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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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**REPORT ON IMPLEMENTATION OF APPROVED PROJECTS WITH SPECIFIC
REPORTING REQUIREMENTS**

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

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Introduction

1. UNDP and UNIDO have submitted for consideration by the Executive Committee at its 47th Meeting progress reports on the implementation of the following projects:

- (a) Guatemala: Phase-out of methyl bromide (MB) in the cultivation of melons, tomato, flowers and ornamentals, and strawberries (468 ODP tonnes), approved by the Executive Committee at its 38th Meeting at a total cost of US \$3,257,377;
- (b) Honduras: Phase out of MB in the melon and banana production sector and tobacco seedlings (213 ODP tonnes), approved by the Executive Committee at its 37th Meeting at a total cost of US \$1,977,454;
- (c) Region Africa: UNDP has submitted a progress report on the implementation of the technical assistance for MB reductions and the formulation of regional phase-out strategies for low-volume-consuming countries in Africa, approved at the 38th Meeting of the Executive Committee (US \$550,000); and
- (d) Thailand, Halon management programme, halon recovery, recycling and banking (revised proposal). The project was approved by the Executive Committee at its 29th Meeting, for implementation by Sweden and the World Bank (US \$420,750).

2. The Secretariat reviewed the progress reports in light of the original project proposals and ODS data reported by the Governments concerned to the Ozone Secretariat under Article 7 of the Montreal Protocol.

3. This document consists of summaries of progress achieved so far in the implementation of the project proposals, comments by the Secretariat and related responses by relevant implementing agencies where applicable, and the Secretariat's recommendation.

4. The Secretariat also prepared a status report on the disbursement of the second tranches of the national CFC phase-out plans in Mexico and Venezuela, as requested under decision 45/51 and 45/52.

Guatemala: Phase-out of MB in the cultivation of melons, tomato, flowers and ornamentals, and strawberries (UNIDO)

Background

5. On behalf of the Government of Guatemala, UNIDO submitted to the 38th Meeting of the Executive Committee a project proposal to phase out 468 ODP tonnes of MB used for soil fumigation in the cut flower, melon, ornamental, tomato and strawberry crop sectors in Guatemala, representing 60 per cent of the total MB consumption in the country. Implementation of the project would achieve the 20 per cent reduction in MB baseline consumption (e.g., 400.7 ODP tonnes) by 2005 (UNEP/OzL.Pro/ExCom/38/33 and Add.1).

6. The Executive Committee, after considering the project proposal decided, *inter alia*, notwithstanding the reported 2001 MB consumption level of 788.6 ODP tonnes, and without prejudice to the operation of the Montreal Protocol's mechanisms for dealing with non-compliance issues, to approve funding of US \$3,257,377, plus agency support costs, on the basis that the implementation schedule proposed in the project was planned to achieve a total reduction in consumption of 468 ODP tonnes in 2005; of this amount, 100 ODP tonnes would be reduced by non-Article 5 companies. Furthermore, 388 ODP tonnes would be reduced in the calendar year of 2004 and an additional 80 ODP tonnes in the calendar year 2005 in order to enable Guatemala to meet the MB freeze and 2005 reduction targets, respectively (decision 38/42).

7. Subsequently, the Parties to the Montreal Protocol at their 15th Meeting noted, *inter alia*, that Guatemala was in non-compliance with its obligations under Article 2H of the Montreal Protocol for 2002, and that Guatemala had submitted a plan of action to ensure a prompt return to compliance with the control measures for Annex E substances. Under the plan, without prejudice to the operation of the financial mechanism of the Montreal Protocol, Guatemala specifically committed itself to reducing MB consumption from 709.4 ODP tonnes in 2002, as follows:

- (a) to 528 ODP tonnes in 2003;
- (b) to 492 ODP tonnes in 2004;
- (c) to 360 ODP tonnes in 2005;
- (d) to 335 ODP tonnes in 2006;
- (e) to 310 ODP tonnes in 2007;
- (f) to 286 ODP tonnes in 2008;
- (g) to phasing out MB consumption by 1 January 2015, as required under the Montreal Protocol, except for critical uses that may be authorized by the Parties (decision XV/34).

