is within the allowed annual consumption. While the 2003 quotas have been managed in accordance with the approved sector plan, the 2004 quotas were issued during the first quarter of 2004 based on specific requests from the individual importers. Import license quantities and actual import amounts of CFC11, CFC12, and CFC502 were provided in the Verification Report.

Implementation of contracts signed with SME commercial refrigeration companies

7. In total, 77 companies have signed CFC phase-out contracts with the national programme implementation entity for a total amount of US \$1.88 million. As of September 2003, US \$1.5 million has been disbursed to SMEs. As of August 2004, 50 SMEs had completed the projects. It is expected that the implementation of all of the sub-projects will be completed by the end of 2004.

Implementation of the recovery/recycling/reclaim program

8. It was decided that three refrigerant reclamation centers and 19 recycling centers would be installed in different cities in Turkey. Provision of training-related equipment is being implemented by the national entity. Installation of the Istanbul reclaim center has been mostly completed. Installation of reclamation centers in Ankara and Izmir will start soon and will be completed by February 2005.

Training of refrigeration technicians and customs officials

9. A second train-the-trainer seminar was conducted in November 2003. Training materials and handouts were printed. Training of technicians started in March 2004 and is still in progress. Up to now, 1518 technicians have been trained through a total of 76 courses. The training programme is planned to be completed by February 2005.

10. The workshop for senior customs officials in 2003 was followed by Phase II of customs training, which was executed in March 2004 in Ankara and Istanbul. In all, 100 customs officers participated in the training from all major entry points of Turkey. It was decided to purchase 25 refrigerant identifiers at a total cost of US \$36,500. Procurement of refrigerant identifiers has been completed and the equipment will be provided to the Customs Department in October 2004.

Signing contracts with eligible chiller companies

11. The First round of chiller replacements was completed in 2003 with a total disbursement of US \$ 0.69 million. Additionally, contracts amounting to US \$ 1.05 million were signed in late 2003 involving the replacement of 10 chillers in total. In May 2004, two applications were received and evaluated. Contracts amounting to US \$ 0.48 million were signed in July 2004 involving replacement of 4 chillers. Another chiller project amounting US \$200,000 is planned to be contracted in late 2004.

12. The selection/support criteria for chiller replacement are attached to the 2004 progress report. Support will be a combination of grant (25%) and soft loan (75%). Payback terms for the loan part envisage repayment in 5 equal instalments; the first instalment will be due 6 months after completion of the project. No interest will be charged.

Implementation of the end-user retrofit programme

13. As of September 2004, this activity had not commenced. Two national refrigeration manufacturing companies were approached in 2003 and potential participation of these companies was discussed. Since then, no progress has been achieved. Additional visits to those companies are planned in October 2004 to explain the project in detail. Contracts amounting US \$100,000 would follow in late 2004. It is also planned to contact medium sized SMEs to initiate an end-user retrofit programme in late 2004.

Verification report

14. The verification report on CFC consumption in Turkey was prepared by a national consulting company, which interviewed officials in the Ministry of Environment and Forestry and importers, reviewed import licensing and customs records, and checked data on sales and stock in importing companies. In 2003, the consumption targets were identified in the Agreement at a level of 334 ODP for CFC-12 and 200 ODP tones for CFC-11. The 2003 CFC import quotas were issued at 334 ODP tonnes for CFC-12 and at 150 ODP tonnes for CFC-11. According to the verification report, actual imports in 2003 were lower, representing 96.6% and 89.8% of consumption targets for CFC-12 and CFC-11 respectively.

Performance indicators

15. The performance indicators established in the 2004 annual implementation programme appear to have been achieved. Total 2003 CFC consumption does not exceed the target established in the Agreement.

