



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/47/23
23 October 2005

ORIGINAL: ENGLISH



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

PROJECT PROPOSAL: ARGENTINA

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

Phase out

- National CFC phase-out plan, 2nd tranche

UNIDO and
World Bank

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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PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
COUNTRY: ARGENTINA

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National CFC phase-out plan, 2 nd tranche	UNIDO and World Bank
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NATIONAL CO-ORDINATING AGENCY:

OPROZ

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF 16 OCTOBER 2005)**

Annex A Group I, CFCs	2,211.58
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF MAY 2005)

ODS	Aerosol	Foam	Ref. mfg.	Ref. Service	Solvent	TOTAL
CFC-11	48.0	200.0	30.0	90.0	0	368.0
CFC-12	110.0	0	20.0	1,850.0	0	1,980.0
CFC-113	0	0	0	0	4.0	4.0
CFC-114	2.15	0	0	0	0	2.15
CFC-115	0	0	0	4.45	0	4.45
CFC Total	160.15	200.0	50.0	1,944.45	4.0	2,358.6

CFC consumption remaining eligible for funding (ODP tonnes)

n.a.

CURRENT YEAR BUSINESS PLAN: Total funding US \$2,526,250: total phase-out 239.8 ODP tonnes.

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limits	4,697.20	2,348.60	2,348.60	704.6	704.6	704.6	0	n.a.
	Annual consumption limit	3,220.00	2,047.00	1,997.00	686	636	586	0	n.a.
	Total demand (reference)	2,429.50	2,189.70	1,668.00	1,268.00	868	518	158.5	9,099.7
	Annual phase-out from ongoing projects	149.1	139.8	317.7	0	0	0	0	606.6
	Annual phase-out newly addressed	0	100	200	400	400	350	359.5	1809.5
	Annual unfunded phase-out	-	-	-	-	-	-	-	-
TOTAL ODS CONSUMPTION TO BE PHASED OUT		149.1	239.8	517.7	400	400	350	359.5	2416.1
Total ODS consumption to be phased-in (HCFCs)									
Final Project costs (US\$):									
	Funding for UNIDO	2,740,000	1,850,000	1,103,500	1,167,350	0	0	0	6,860,850
	Funding for World Bank	0	500,000	0	0	0	0	0	500,000
Total project funding		2,740,000	2,350,000	1,103,500	1,167,350	0	0	0	7,360,850
Final Support cost									
	Support cost for UNIDO	205,500	138,750	82,763	87,551	0	0	0	514,564
	Support cost for World Bank	0	37,500	0	0	0	0	0	37,500
Total support costs		205,500	176,250	82,763	87,551	0	0	0	552,064
TOTAL COST TO MULTILATERAL FUND (US\$)		2,945,500	2,526,250	1,186,263	1,254,901	0	0	0	7,912,914
Final project cost effectiveness (US \$/kg)									5.6

FUNDING REQUEST: Approval of funding for 2nd tranche (2005) as indicated above.