8. At its 42nd Meeting, the Executive Committee considered a request submitted by the Government of Guatemala through UNIDO to modify the phase-out schedule contained in the approved project according to the revised schedule approved by the Parties to the Montreal Protocol at their 15th Meeting (the revised schedule extended the phase-out over a longer period). Subsequently, the Executive Committee decided *inter alia*:

- (a) "To adopt the ... modification to the methyl bromide phase-out schedule for Guatemala as proposed in decision 38/42(b): the phase-out schedule would achieve a total reduction in consumption of 502.6 ODP tonnes by 2008; of that amount, 100 ODP tonnes would be reduced by non-Article 5 companies. Furthermore, 181.4 ODP tonnes would be reduced in 2003, 36 ODP tonnes in 2004, 132 ODP tonnes in 2005, 25 ODP tonnes in 2006, 25 ODP tonnes in 2007, and an additional 24 ODP tonnes in 2008, in order to enable Guatemala to meet the methyl bromide freeze and the 20 per cent reduction targets in 2005 and 2007, respectively;
- (b) To note that the phase-out of methyl bromide in Guatemala would be achieved within the funding level approved by the Executive Committee at

its 38th Meeting, and to commend the Government of Guatemala for its efforts in that regard” (decision 42/14 (a) and (b)).

Progress report on the implementation of the project

9. UNIDO submitted a progress report on the implementation of the MB project (27 September 2005). Since implementation of the project began in January 2003, the following results have been achieved:

- (a) The Government of Guatemala, through its decree No. 110/97, has established a licensing system to regulate the import and trading of MB. The decree fixes the consumption freeze at the baseline level for the year 2000, and the total phase-out of MB by 2010;
- (b) Through the implementation of the investment project, Guatemala has been able to completely and permanently phase out MB consumption in the tomato, flower and ornamental and strawberry sectors. The alternative technologies are: alternative chemicals (metam sodium and dazomet) alone or in combination with soil solarization, grafting, improvement of crop management and steam pasteurization;
- (c) The introduction of crop management in the tomato sector has largely increased the tomato yield, causing a reduction in the market price of fresh tomatoes. To stabilize the market, the tomato association is considering removing low-quality tomatoes from the market and processing tomatoes into concentrated paste;
- (d) MB consumption has decreased from 709.4 ODP tonnes in 2002 to 484.0 ODP tonnes in 2004. Total 2004 MB consumption was in the melon sector;
- (e) As of September 2005, US \$2,376,443 has been disbursed out of the total funding approved of US \$3,257,377, with a remaining balance of US \$880,934.

10. The situation with the melon sector can be summarized as follows:

- (a) Melon production management in Guatemala has led to deterioration of the soil, with the presence of pests (whitefly) in all seasons, and contamination of surface waters. Melon crops are becoming very susceptible to all kinds of pathogens in Guatemala;
- (b) UNIDO has signed working arrangements with two of the six melon producers in the country to agree on MB reduction provided that equipment and technical assistance for the implementation of the grafting technology is supplied. Two other melon producers have only received supplies; another melon producer merged with a transnational corporation (foreign ownership); and the last melon producer (not eligible for funding on account of being a transnational corporation), has been participating in technical meetings;

- (c) Viable alternatives to MB have been demonstrated in the field that can be immediately implemented (i.e., virtual impermeable mulching films, alternative chemicals, crop management techniques with the application of organic amendments, and grafting). However, some of these alternatives are still more expensive than MB, others would require experienced contractors for their application, and yet others need additional time for full adaptation to the specific environmental conditions in the country. Therefore, field trials at a commercial level would be required to further demonstrate the effectiveness of the alternative technologies.

Issues related to MB consumption

11. During UNIDO's last mission to Guatemala in April 2005, the Ministry of Agriculture and Environment officers, informed the UNIDO team that, in 2005, the Government authorized the import of 588 ODP tonnes of MB, or 260 ODP tonnes over the maximum level of MB consumption committed to by the Government itself (this level refers to the amount licensed for import but not the amount of MB actually imported into the country).