16. A financial summary of the 2004 programme is provided in the following table:

Activity	Amount allocated for 2002 (US\$)	Amount Contracted in 2002 (US\$)	Amount allocated for 2003 (US\$)	Amount Contracted in 2003 (US\$)	Amount allocated for 2004 (US\$)	Amount Contracted as of September 2004 (US\$)	Total Amount allocated for 2002+2003+2004 (US\$)	Total Amount Contracted (as of September 2004) (US\$)
SME program	1,800,000	1,390,770	250,000	355,385	0	,131,375 -	2,050,000	1,877,530 -
Recovery/recycling	600,000	1,527,484	1,100,000	77,770	0	11,986 - 24,000 ¹	1,700,000	1,617,240 - 24,000 ¹
Customs Training			200,000	45,300	100,000	0	300,000	45,300
Chiller replacement	900,000	485,388	660,000	1,298,049	600,000	474,884 - 200,000 ²	2,160,000	2,258,321 - 200,000 ²
End user		0	90,000	0	200,000	0 - 100,000 ³	290,000	0 - 100,000 ³
Training activities	100,000	286,329	100,000	0	50,000		250,000	286,329 -
Technical assistance program/Project management office	100,000	84,373	100,000	63,556	50,000	46,416 - 40,000 ⁴	250,000	194,345 - 40,000 ⁴
Total	3,500,000	3,774,344	2,500,000	1,840,060 -	1,000,000	1,028,661 -	7,000,000	6,643,065 -

¹ US \$24,000 will be disbursed for civil works and required equipment of Ankara & Izmir reclaim centers

² Contracts amounting US \$200,000 are planned to be contracted in late 2004 for additional Chiller replacement.

³ Total contract amounting US \$100,000. is planned to be contracted in late 2004 for end-user retrofit

⁴ US \$40,000 is planned to be disbursed in 4th quarter of 2004 for that programme

17. In accordance with the Agreement, the value of contracts signed is one of the programme's performance indicators. It is required that contracts amounting to 80% (US \$5.6 million) of the available amount (US \$7 million) be signed prior to the approval of the 2005 Implementation Plan. Total contracts signed amount to US \$6.643 million as of September 2004. Hence, this performance target has been met for 2003.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

18. The Secretariat noted that total 2003 CFC consumption reported by the Government of Turkey to the Ozone Secretariat was 438.9 ODP tonnes. This figure is lower than the total imports in 2003 identified in the verification report (457 ODP tonnes).

19. In reviewing the CFC consumption verification report, the Secretariat noticed that, apart from the imported amounts of CFCs, the importing companies show additional incoming quantities of CFCs as "other procurement" in their records. The total amount of such procurement is significant, representing about 40% of the total import of CFC-12 in the country. The Secretariat sought clarification from the World Bank on this issue. The World Bank clarified that all the amounts under "other procurement" represent internal transactions when the sister companies exchange CFC-12 among themselves. The World Bank auditor also raised this issue during the interviews with the companies concerned. Their common response was the "commercial convenience enhanced by such transactions".

20. The Secretariat drew the World Bank's attention to several data discrepancies in the verification report. The report has been revised accordingly. The revised verification report is available in the Secretariat upon request.

21. The Secretariat sought information from the World Bank on the modalities for implementing the recovery and recycling programme. The World Bank advised that most of recovery equipment would be distributed among large producers of domestic and commercial refrigerators. Performance-based agreements will be signed with those large producers. Some recovery equipment will be distributed to supported SMEs and performance-based agreements will be signed with them. Equipment recipients will have to report to a national implementing entity on amounts recovered. If no recovery takes place, equipment will be taken back and given to other potential users.

22. The allocation of US \$750,000 for the 2005 Implementation Programme is in line with the Agreement. It has been verified that the activities planned for the previous year were undertaken in accordance with the first annual implementation plan.

RECOMMENDATION

23. The Fund Secretariat recommends blanket approval of the fourth tranche of the project with associated support costs at the funding levels shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Total phase out of CFCs plan: 2005 annual programme	750,000	45,000	World Bank