SECRETARIAT'S RECOMMENDATION	individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Argentina, UNIDO has submitted to the 47th Meeting of the Executive Committee a request for consideration of the second tranche of the National CFC phase-out plan for Argentina. The request was accompanied by a two-part document, with the sub-titles "Part 1: Achievement of the previous annual programme" and "Part 2: Annual Implementation Programme; Second Tranche".
2. The agreement for the National CFC phase-out plan for Argentina was originally approved at the 42nd Meeting of the Executive Committee in 2004, with an associated level of funding of US \$7,360,850. With the support of this plan, the Government of Argentina intends to achieve a complete phase out of its CFC consumption by 2010, starting at a consumption level of 2,430 ODP tonnes in 2004.
3. UNIDO has reported on the implementation of the 2004 annual implementation programme. The comparison between the planned activities in the last annual implementation programme approved in 2004 and the actual activities carried out during 2004 show some discrepancies. The refrigeration manufacturing sector and the recovery and recycling activities progressed slower than planned; the industrial aerosol activity planned for 2004 was not implemented. On the other hand, the report indicated a high level of integration of activities under the plan with implementation of previously approved projects and provided a comprehensive picture of status and progress in 2004. The activities implemented as part of the 2004 annual implementation programme had associated expenditures of US \$2,740,000, of which US \$1,040,911 (38%) were actually obligated or spent until September 2005.
4. The 2005 annual implementation programme follows the format provided in the agreement between Argentina and the Executive Committee. Of the US \$2,350,000 foreseen for the 2005 programme, US \$300,000 (12.8%) are planned for a national project for training of service technicians, US \$1,404,000 (59.7%) for a national refrigerant recovery and recycling project, and US \$500,000 (21.3%) for an activity to reduce the use of CFC refrigerants in chillers, to be implemented by the World Bank. The remaining funds are associated with project management and information transfer activities.
5. The World Bank was not foreseen as a co-operating implementing agency in the original agreement between Argentina and the Executive Committee as per decision 42/25. With the reallocation of funds within the plan to accommodate a chiller component with the World Bank as its implementer, the agreement needs to be revised. Argentina requests consideration of such a revision by the Executive Committee. A draft of the proposed agreement is annexed to this document.
6. The consumption of Argentina in 2004 has been verified. The verification process had to take into account that in 2004 Argentina's licensing system was not fully operational. Consequently, data collection and comparison had to be based on customs data. The official countrywide customs database was used to extract each CFC import and export, taking into account refrigerant blends containing CFCs. In addition, verified data regarding production of CFCs was utilized. The verification showed 2,212.092 ODP tonnes of consumption, and the data

reported under Article 7 indicated 2,211.58 ODP tonnes. Plausible reasons for the difference of 512 kg equal to 0.023% were provided in the verification report. The actual consumption as per verification was significantly lower than the maximum consumption allowed under the agreement of 3,220 ODP tonnes.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

7. A number of issues were raised and clarified by UNIDO and Argentina. The report on previous activities indicated a slow start, but momentum built up rapidly. The report conveys a very good overview of the various activities in the country, both funded through the phase-out plan as well as through previous project approvals. The verification is sound. The proposal for an annual implementation programme is thorough, and the inclusion of the World Bank for a chiller component and annual plan meaningful. The necessary new agreement has been checked by the Secretariat for consistency with the previous agreement. The Secretariat can recommend this annual plan, the tranche request as well as the associated amendment to the agreement for approval.

RECOMMENDATION

8. The Executive Committee might wish to consider:
- (a) noting the submission of the report of the 2004 annual implementation programme and the verification of the 2004 CFC consumption of Argentina;
 - (b) noting with appreciation that Argentina had an actual 2004 consumption which was by almost one third lower than the 3,220 ODP tonnes defined as maximum allowable consumption for 2004 in the agreement;
 - (c) amending the agreement between Argentina and the Executive Committee to include the World Bank as a co-operating implementing agency for a chiller component, as proposed by Argentina;
 - (d) approving funding of US \$2,350,000 plus support cost of US \$176,250 for the second tranche of the National CFC phase-out plan for Argentina as follows:
 - (i) US \$1,850,000 plus US \$138,750 in support cost for UNIDO; and
 - (ii) US \$500,000 plus US \$37,500 in support cost for the World Bank, to be utilized specifically for a chiller activity in Argentina.

Annex I**DRAFT AGREEMENT BETWEEN ARGENTINA AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF OZONE-DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of Argentina (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances in the country set out in Appendix 1-A (the “Substances”) prior to 1 January 2010, in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances of the country in accordance with the annual phase-out targets set out in row 1 of Appendix 2-A and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances, other than funding for the MDI sector which is not considered in this Agreement. The Country reserves the right to request funding for the MDI sector in the future in accordance with the prevailing eligibility and funding criteria of the Multilateral Fund.
3. Subject to compliance with the following paragraphs by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 11 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Disbursement Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of the Target has been independently verified as described in paragraph 9;
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme; and
 - (d) That the Country has submitted and received endorsement from the Executive

Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country’s Annual Implementation Programme, endorsed by the Executive Committee as described in sub paragraph 5(d) and be subject to independent verification as described in paragraph 9.