12. Under the above circumstances, UNIDO decided to stop all major activities until the issue is further discussed by the Executive Committee. Both the project coordinator and the field expert are under contract with UNIDO until April 2006; therefore, the field monitoring and project supervision will continue as planned. UNIDO had also requested the Government of Guatemala, through the Ozone Officer and the Ministry of Agriculture, to develop a proposal for implementation of the project and submit it to the Meeting of the Parties and to the Executive Committee for consideration at the 47th Meeting.

Secretariat's comments

13. The 2004 MB consumption reported by the Government of Guatemala under Article 7 of the Montreal Protocol was 484.2 ODP tonnes, which was 7.8 ODP tonnes below the maximum allowable consumption of MB that the Government of Guatemala committed to for 2004 (i.e., 492 ODP tonnes). The MB baseline for compliance is 400.7 ODP tonnes.

14. Taking into consideration the potential increase in MB consumption, a high-level mission to Guatemala on 31 October 2005 was jointly organized by the Fund and Ozone Secretariat, with the participation of the Chairman of the Executive Committee, the Heads of the two Secretariats, and a representative from UNIDO. Outcomes of the deliberations with high-level authorities in Guatemala will be communicated to the Executive Committee prior to its 47th Meeting.

Secretariat's recommendation

15. Pending.

Honduras: Phase-out of MB in the melon and banana production sector and tobacco seedlings (UNIDO)

Background

16. On behalf of the Government of Honduras, UNIDO submitted to the 37th Meeting of the Executive Committee a project proposal to phase out 213 ODP tonnes of MB used for soil fumigation in melon, banana and tobacco seedlings in Honduras (UNEP/OzL.Pro/ExCom/37/38 and Add.1).

17. The Executive Committee, after considering the project proposal, decided, *inter alia*, to approve US \$1,977,454, excluding agency support costs, for the phase-out of 213 ODP tonnes of MB, to achieve a 25 per cent reduction in MB baseline consumption by 2005 and to note that the Government of Honduras had undertaken to permanently sustain this reduction in the consumption of MB through implementation of the project and the use of import restrictions and other policies that it might deem necessary (decision 37/50).

18. Subsequently, the Parties to the Montreal Protocol at their 15th Meeting noted, *inter alia*, that for 2002 Honduras was in non-compliance with its obligations under Article 2H of the Montreal Protocol, and also noted Honduras's submission of a plan of action to ensure a prompt return to compliance with the control measures for Annex E substances. Under the plan, Honduras specifically committed itself to reducing MB consumption from 412.52 ODP tonnes in 2002 as follows:

- (a) to 370.0 ODP tonnes in 2003;
- (b) to 306.1 ODP tonnes in 2004;
- (c) to 207.5 ODP tonnes in 2005 (decision XV/35).

19. At its 42nd Meeting the Executive Committee considered a request, submitted by the Government of Honduras through UNIDO, to modify the phase-out schedule contained in the approved project according to the revised schedule approved by the Parties to the Montreal Protocol at their 15th Meeting (the revised schedule extended the phase-out over a longer period). Subsequently, the Executive Committee decided to adopt the following modification to the MB phase-out schedule for Honduras as proposed in decision 37/50: the phase-out schedule would achieve a total reduction in consumption of 213 ODP tonnes by the end of 2005. Furthermore, 42.5 ODP tonnes would be reduced in the calendar year 2003, 63.9 ODP tonnes in 2004 and an additional 106.6 ODP tonnes in 2005, in order to enable Honduras to meet the MB freeze and the 20 per cent reduction target by the end of 2005 (decision 42/14 (c)).

