



**United Nations  
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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty-fifth Meeting  
Montreal, 4-8 April 2005

**PROJECT PROPOSAL: ECUADOR**

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

Phase-out

- National CFC phase-out plan: 2005 annual programme

World Bank

**PROJECT EVALUATION SHEET  
(MULTI-YEAR PROJECTS)  
ECUADOR**

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

National CFC phase-out plan: 2005 annual programme	World Bank
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**NATIONAL CO-ORDINATING AGENCY:**

MICIP

**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT****A: ARTICLE 7 DATA (ODP tonnes, 2003, as of 19 January 2005)**

Annex A Group I	256.26	Annex A Group II	0
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**B: COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes, 2003, as of 12 August 2004)**

ODS	Foam	Ref.	Aerosol	Fire Protection	Solvents	Fumigant
CFCs	4.70	251.29	0	0	0.34	0

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

n/a

**CURRENT YEAR DRAFT BUSINESS PLAN: Total funding US \$471,668: total phase-out 85 ODP tonnes**

<b>PROJECT DATA</b>		<b>2004*</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
Annex A Group I  (ODP tonnes)	Montreal Protocol limits	301.4	150.7	150.7	45.2	45.2	45.2	0.0	n.a.
	Annual consumption limit	235.0	150.0	80.0	42.0	21.0	21.0	0.0	n.a.
	Annual phase-out from ongoing projects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
	Annual phase-out newly addressed	0	85.0	70.0	38.0	21.0	21.0	0.0	235.0
	Annual unfunded phase-out	0	0	0	0	0	0	0	0
<b>TOTAL ODS CONSUMPTION TO BE PHASED OUT</b>		0	85.0	70.0	38.0	21.0	21.0	0.0	235.0
Total ODS consumption to be phased in (HCFCs)		0	0	0	0	0	0	0	0
<b>Final Project costs (US \$):</b>									
Funding for World Bank		777,326	439,319	227,410	227,411	18,334	0.0	0.0	1,689,800
<b>Total project funding</b>		777,326	439,319	227,410	227,411	18,334	0.0	0.0	1,689,800
<b>Final Support costs (US \$)</b>									
Support costs for World Bank		58,300	32,349	17,055	17,056	1,375	0.0	0.0	
<b>Total support costs</b>		58,300	32,349	17,055	17,056	1,375	0.0	0.0	126,135
<b>TOTAL COST TO MULTILATERAL FUND (US \$)</b>		835,626	471,668	244,465	244,467	19,709	0.0	0.0	1,815,935
Final project cost-effectiveness (US \$/kg)									7.19

\* This first tranche was approved at the last ExCom Meeting in December 2003

**FUNDING REQUEST: Approval in principle of total ODS phase-out, total project funding and total support costs, and approval of funding for second tranche (2005) as indicated above.**

**SECRETARIAT'S RECOMMENDATION**

Blanket approval

## PROJECT DESCRIPTION

### Introduction

1. The National CFC Phase-out Plan for Ecuador was approved at the 41st Meeting of the Executive Committee in December 2003. The Government of Ecuador was provided with financial support of \$1,679,800 from the Multilateral Fund to completely phase out its CFC consumption in accordance with annual targets set in the Agreement between the Government and the Executive Committee. The National CFC Phase-out Plan will phase out the remaining consumption of 242.95 ODP tonnes of Annex A, Group I substances over the 2004–2010 period. To achieve this target, a series of investment, non-investment, technical assistance, and capacity building activities will have to be carried out. The National CFC Phase-out Plan will enable the Ecuadorian Government to ban the use of CFC in the manufacturing sector by the end of 2006 and the use of virgin CFC in the servicing sector by 2010.

2. The Agreement between the Government of Ecuador and the Executive Committee approved at the 41st Meeting established CFC consumption and annual reduction targets as shown in the following table:

	2003*	2004	2005	2006	2007	2008	2009	2010
Montreal Protocol Reduction Schedules	301.4	301.4	150.7	150.7	45.2	45.2	45.2	0
1. Max. allowable total consumption of Annex A Group I substances (ODP tonnes)	246	235	150	80	42	21	21	0**
2. Reduction from ongoing projects	0	0	0	0	0	0	0	0
3. New reduction under plan (ODP tonnes)	0	11	85	70	38	21	21	0
4. Total annual reduction of Annex A Group I substances (ODP tonnes)	0	11	85	70	38	21	21	0
5. Lead I.A. agreed funding (US \$)	777,326		439,319	227,410	227,411	18,334	0	0
6. Lead I.A. support costs (US \$)	58,300		32,349	17,055	17,056	1,375	0	0
7. Total agreed funding (US \$)	835,626		471,668	244,465	244,467	19,709	0	0

\* 2003 is not a control year

\*\* Except essential uses agreed upon by the Parties

3. The World Bank, on behalf of the Government of Ecuador, presented the 2004 progress report and 2005 annual implementation programme requesting the release of the second funding tranche of US \$439,319 plus agency support cost of US \$32,349. The World Bank also submitted a verification report prepared by a national consulting company on activities implemented in 2004 and results achieved.