8. Specific attention will be paid to the execution of the activities in the servicing sector, in particular:

- (a) The Country would use the flexibility available under this agreement to address specific needs that might arise during project implementation; and
- (b) The recovery and recycling programme for the refrigeration service sector would be implemented in stages so that resources can be diverted to other activities, such as additional training or procurement of service tools, if the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this agreement.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNIDO (the “Lead IA”) and World Bank (Co-operating IA) have agreed to be the lead implementing agency in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The Co-operating IA will be responsible to implement the Chiller component of the phase-out plan. The country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 8 and for the Co-operating IA as set out in row 10 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Target(s) for the elimination of the Substances in all the Sectors or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Disbursement Schedule. In the discretion of the Executive Committee, funding will be reinstated

according to a revised Funding Disbursement Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under the Funding Disbursement Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the reductions in consumption not achieved in any one year.

11. The funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption or production sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide access to the Lead IA to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in the Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

APPENDIX 1-A: THE SUBSTANCES

1. The ozone-depleting substances to be phased out under the Agreement are as follows.

Annex A:	Group I	CFC-11, CFC-12, CFC-113 CFC-114 and CFC-115
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APPENDIX 2-A: THE TARGETS, AND FUNDING

	2004	2005	2006	2007	2008	2009	2010	Total
Montreal Protocol Reduction Schedule (ODP tonnes)	4,697.2	2,348.6	2,348.6	704.6	704.6	704.6	0.0	n/a
1. Max allowable total consumption of CFCs ² (ODP tonnes)	3,220.0	2,047.0	1,997.0	686.0	636.0	586.0	0.0	n/a
2. Total demand of CFCs ¹ (ODP tonnes)	2,429.5	2,189.7	1,668.0	1,268.0	868.0	518.0	158.5 ³	9,099.73
3. Reduction from on-going projects (ODP tonnes)	149.1	139.8	317.7	0.0	0.0	0.0	0.0	606.6
4. New reduction under plan ⁴ (ODP tonnes)	0.0	100.0	200.0	400.0	400.0	350.0	359.5	1809.5
5. Total annual reduction (ODP tonnes)	149.1	239.8	521.7	400.0	400.0	350.0	359.5	2420.1
6. Stockpile ⁵ (ODP tonnes)	2,421.2	2,278.5	2,607.5	2,025.5	1,793.5	1,861.5	1,703.0	14,690.7
7. Lead I.A. agreed funding ⁶	2,740,000	1,850,000	1,103,500	1,167,350	0	0	0	6,860,850
8. Lead I.A. support costs	205,500	138,750	82,763	87,551	0	0	0	514,564
9. Co-operating I.A. (WB) agreed funding	0	500,000	0	0	0	0	0	500,000
10. Co-operating I.A. (WB) support cost	0	37,500	0	0	0	0	0	37,500
11. Total agreed funding (US \$)	2,740,000	2,350,000	1,103,500	1,167,350	0	0	0	7,360,850
12. Total agency support costs (US \$)	205,500	176,250	82,763	87,551	0	0	0	552,064

¹ Estimated.

² Article 7 data (production – export + import) constitute the target under this Agreement.

³ Save for essential uses.

⁴ Reduction of the demand for virgin CFCs in all consumption sectors from the estimated CFC total demand.

⁵ For information purposes

⁶ Funding for CFC reduction activities of eligible consumption in all sectors except the MDI sector. Funding for the MDI sector will be considered in the future in line with the prevailing eligibility and funding criteria.

