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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-seventh Meeting
Montreal, 21-25 November 2005

PROJECT PROPOSALS: AFGHANISTAN

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposals:

Refrigeration

- Refrigerant management plan: policy component UNEP
- Refrigerant management plan: training programme on good practices in refrigeration UNEP
- Refrigerant management plan: umbrella project foam sector Germany
- Refrigerant management plan: recovery and recycling Germany
- Refrigerant management plan: customs training UNEP

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**PROJECT EVALUATION SHEET – NON-MULTI-YEAR PROJECTS
AFGHANISTAN**

PROJECT TITLES	BILATERAL/IMPLEMENTING AGENCY
(a) Refrigerant management plan: policy component: development and implementation of regulations	UNEP
(b) Refrigerant management plan: training programme on good practices in refrigeration	UNEP
(c) Refrigerant management plan: umbrella project foam sector	Germany
(d) Refrigerant management plan: recovery and recycling	Germany
(e) Refrigerant management plan: customs training	UNEP

NATIONAL CO-ORDINATING AGENCY	National Environmental Protection Agency (NEPA)
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT

A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF OCTOBER 2005)

179.7 ODP tonnes CFC			
0.2 ODP tonnes of CTC			

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

ODS Name	Sub-sector/quantity	Sub-sector/quantity	Sub-sector/quantity	Sub-sector/quantity
n/a				

CFC consumption remaining eligible for funding (ODP tonnes)	
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CURRENT YEAR BUSINESS PLAN ALLOCATIONS		Funding US \$	Phase-out ODP tonnes
	(a), (b), (d)	226,000	0

PROJECT TITLE:	(a)	(b)	(c)	(d)	(e)
ODS use at enterprise (ODP tonnes):			180		
ODS to be phased out (ODP tonnes):			127		
ODS to be phased in (ODP tonnes):	N/A	N/A	N/A	N/A	N/A
Project duration (months):	24	24	24	24	24
Initial amount requested (US \$):	82,950	215,000	198,000	794,220	75,000
Final project cost:					
Incremental Capital Cost (US \$)					
Contingency (10%) (US \$)					
Incremental Operating Cost (US \$)					
Total Project Cost (US \$)	82,950	215,000	198,000	794,220	75,000
Local ownership (%):					
Export component (%):					
Requested grant (US \$):	82,950	215,000	198,000	794,220	75,000
Cost-effectiveness (US \$/kg):			n/a		
Agency support cost (US \$):	10,783	27,950	25,740	97,364	9,750
Total cost (US \$):	93,733	242,950	223,740	891,584	84,750
Status of counterpart funding (Y/N):	Y	N/A	N/A	N/A	N/A
Monitoring milestones included (Y/N):	Y	Y	Y	Y	Y

Secretariat's Recommendation	Pending
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PROJECT DESCRIPTION

Background

1. On behalf of the Government of Afghanistan, the Government of Germany (as a bilateral contribution to the Fund) and UNEP have jointly submitted a refrigerant management plan (RMP) project proposal for consideration by the Executive Committee at its 47th Meeting. The project was submitted in accordance with decision 31/48 (RMP for LVC countries) to achieve the 2007 allowable CFC consumption level. The project also included a request to phase-out CFC consumption in the foam sector.

ODS consumption

2. A survey of ODS consumption in the seven largest cities in Afghanistan, covering an estimated 28 per cent of the total population of the country, was conducted in 2005 during preparation of the Afghanistan country programme/RMP. The survey was used as the basis for estimating total CFC consumption in the whole country in 2004. The estimate obtained was 179.7 ODP tonnes of CFCs, with the following breakdown: 157.5 ODP tonnes were used to service refrigeration equipment, and 22.2 ODP tonnes were used as a foam blowing agent. The CFC baseline for Afghanistan was also estimated and has been officially reported as 380 ODP tonnes.

3. Of the total CFC used in the refrigeration servicing sector, 113 ODP tonnes was allocated for servicing 300,000 CFC-based MAC units; 25 ODP tonnes for servicing domestic refrigerators and 57.5 ODP tonnes for servicing commercial and industrial refrigeration systems.

4. The majority of the refrigeration servicing workshops in operation repair all types of refrigeration systems, including MAC; only a few workshops cater exclusively for fixed systems and MAC systems. Most workshops are registered with the local trade association; however it does not ensure any basic standards of technical competence, experience or standardization of service. Most workshops are small and operated by the owner himself with minimal technical staff. The survey revealed that almost 46 per cent of technicians had already received some type of training.

