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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-sixth Meeting
Montreal, 4-8 July 2005

PROJECT PROPOSAL: ARGENTINA

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

Fumigant

- Methyl bromide phase-out in tobacco and non-protected vegetable seedbeds (fifth tranche)

UNDP

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

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

Methyl bromide phase-out in tobacco and non-protected vegetable seedbeds (fifth tranche)	UNDP
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NATIONAL CO-ORDINATING AGENCY:	Instituto Nacional de Tecnologia Agropecuaria, Oficina del Programa Ozono
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2003, AS OF MARCH 2005)**

Annex E	353.1		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF MAY 2005)

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Process agent	Fumigant
				Methyl bromide			322.8

Methyl bromide consumption remaining eligible for funding as of end 2004 (ODP tonnes)	354.8
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CURRENT YEAR BUSINESS PLAN: Total funding US \$502,000

PROJECT DATA	2002	2003	2004	2005	2006	2007	Total
Tobacco, non-protected vegetables (UNDP)	29.0	21.0	16.0	33.5	56.5	0	156.0
Maximum remaining MB consumption excluding QPS applications	376.6	256.4	354.8	321.3	264.8	242.0	
Project costs UNDP (US \$):	1,720,000	467,000	467,000	467,000	467,000	0	3,588,000
Total support costs UNDP (US \$):	199,200	35,025	35,025	35,025	35,025		339,300
Total cost to Multilateral Fund (US \$)	1,919,200	502,025	502,025	502,025	502,025		3,927,300
Cost-effectiveness (US \$/kg)							20.06

SECRETARIAT'S RECOMMENDATION	For individual consideration
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PROJECT DESCRIPTION

1. The Government of Argentina has submitted for the consideration of the Executive Committee at its 46th Meeting, the 2004 progress report on the implementation of the project for the phase-out of all remaining soil uses of methyl bromide (MB) in tobacco seedbeds and open-field (non-protected) seedbeds of vegetables (tomatoes, peppers, eggplants and others) and the 2005 annual implementation plan, with a request for funding of the fourth tranche at a cost of US \$467,000 plus US \$35,025 in agency support costs.

Background

2. The Executive Committee has approved the following two investment projects for the phase-out of methyl bromide (MB) in Argentina, covered under one agreement:

- (a) Phase-out of 331 ODP tonnes of MB used in strawberries, flowers and protected vegetables, implemented by UNIDO. The project was approved at the 30th Meeting of the Executive Committee at a total cost of US \$3,183,390 and disbursed in full to the Government of Argentina; and
- (b) Phase-out of 178.8 ODP tonnes of MB used in tobacco and non-protected vegetable seedbeds, implemented by UNDP. The project was approved at the 36th Meeting of the Executive Committee at a total cost agreed in principle of US \$3,588,000. So far, the Executive Committee has approved three tranches of the project and has disbursed US \$2,187,000 to the Government of Argentina.

3. On behalf of the Government of Argentina, UNIDO submitted for consideration by the Executive Committee at its 45th Meeting a request for a change to the phase-out schedule of the project for phasing out MB in strawberry, protected vegetable and cut flower crops. Subsequently, through its decision 45/13 (a to c) the Executive Committee approved the revisions to the agreement between the Government of Argentina and the Executive Committee, including a revised completion date of 2015. The Executive Committee also noted that, before the end of 2010, UNIDO and Argentina would submit a full report on the implementation of the phase-out plan; at that time, Argentina would consider the possibility of completing the phase-out of methyl bromide earlier than 2015.

Progress report

4. In 2004, the Instituto Nacional de Tecnología Agropecuaria (INTA) and the Ozone Unit, with the assistance of UNDP, implemented the fourth tranche of project to phase out MB in tobacco and field vegetable seedbeds in Argentina. In the new growth phase of the Argentine economy, the tobacco sector has expanded the planted area for the third consecutive year; however, due to the work under the project and the commitment of the grower's organizations, overall consumption of MB has dropped.

5. Several activities undertaken during 2004 allowed for the phase-out of 14.4 ODP tonnes, which was slightly less than the amount in the agreed conditions for that year (i.e., 16 ODP tonnes). Action was taken to ensure that MB reductions achieved through the project's

implementation during 2004 were sustainable permanent reductions that can be subtracted from Argentina's national aggregate consumption of MB.

6. The main activities implemented between April 2004 and March 2005 included: development of work plans at the regional level and working meetings and communication with major stakeholders; training of about 1,670 farmers and 25 technicians in the use of MB alternatives; technical assistance to 15,000 growers, including distribution of farm inputs; bidding and procurement of equipment for the 2005 production season; active participation in designing the national MB phase-out policy; and development and implementation of brochures and technical communication materials. Also, counterpart contributions were received for procurement and distribution of materials and equipment.

