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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: PAKISTAN

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

Refrigeration

- Implementation of the RMP (institutional framework, customs empowerment, training service technicians, recovery and recycling) (third tranche)

UNIDO

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

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

| | |
|--|-------|
| Implementation of the RMP (institutional framework, customs empowerment, training service technicians, recovery and recycling) (third tranche) | UNIDO |
|--|-------|

NATIONAL CO-ORDINATING AGENCY:

Ministry of Environment

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

| | | | |
|-----------------------|-------|--|--|
| Annex A, Group I CFCs | 805.0 | | |
|-----------------------|-------|--|--|

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2003, AS OF SEPTEMBER 2005)

| ODS | Foam | Ref. manuf. | Ref. servicing | ODS | Solvents | Process agent | Fumigant |
|--------|-------|-------------|----------------|-----|----------|---------------|----------|
| CFC-11 | 91.00 | 182.55 | 0.45 | | | | |
| CFC-12 | 15.00 | 218.00 | 707.00 | | | | |

CFC consumption remaining eligible for funding (ODP tonnes)

0

CURRENT YEAR BUSINESS PLAN: Total funding US \$445,373: total phase-out 78 ODP tonnes.

| PROJECT DATA | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total |
|--|--|---------|---------|----------------|-------|-------|-------|-------|------|-----------|
| CFCs (ODP tonnes) | Montreal Protocol limits | 1,679.4 | 1,679.4 | 839.7 | 839.7 | 251.9 | 251.9 | 251.9 | 0 | n/a |
| | Annual consumption limit | 614 | 614 | 534 | 379 | 179 | 79 | 39 | 0 | n/a |
| | Annual phase-out from ongoing projects | 0 | 0 | 80 | 155 | 200 | 100 | 40 | 39 | 614* |
| | Annual phase-out newly addressed | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| | Annual unfunded phase-out | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| TOTAL ODS CONSUMPTION TO BE PHASED OUT | | 0 | 0 | 80 | 155 | 200 | 100 | 40 | 39 | 614 |
| Total ODS consumption to be phased-in (HCFCs) | | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Project cost as originally submitted (US \$) | | | | | | | | | | |
| Total project funding for UNIDO (US \$) | | 191,000 | 534,200 | 414,300 | 0 | 0 | 0 | 0 | 0 | 1,139,500 |
| Total support costs for UNIDO (US \$) | | 14,325 | 40,065 | 31,073 | 0 | 0 | 0 | 0 | 0 | 85,463 |
| TOTAL COST TO MULTILATERAL FUND (US \$) | | 205,325 | 574,265 | 445,373 | 0 | 0 | 0 | 0 | 0 | 1,224,963 |
| Final project cost effectiveness (US \$/kg) | | | | | | | | | | 5.3 |

* Funding of the 2005 (last) tranche will result in the phase-out of 379 ODP tonnes of CFCs. The remaining 235 ODP tonnes of CFCs will be achieved through projects initiated with previous funding tranches.

Funding request: Approval of funding for the third tranche (2005) as indicated above

| | |
|-------------------------------------|---|
| SECRETARIAT'S RECOMMENDATION | Blanket approval at the costs indicated above |
|-------------------------------------|---|

PROJECT DESCRIPTION

1. The Government of Pakistan has submitted, through UNIDO, for consideration by the Executive Committee at its 47th Meeting, a request for the third and last tranche of the implementation of the refrigerant management plan (RMP) project being implemented by UNIDO.

Background

2. At its 41st Meeting, the Executive Committee approved in principle the RMP for Pakistan at a total cost of US \$1,139,500 excluding agency support costs. Through the RMP, the Government of Pakistan committed to phasing out 215 ODP tonnes of CFCs used in the refrigeration servicing sector by 2007, representing the total CFC consumption eligible for funding in this sub-sector. The RMP was approved on the understanding that any remaining CFC consumption in the refrigeration servicing sector (estimated at 400 ODP tonnes) would be phased out by the Government of Pakistan without further assistance from the Multilateral Fund. At the same Meeting, the Executive Committee allocated US \$191,000 for the first tranche of the RMP project.