5. During the 2005 survey, the following information was collected on actual levels of CFC consumption in the servicing of refrigeration equipment in 2003 and 2004:

Equipment	2003		2004	
	Units serviced	CFC (kg)	Units serviced	CFC (kg)
Refrigerators	8,863	2,658	9,296	2,296
Freezers	2,070	1,035	2,344	1,172
Water Coolers	285	178	363	226
Visi coolers	97	30	110	33
MAC	9,612	11,534	11,249	13,499
Ice cream machines	840	1,344	979	1,566
Total	21,767	16,779	24,341	18,792

Policy framework

6. ODS rules and regulations for monitoring and controlling the use of ODS have been drafted by the Ozone Officer; and steps to ban import of CFC-based equipment are currently under consideration. Additional specific work related to policy formulation, development of a licensing system and other control measures will be initiated once the Afghanistan country programme is approved by the Executive Committee.

7. In August 2004, representatives from the Ozone Units, Customs Departments and Ministries of Commerce of Afghanistan, Iran and Pakistan discussed cooperation mechanisms to control ODS import/export and procedures to adopt a harmonized legislative and regulatory mechanism for ODS.

Sub-projects in the RMP

8. The Government of Germany and UNEP assisted the Government of Afghanistan in the formulation of an RMP project. The RMP consists of the following activities:

- (a) Policy component (US \$82,950 for UNEP): this activity is aimed at developing ODS regulations and codes of good practice in refrigeration and their enforcement and monitoring;
- (b) Training programme on good practices in refrigeration (US \$215,000 for UNEP): this activity is to provide training in good refrigeration practices to 400 technicians, and includes the establishment of seven training centres;
- (c) Customs training programme (US \$75,000 for UNEP): this activity is to provide training to customs officers on issues related to ozone depletion and the Montreal Protocol, policy and regulations with respect to ODS, illegal trade and methods of tracking and controlling, recording imports of ODS and ODS-based equipment, and enforcement of a licensing system for ODS. It is also to provide 30 ODS identification kits; and
- (d) Recovery and recycling programme (US \$794,200 for the Government of Germany): this activity is to provide 192 recovery and recycling machines (at US \$3,600/machine) and ancillary equipment to refrigeration servicing workshops.

9. In addition, an umbrella investment project for the phase-out of 22.2 ODP tonnes of CFC-11 used by two foam manufacturers, at a total cost of US \$198,000, was included within the RMP proposal.

10. The Ozone Unit will be responsible for all activities related to the implementation of the Montreal Protocol; it will be the focal point to coordinate and oversee all ODS phase-out activities in the country.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

11. The Afghanistan RMP project was submitted with an official letter from the Government of Afghanistan stating the Government's commitment to achieve, without further requests for funding, at least the 85 per cent reduction in CFC consumption by 2007.

Data reporting

12. The Government of Afghanistan submitted its country programme/RMP project proposal to the 47th Meeting of the Executive Committee in accordance with decision 22/24. In its review of the Afghanistan country programme (UNEP/OzL.Pro/ExCom/47/48), the Secretariat raised a number of issues related to the level of ODS consumption in Afghanistan.

13. The Secretariat's review of the project proposal also gave rise to significant concerns about the reliability and soundness of the consumption data as reported in the country programme, which the Secretariat raised with UNEP. Subsequent to the submission of the Afghanistan country programme/RMP to the Fund Secretariat, the Government of Afghanistan officially reported its 2004 ODS consumption under Article 7 of the Montreal Protocol. Based on the data submitted by the Government, the Ozone Secretariat established consumption baselines for relevant ODS. Therefore, the Fund Secretariat completed its review on the basis of the officially reported consumption data, which is identical to the data included in the RMP project proposal.

RMP design and a proposal from the Secretariat

14. The current circumstances of Afghanistan appear to be unique. For instance, it is a landlocked country with nearly 5,500 km of borders with six neighbouring countries "which are mostly porous". Population estimates are uncertain and are not based on sound census data. The UN Human Development Index and the Human Poverty Index are amongst the lowest in the world. About 80 per cent of the population lives in rural areas. The power grid has been severely damaged, and less than 10 percent of the population currently has access to electricity. The actual number of vehicles fitted with CFC-12-based MACs is uncertain. Notwithstanding Afghanistan's circumstances, the Government of Germany and UNEP submitted what amounts to a standard RMP proposal at a total cost of US \$1,167,170 excluding agency support costs, plus an outline of a possible foam umbrella project, at a cost of US \$198,000.

15. During the discussions with UNEP (as the lead implementing agency) on the proposal, the Secretariat pointed out that Afghanistan, with a reported CFC baseline of 380 ODP tonnes, was not a low-volume-consuming (LVC) country. Therefore, decisions 31/48 (on RMPs for LVC countries) and 45/54 (on TPMPs for LVC countries) do not apply for Afghanistan.

16. In this regard, the level of eligible funding for the phase-out of ODS in Afghanistan should be calculated according to national phase-out plans (NPP), i.e., US \$5.00/kg for the CFC used in the refrigeration servicing sector, the cost-effectiveness threshold for the manufacturing sector in accordance with all decisions and guidelines that have been approved by the Executive

Committee, and additional funding for the establishment of the monitoring and evaluation unit (at 10 per cent of the total costs of the NPP).