Progress report on the implementation of the project

20. UNIDO submitted a progress report on the implementation of the MB project (27 September 2005). Since implementation of the project began in September 2002, assistance was provided mainly to reduce MB in the melon sector, which accounts for 90 per cent of total MB consumption in Honduras. The following results have been achieved so far:

- (a) In May 2003, the Executive Board for Importation issued an application procedure that obliges the Custom Authority to comply with Executive Agreement No. 907/2002 that controls imports and uses of ODS including MB.;
- (b) In cooperation with melon growers, UNIDO established several demonstration plots to gain experience in the application of MB alternatives in melon crops on a commercial scale. With particular attention to the last melon production season (September 2004 to May 2005), melon producers used various alternative technologies (i.e., alternative chemicals, grafted seeds, biological control, solarization and use of impermeable films). At this stage, the project provided only for basic nursery equipment for production of grafted seedlings, training and technical assistance;
- (c) The proposed MB alternatives for the banana (dazomet and glifosate) and tobacco sectors (floating trays) are well established worldwide. During project implementation, UNIDO, in collaboration with the Customs authority, monitored MB imports (which account for 10 per cent of total MB consumption). Also, the project coordinator provided advice and promoted the use of alternative technologies. These activities resulted in a reduction in MB consumption, i.e., 2004 MB consumption in these sectors was 4.2 ODP tonnes;
- (d) As of September 2005, US \$1,977,339 has been disbursed out of the total funding approved of US \$1,977,454, with a remaining balance of US \$115.

Issues encountered during project implementation

21. So far, implementation of the MB project has phased out a lower amount of MB than was estimated at the time the project was prepared. Several problems have been encountered since implementation of the project started. These problems can be summarized as follows:

- (a) The absence of extension services and reliable laboratories, and the lack of experienced plant pathologists for the identification of soil-borne pathogens, and of specialized contractors for the application of alternative chemicals;
- (b) The need to train a large number of nursery managers and workers for grafted seedling production (over 600 workers), and field managers to deal with grafted melon crop management; and
- (c) Much longer time needed than originally estimated for the installation of large-size greenhouses (30,000m²) and complex nursery equipment in three

different locations in the country. Also, there is a lack of farm material in the quantities required for implementation of some of the alternative technologies (i.e., impermeable mulching film).

22. Although several of the above-mentioned problems have been solved and others are being addressed appropriately so that they may be solved shortly, UNIDO estimates that an additional two years would be required to achieve the proposed level of MB consumption of 346 ODP tonnes.

Proposal by UNIDO

23. The Government of Honduras is requesting the Executive Committee to revise the MB phase-out schedule, as agreed by the Executive Committee for a second time (decision 42/14 (c)) and by the Parties to the Montreal Protocol (decision XV/35), as follows:

Year	As approved (ODP tonnes)		As proposed (ODP tonnes)	
	Consumption	Reduction	Consumption	Reduction
2001	852.0	-	852.0	-
2002	688.0	164.0	688.0	164.0
2003	617.0	71.0	611.0	77.0
2004	510.0	107.0	568.0	43.0
2005	346.0	164.0	546.0	22.0
2006	346.0	-	493.0	53.0
2007	346.0	-	425.0	68.0
2008	346.0	-	346.0	79.0

24. The revised phase-out schedule indicated in the above paragraph has been agreed by relevant authorities, the Ozone Office and melon producers.

25. In order to maintain the momentum that has been gained in the implementation of the project, and continue providing assistance to farmers to achieve the complete phase-out of MB, the Government of Honduras is proposing to submit a request for the approval of phase II of the project in accordance with decision 37/50 (d), (i.e., to note that the Executive Committee would consider additional funding of the project for Honduras at that time, if it determined that an additional reduction was a priority).

Secretariat's comments

26. The 2004 MB consumption reported by the Government of Honduras under Article 7 of the Montreal Protocol was 340.8 ODP tonnes, which was 34.7 ODP tonnes above the maximum allowable consumption of MB that the Government of Honduras committed to for 2004 (i.e., 306.1 ODP tonnes). The MB baseline for compliance is 259.4 ODP tonnes.

27. On 21 October 2005, the Fund Secretariat received a copy of a letter sent by the Ozone Officer of Honduras to the Ozone Secretariat, proposing to revise the time-specific benchmarks contained in decision XV/35 of the Parties to the Montreal Protocol according to the schedule proposed in the table on paragraph 23 above.

Secretariat's recommendation

28. The Executive Committee may wish:
- (a) To take note of the progress report on the implementation of the project to phase out methyl bromide in the melon and banana production sector and in tobacco seedlings in Honduras and the issues encountered during project implementation; and
 - (b) To request UNIDO to re-submit a request for a revision of the phase-out schedule in the project to the first meeting of the Executive Committee subsequent to consideration by the Parties of the request by the Government of Honduras for revision of the time-specific benchmarks contained in decision XV/35.