## 2004 Progress Report

4. The National CFC Phase-out Plan identified 20 eligible companies in the foam and refrigeration manufacturing sectors with a total consumption of 59.2 ODP tonnes. In August 2004, two enterprises signed the Subgrant Agreements: one for US \$103,172 and the other for US \$18,087. This will phase out 11.5 ODP tonnes of CFC by the end of 2005.
5. The introduction of an ODS import/export licensing system and import quotas have become effective as of May 2004. This will ensure compliance with the targets set under the Agreement and the Montreal Protocol control measures.
6. In 2004, two “train-the-trainers” workshops on good practices in refrigeration servicing, including demonstrations of recovery and recycling equipment, were completed. The equipment has been provided to the training centre, enabling the start-up of regular training seminars for refrigeration technicians. The first set of recovery and recycling equipment will be made available to workshops that have received training in good practices in refrigeration by authorized training centers.
7. The training of customs officers was completed at the end of December 2004. ODS detection units will also be provided to the authorized entry points for ODS imports.
8. A communications campaign has been designed and implemented this year in order to promote the National CFC phase-out plan throughout the country.
9. From the total US \$777,326 allocated to Ecuador under the Agreement, the amount of US \$259,718 was committed to activities accomplished under the 2004 Annual Work Programme and funds of US \$40,465 have been released. The remaining balance is equal to US \$397,171.
10. The verification report indicates that the actual import of CFCs for the period of eleven months in 2004 (January-November) was equal to 101.6 ODP tonnes, which represents 43.8% of the quota issued for 2004 (232 ODP tonnes) and 43.2% of the maximum allowable total CFC consumption in 2004 according to the Agreement. This indicates that the expected reduction in consumption in 2004 will significantly exceed the planned reduction target of 11 ODP tonnes established in the Agreement.

2005 Annual Implementation Programme

11. The phase-out targets of the 2005 Annual Programme are to ensure that CFC consumption during the year does not exceed 150 ODP tonnes. Ecuador is requesting the release of US\$ 439,319 to achieve this objective. The following specific activities will be implemented in 2005:

- (a) Policy measures: Ratification of the Beijing Amendment; follow-up of the Import/Export Licensing system and import quotas; development and implementation of a legal instrument for certifying refrigeration technicians in Quito, Guayaquil and Cuenca;
- (b) Enterprise activities: Completion of the identification of manufacturing enterprises eligible for funding through sub-projects; completion of investment sub-projects for manufacturing enterprises.
- (c) Technical assistance: Development of the second phase of the R&R programme targeting selected refrigeration workshops; conducting training courses on good practices in refrigeration servicing by authorized training centers; training in the chillers servicing sector;
- (d) Other activities: Dissemination of information related to the Government's policy to phase out CFCs in the manufacturing sector, including information on the availability of funds provided by the Multilateral Fund to support CFC phase-out in Ecuador; raising public awareness of the environmental and economic impact of ozone layer depletion to the public via newsletters, articles, seminars and radio spots; conducting awareness programmes for the general public encouraging servicing refrigeration and MAC systems by certified technicians.

12. The World Bank presented the following 2005 budget:

<b>Activity</b>	<b>Planned Expenditures (US \$)</b>
Investment projects	150,000
R&R programme	190,000
Training in chiller sector	35,000
Training of refrigeration technicians	35,819
Project implementation and monitoring	18,500
Public awareness	10,000
<b>TOTAL</b>	<b>439,319</b>

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

13. The Secretariat noted with appreciation the comprehensive verification report prepared by the national consulting company. The Secretariat noted from the verification report that, in the year following the approval of the NPP by the Executive Committee, the circumstances in the foam and refrigeration industry had significantly changed. Out of 20 enterprises in the foam and commercial refrigeration manufacturing sectors that claimed to be eligible for funding in the NPP, only six enterprises have been identified by the verification audit as eligible for funding. The World Bank clarified that several companies have recently ceased the use of CFCs for several reasons, while other additional CFC user companies have been identified.

14. The Secretariat also noted from the verification report that the actual import of CFCs for the period of eleven months in 2004 (January-November) was equal to 101.6 ODP tonnes, which represents 43.8% of the quota issued for 2004 (232 ODP tonnes) and 43.2% of the maximum allowable total CFC consumption in 2004 according to the Agreement. This indicates that the expected reduction in consumption in 2004 will significantly exceed the planned reduction target of 11 ODP tonnes established in the Agreement. The expected reduction, however, cannot be directly associated with specific phase-out activities undertaken under the 2004 annual implementation programme. The World Bank explained that the reduction in CFC consumption was caused to a certain extent by a recession in the industrial and commercial sectors and might not be permanent and sustainable. The Bank also clarified that the unspent balance of US \$397,171 will be allocated to the conversion of recently identified enterprises and the extension of recovery/recycling and end-user retrofit programmes.

### RECOMMENDATION

15. The Fund Secretariat recommends blanket approval of the second 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)	National CFC phase-out plan: 2005 annual programme	439,319	32,349	World Bank

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