17. According to ODS consumption reported by Afghanistan under Article 7, the total cost of the Afghanistan NPP would be US \$1,065,806, with the following breakdown:

- (a) US \$787,500 associated with the refrigeration servicing sector (current CFC consumption of 157.5 ODP tonnes);
- (b) US \$138,306 associated with the foam manufacturing sector, provided that all eligibility criteria are fulfilled, i.e., date of establishment of the facilities, baseline equipment, production output (at US \$6.23/kg for a total consumption of 22.2 ODP tonnes);
- (c) US \$40,000 for technical assistance for the phase-out of small amounts of reported CTC consumption; and
- (d) US \$100,000 for the monitoring and evaluation unit.

18. Based on the unique situation in Afghanistan in comparison with any other Article 5 country, the Secretariat suggested to the Government of Germany and UNEP that a two-phase proposal should be considered for the phase-out of CFCs in Afghanistan, similar to the approach that was proposed for D.P.R. Korea at the 41st Meeting of the Executive Committee (a request for phase II of the proposal for D.P.R. Korea has been submitted to the 47th Meeting and is contained in document UNEP/OzL.Pro/ExCom/47/31). In Phase I (2006-2007), the following activities could be undertaken, at a total cost of US \$320,000:

- (a) Full preparation of an investment project for the phase-out of CFCs used in the foam sector, in accordance with relevant decisions and guidelines adopted by the Executive Committee (i.e., current level of CFC consumption, baseline equipment, date of establishment, capacity increase, and technology upgrade). If the project is eligible for funding, it should be implemented in the shortest timeframe possible;
- (b) Further assistance for the development of ODS regulations and licensing system (notwithstanding that ODS regulations should have already been in place at the time of the submission of the country programme) and training of customs officers only at the ports of entry where customs offices are well established (US \$50,000);
- (c) Training of the refrigeration service technicians in good servicing practices who are currently working in the registered workshops in Afghanistan (US \$75,000);
- (d) Technical assistance for the refrigeration servicing technicians, including the provision of basic tools such as vacuum pumps, leak detectors, scales, service hoses, recovery bags and small cylinders and a few recovery and recycling machines, if needed (US \$125,000);

- (e) Technical assistance for the phase-out of CTC (US \$40,000); and
- (f) Start-up costs for the monitoring and evaluation unit (US \$30,000).

19. At the end of Phase I, the Government of Afghanistan could submit a report on the activities undertaken and results achieved, including the volume of CFCs permanently phased out. The report would be reviewed by the Secretariat prior to submission to the Executive Committee. The Government of Afghanistan could then be advised through the Government of Germany and UNEP to prepare and submit phase II of the project to achieve complete CFC phase-out in the country. The activities in phase II, at a total cost of up to US \$745,806 (i.e., US \$1,065,806 as the total value of the Afghanistan NPP, provided that the eligibility of the CFC consumption in the foam sector is demonstrated, minus US \$320,000 associated with phase I activities) would be identified at that time as those best suited to the evolving circumstances and needs of the country. At that time, a draft agreement between the Government of Afghanistan and the Executive Committee (with project implementation modalities, like any NPP) could be submitted for its approval by the Committee.

20. Subsequently, UNEP agreed to the consideration of the Afghanistan submission as a NPP rather than an RMP. However, UNEP also indicated that it felt that to submit in two phases would only increase administrative hurdles and use up resources that would be better applied to the implementation of the ODS phase-out in the country. The earlier resources are available for implementation, the better the stakeholder support will be. As the economy grows, and without the immediate preventive measures implied in the proposal, the Government of Afghanistan fears that ODS practices and redundant equipment from neighbouring countries will become established at a faster rate. In order to comply with the 2007 phase-out target, Afghanistan needs to quickly achieve significant reductions in the servicing sector. On this basis, UNEP and the Government of Germany proposed to request the total level of funding available for Afghanistan at the 47th and 48th Meetings.

21. The Secretariat, expressed its concern to UNEP that with virtually a single stage approval, the agencies will have less leverage with the country (because there are no remaining funds to approved) and expenditure would be delayed because the actual disbursement of funds to the field is likely to take several years (based on the reports submitted by bilateral and implementing agencies for over 2,800 investment, demonstration and technical assistance projects approved under the Multilateral Fund). Furthermore, from 2007 onwards when major challenges would be presented, no more resources may be available to the country to address them. However, it was ultimately the responsibility of the country and the relevant agencies to determine the necessary funding schedule.

Draft agreement

22. At the time of the preparation of this document, UNEP and the Government of Germany had not submitted a revised project proposal along the lines agreed during the discussions with the Secretariat. UNEP was assisting the Government of Afghanistan to prepare a draft agreement between the Government of Afghanistan and the Executive Committee for the complete phase-out of ODSs. However, the draft agreement was not available at the time of finalizing this document.

RECOMMENDATIONS

23. Pending.