Region Africa: Implementation of technical assistance for MB reductions and the formulation of regional phase-out strategies for low-volume-consuming countries in Africa

Background

29. At the 38th Meeting of the Executive Committee, UNDP submitted a request for a technical assistance programme for MB reductions and the formulation of regional phase-out strategies for low-volume-consuming countries in Africa. Subsequently, the Executive Committee approved the technical assistance programme in decision 38/6, pursuant to which UNDP submitted a progress report on the implementation of the MB technical assistance programme for consideration by the Executive Committee at its 46th Meeting.

30. Based on the information contained in the progress report, the Secretariat concluded that UNDP had experienced major constraints in the implementation of the project, taking into account, for instance, that the project completion date was proposed for February 2006. However a number of relevant activities were still pending (only 14 out of 25 countries had an agreement signed with UNDP and substantive work had yet to be implemented at the country level). In this regard, UNDP pointed out that delays had been experienced in the implementation of the project, but the project's execution remained on track and was expected to be completed by the end of 2006 (rather than February 2006). UNDP also reported that, of the total amount of funding approved, US \$216,224 had been disbursed; US \$83,000 was already committed; and US \$250,775 remained available.

31. Subsequently, the Executive Committee took note of the progress report on the implementation of the technical assistance programme submitted by UNDP and requested UNDP to make every effort to achieve all the objectives proposed in the programme on time, and to submit a report to the 48th Meeting on progress achieved so far. It also requested a report by UNDP to the 47th Meeting on whether any of the countries covered by the technical assistance programme would be likely to be in non-compliance with their Protocol obligations (decision 46/16 (c)).

Progress report

32. Only five countries participating in the regional technical assistance programme have an established MB baseline and an actual phase-out target to achieve the 20 per cent reduction in 2005. MB consumption data reported by the Governments concerned under Article 7 of the Montreal Protocol are as follows (in ODP tonnes):

Country	Baseline	2001	2002	2003	2004	2005 allowable
Congo	0.9	-	-	-	-	0.7
D.R. Congo	1.4	1.2	1.3	1.2	0.9*	1.1
Nigeria	2.8	2.1	2.0	2.0	1.7*	2.2
Sudan	3.0	3.0	3.0	1.8	1.8	2.4
Swaziland	0.6	0.5	0.7	-	**	0.5

* Data reported in the progress report for the implementation of the country programme

** Not yet reported as of 13 October 2005.

33. Currently, all the above countries are in compliance with the Montreal Protocol's 2002 MB freeze target. Furthermore, all of the countries where implementation of the proposed activities has been delayed due to communication difficulties and a request on the part of the Government to conduct a more detailed MB survey has been made, with the possible exception of the Democratic Republic of Congo (D.R. Congo), are expected to achieve the 2005 reduction step. Ongoing implementation of the project activities is geared to help the countries sustain their compliance situation, and to assist the D.R. Congo to meet the 20 per cent reduction step as quickly as possible.

Secretariat's comments

34. UNEP, on behalf of the Governments of Burkina Faso, Rwanda, Seychelles, Sierra Leone and Tanzania, submitted stand-alone MB technical assistance programmes for consideration by the Executive Committee at its 47th Meeting, (UNEP/OzL.Pro/ExCom/47/14). All projects were submitted with an official letter of transmittal, through which the Governments agree to submission of the project by UNEP. In UNDP's progress report on the implementation of the regional MB technical assistance programme it was indicated that, of the 24 African countries with no MB consumption that were included in the original project, six countries (including Burkina Faso, Rwanda, Seychelles, Sierra Leone and Tanzania) had not responded to communications sent by UNDP, but there was no indication that they were not benefiting from the regional project.