Plan of action

7. The following activities will be implemented during the 2005-2006 season: training programmes for an additional 1,500 growers; purchase of inputs and materials to achieve the phase-out of an additional 33.3 ODP tonnes of MB (as established in the Agreement); continued coordination with the Secretariats of Environment and Agriculture to design regulations for controlling imports of MB; continued actions to reduce the cost of inputs for the floating-tray system technology; continued awareness-raising activities; and development of additional training materials and publications.

8. Work will focus on provinces where reductions during implementation so far have been less significant, and on areas in the open-field vegetable sector where MB consumption is concentrated.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

9. The Secretariat noted the comprehensive nature of the report submitted by UNDP on behalf of the Government of Argentina.

10. According to the project proposal and the Agreed Conditions, in 2004, a total of 16 ODP tonnes of MB should have been phased out. In 2004, the total amount phased-out was 14.4 ODP tonnes. However, the total aggregated amount of MB phased out since the approval of the project (97 ODP tonnes) is 31 ODP tonnes more than the amount committed to in the Agreement (66 ODP tonnes).

11. Upon a request by the Secretariat for additional information on the activities being implemented for the phase-out of MB in the non-protected vegetable sector, UNDP reported that a detailed survey was launched in early 2005 to assess the current consumption in this sector; however, results are not yet available.

12. The Secretariat sought further explanation regarding which measures the Government of Argentina is planning to put in place to ban the use of MB in tobacco and non-protected

vegetables, taking into consideration that the use of MB in these crops will be completely phased out in 2006 and MB will continue to be used until 2015 in other crops and applications. UNDP reported as follows:

- (a) At the provincial level, the national project team is interacting closely with local Government officials to promote regulations that restrict MB use. For example, the Government of the province of Misiones has already ban the use of MB. Ongoing dialogue and negotiations are at an advanced stage in the provinces of Salta, Catamarca and Corrientes;
- (b) At the national level, a series of regulations are in the process of being promulgated. These include: prohibition of MB use for soil treatments where the formulation of MB is higher than 70 per cent; through the licensing system, control of registered MB users, obligation to declare final end-use, and prohibition of open sales of MB; and
- (c) The Government of Argentina is also considering the possibility of prohibiting import of MB in 1 kilo canisters.

13. Until 2004, the tobacco project team used vehicles provided by INTA to carry out the work necessary to phase out MB. The project manager has been advised that, due to an increased work load in other sectors, the vehicles will no longer be available. UNDP has analyzed the option of leasing or purchasing a utility vehicle, and concluded that the total cost of leasing a vehicle would be 50 per cent higher than the cost of purchasing a vehicle. However, the Secretariat pointed out that the purchase of a vehicle, which was not included in the project proposal approved by the Executive Committee (or in any other proposals so far approved), is not an eligible incremental cost.

14. UNDP further pointed out that in order to reduce transportation costs associated with the project and to maximize funds available for implementation of the alternative technologies and training of farmers and major stakeholders, the project management team solicited approval to purchase a utility vehicle for the tobacco project. This request was made based on the understanding that, if purchased, the vehicle would remain the property of the project until its closure. At that point, the vehicle would either be sold with proceeds reinvested into the final implementation of the project, or the vehicle would be “nationalized” and donated to INTA for dedicated ongoing extension work in the tobacco production sector as part of the official project handover.

15. The Agreement between the Government of Argentina and the Executive Committee for the phase-out of MB in the country includes a funding flexibility provision that “UNDP and UNIDO (i.e., the two agencies implementing MB phase-out projects in Argentina) agree to manage the funding for the project in a manner designed to ensure the achievement of the specific MB reductions agreed upon”.

16. Although 31 ODP tonnes of MB have already been phased out over and above the amount committed to in the Agreement, the Secretariat was unable to recommend blanket approval of the fifth tranche of the project because of the request for purchasing a vehicle.

RECOMMENDATION

17. The Executive Committee may wish to consider:

- (a) Approving the redirection of funds for purchasing a vehicle in the light of the comments above since the option of leasing and/or purchasing a vehicle was not included in the original project proposal as an incremental cost item.
- (b) Approving the fifth tranche of the project proposal with associated support costs at the funding level shown in the table below:

	Project Title	Project Funding (US\$)	Support Costs (US\$)	Implementing Agency
(a)	Methyl bromide phase-out in tobacco and non-protected vegetable seedbeds (fifth tranche)	467,000	35,025	UNDP