APPENDIX 3-A: FUNDING DISBURSEMENT SCHEDULE

1. Funding will be considered for approval at the first meeting in the year of the annual plan.

APPENDIX 4-A: FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME

1. Data

Country _____

Year of plan _____

of years completed _____

of years remaining under the plan _____

Target ODS consumption of the preceding year _____

Target ODS consumption of the year of plan _____

Level of funding requested _____

Lead implementing agency _____

Co-operating agency _____

2. Targets

Target:				
Indicators		Preceding Year	Year of Plan	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. **Industry Action**

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
GRAND TOTAL						

4. **Technical Assistance**

Proposed Activity: _____

Objective: _____

Target Group: _____

Impact: _____

5. **Government Action**

Policy/Activity Planned	Schedule of Implementation
Policy control on ODS import	
Public awareness	
Others	

6. **Annual Budget**

Activity	Planned Expenditures (US \$)
TOTAL	

7. **Administrative Fees**

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The National Ozone Unit (OPROZ) monitors the consumption data of all ODS. Inspections at converted companies are foreseen to ensure permanent phase out of CFCs after project completion. The licensing system, which is under approval, will be a tool to monitor and ensure compliance of control measures.
2. The Government has offered and intends to offer continuity of activities and endorsement for the projects through the institutional support over the next years. This will guarantee the success of any activity approved for Argentina.
3. After the establishment of the countrywide scheme of refrigerant recovery and recycling, the monitoring activity will be initiated to determine whether the project is successfully implemented and the target CFC phase out is achieved.
4. Monitoring activity will be done by:
 - (a) Establishing a system to ensure that every recycling and reclamation centre and substantive size service workshop is encouraged or obliged to report data and give information to the recovery and recycling scheme. This may be enabled through forms to be filled by recycling centres and service workshops;
 - (b) Setting up adequate office facilities including a computer system to collect and analyse the data;
 - (c) Regular communication with the regional environmental and industry departments, customs offices, education and training institutions and industry associations;
 - (d) Occasional visits to service workshops, recycling and reclamation centres.
5. Following information will have to be supplied by the recycling and reclamation centres and substantive size service workshops.

CFC quantity

- Number of appliances subjected to refrigerant recovery and type (commercial, MAC, domestic etc.) of these appliances at every service workshop;
- Amount of recovered CFC refrigerants at every workshop;
- Amount of recovered CFC refrigerants sent to the recycling centres at every workshop;
- Amount of recovered CFC refrigerants stored at every workshop;
- Amount of recovered CFC refrigerants received from service workshops at every recycling centre;
- Amount of recycled/reclaimed CFC refrigerants at recycling/reclaim centres;

- Amount of recycled/reclaimed CFC refrigerants returned (sold) to workshops;
- Amount of recycled/reclaimed CFC refrigerants used in workshops and its application;
- Amount of virgin refrigerant by type consumed in workshops and its application;
- Amount of CFC refrigerants, which can not be recycled and are subject to further treatment (e.g., sent to reclaiming plants, or decomposition plants abroad);
- Other data relevant for monitoring the scheme (amount of imported CFC refrigerants etc.).

Cost information

- Cost of recovery at every service workshop and parties who bear the cost;
- Cost of recycling at every recycling centre and parties who bear the cost;
- Price of recycled CFC refrigerants;
- Cost of reclaiming at every reclamation centre and parties who bear the cost;
- Price of reclaimed CFC refrigerants;
- Other financial information relevant to monitoring the recovery recycling and reclamation scheme.

6. Data and information collected will be analysed to check the adequate operations of the scheme.

7. In the manufacturing sector the implementation process and the achievement of the phase-out will be monitored through site visits at enterprise level.

8. UNIDO will perform regular monitoring, verification and auditing of the implementation of the National Phase-out Plan in line with the established procedures of both the Multilateral Fund and UNIDO.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;
- (c) Assisting the Country in preparation of the Annual Implementation Programme;

- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
- (e) Report on the implementation of the Annual Implementation Programme of the preceding year and the Annual Implementation Programme for the year are to be prepared and submitted to the first meeting of the Executive Committee of the year;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been in accordance with the Target;
- (j) Ensuring that disbursements are made to the Country in a timely and effective manner;
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$9,840 per ODP tonne of reductions in consumption¹ not achieved in the year.

¹ As measured according to Article 7 of the Protocol.