35. The Secretariat was informed that, during a meeting with UNEP CAP MB officers in May 2005, UNDP indicated that these five countries were not addressed by the regional project, and provided a clear explanation of why they were not included. These five countries were not involved in the technical assistance programme, for the following reasons:

- (a) Burkina Faso: following decision 38/26, the Government advised UNDP that funding approved would be insufficient to meet the needs of all the countries involved and declined to participate in the project;

- (b) Rwanda: despite repeated reminders by UNDP, the Government did not submit a letter in response to decision 38/26;
- (c) Seychelles: the Government advised that it had elected to work with the Government of Germany on the elaboration of a small-scale MB elimination project;
- (d) Sierra Leone: repeated attempts at communication by UNDP never yielded a response; and
- (e) Tanzania: the Government advised that it was not interested in participating in the regional project.

36. On this basis, these countries were not included in the UNDP's technical assistance programme. By mid-2003, six months following approval of the project, and after having received (or not, as the case may be) instructions from the countries listed above, the overall budget was broken down between the 24 countries that had indicated their interest and intention to participate.

Secretariat's recommendation

37. The Executive Committee may wish:

- (a) To take note of the progress report on the implementation of technical assistance for MB reductions and the formulation of regional phase-out strategies for low-volume-consuming countries in Africa; and
- (b) To reiterate its request to UNDP to submit a report to the 48th Meeting of the Executive Committee on progress so far achieved.

Mexico and Venezuela: Status report on the disbursement of the second tranches of the national CFC phase-out plans in Mexico and Venezuela (UNIDO)

Background

38. At its 45th Meeting, the Executive Committee approved funding for the 2005 tranches for the national CFC phase-out plans in Mexico (decision 45/51) and Venezuela (decision 45/52). The Executive Committee also noted that disbursement of the funding approved for UNIDO should not commence until agreement between the Secretariat and UNIDO had been reached that the verification of the 2004 objectives had been completed, and that a satisfactory annual implementation programme for 2005 had been submitted. In addition, the Secretariat was requested to inform the Executive Committee, at its 46th Meeting, on the progress achieved.

Secretariat's comments

39. Between the 45th and the 46th Meetings, the Secretariat held discussions with UNIDO, and obtained clarifications on certain questions, in particular regarding the 2004 activities and

2005 annual implementation programme for Venezuela. Eight weeks before the 47th meeting, a verification report and 2005 annual implementation programme for Mexico was received.

40. Discussions have not been concluded at the time of writing the present document. Furthermore, the Secretariat has not received a verification report or the 2005 annual implementation programme for Venezuela. Consequently, disbursement of the tranches could not commence at the time of writing of the present document.

Secretariat's recommendation

41. Pending.

Halon Management Programme for Thailand, Halon Recovery, Recycling and Banking— Revised Proposal

Background

42. At its 29th Meeting, the Executive Committee approved funding for the halon bank in Thailand (THA/HAL/29/TAS/120 and 121) for implementation by Sweden and the World Bank. At its 45th Meeting, the Executive Committee requested the World Bank to submit a revised project proposal before any further activities for the halon banking project in Thailand took place, specifying the modified costs and project milestones for consideration by the Executive Committee in light of current guidelines and precedents (decision 45/12(g)). The request by the Executive Committee was a result of the special status report requested by the Committee on the status of the halon banking project in Thailand. In its report to the 45th Meeting, the World Bank indicated that the Government of Thailand had determined that the operation of the halon 1211/1301 bank foreseen in the project approval could not be sustained since there would be insufficient throughput to financially justify its operation. The Government of Thailand therefore suggested that the funds might be used for other activities instead of the purchase of the halon reclamation equipment.

43. The revised proposal requests that US \$260,997 be allocated to provide financial subsidies for 12 pilot demonstration projects amounting to US \$106,000 as well as US \$58,800 included in activities associated with these demonstrations to be conducted by the halon management team.

44. It would also include public awareness amounting to US \$26,577, the training of government officials for 4 workshops and 6 training workshops on halon management (US \$45,000), US \$10,000 for a database update, and US \$15,000 for monitoring.

Secretariat's comments

45. Discussions have not been concluded at the time of writing the present document. Furthermore, the Secretariat has not received a verification report or the 2005 annual implementation programme for Thailand. Consequently, disbursement of the tranches could not commence at the time of writing of the present document.

Secretariat's recommendation

46. Pending.