3. Based on the results achieved during the first phase of the project, the Executive Committee approved the second tranche of the RMP project at its 44th Meeting, and allocated US \$534,200 plus agency support costs to UNIDO for its implementation.

4. The level of CFC consumption in Pakistan, as reported by the Government under Article 7, decreased from 1,124 ODP tonnes in 2003 to 805 ODP tonnes in 2004, i.e., a reduction of 319 ODP tonnes. The 2004 CFC consumption is below the 50 per cent of the country's CFC baseline for compliance (i.e., 839.7 ODP tonnes).

Progress report

5. Based on the limited level of funding approved for phasing out CFC consumption in the refrigeration servicing sector, the Government of Pakistan considered the training programme for refrigeration servicing technicians as the main RMP project component to achieve the complete phase-out of CFCs. Therefore, during the second phase of the project, most of the funding approved was assigned to the training component.

6. During implementation of the second phase of the RMP, 37 ODS identification kits had been distributed to customs officers; 37 refrigeration technicians were trained as trainers for other technicians working in the country; and eight sets of training equipment were procured and distributed to training centres. Each set consists of a reclamation machine, a recovery machine and a recycling machine with ancillary equipment. These centres will also be used as recycling centres, ensuring maximum equipment use.

7. In the second quarter of 2005, a new national organization for the implementation of the Montreal Protocol in Pakistan was established. This organization comprises:

- (a) A national project director within the Ministry of Environment;

- (b) A national programme manager within UNDP (institutional strengthening and overall coordination);
- (c) A project management unit within UNIDO (CTC and RMP); and
- (d) A project management unit within the World Bank (CFC manufacturing sector).

8. The national project director is responsible for the overall supervision of project implementation, including establishing priorities, making budget allocations in accordance with ODS reduction targets, and enforcing relevant regulations.

9. The financial status of the RMP for Pakistan, as of September 2005, is presented in the table below:

| Programmes | US \$ approved | | | US \$ disbursed | | |
|------------------------|----------------|-------------|---------|-----------------|-------------|---------|
| | 1st tranche | 2nd tranche | Total | 1st tranche | 2nd tranche | Total |
| Project management | 81,000 | 60,000 | 141,000 | 58,253 | 13,003 | 71,256 |
| Customs programme | 77,000 | 0 | 77,000 | 77,797 | 0 | 77,797 |
| Technicians training | 33,000 | 274,200 | 307,200 | 53,817 | 302,762 | 356,579 |
| Recovery and recycling | 0 | 200,000 | 200,000 | 0 | 0 | 0 |
| Total funding | 191,000 | 534,200 | 725,200 | 189,867 | 315,765 | 505,632 |
| Total disbursement (%) | | | | 99.4% | 59.1% | 69.7% |

2006 plan of action

10. The following activities are being proposed to phase out 379 ODP tonnes of CFCs:
- (a) To provide additional support to customs officers by addressing ODS-related issues in regular training programmes for customs officers. In addition, the usefulness of the refrigerant identifiers already delivered will be assessed;
 - (b) To continue with the training programme for refrigeration servicing technicians, according to the action plan developed during the second tranche of the RMP (all trained technicians will be certified by the relevant authority in Pakistan). Consideration will be given to guaranteeing the long-term sustainability of the training programme;
 - (c) Establish 20 recycling centres throughout the country, including training in administration, recovery and recycling operations and ODS regulations for the personnel operating the centres. The final phase, which involves providing recovery machines and basic tools to servicing workshops, will be implemented;
 - (d) To continue public awareness campaigns through newspapers; the distribution of brochures, pamphlets and other material; television campaigns; and
 - (e) Project management and monitoring.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

11. According to the plan of action prepared by the Government of Pakistan, the Secretariat noted that, of the 28,700 technicians in the country, only 2,870 (i.e., 10 per cent of the total number of technicians) will ever be trained. UNIDO pointed out that, with the funding level approved for the RMP, the coverage of service technicians was very limited. Moreover, the Government of Pakistan and UNIDO were efficiently utilizing the funds available to them to achieve the phase-out of CFCs used in the refrigeration servicing sector.

12. It is reported in the RMP project proposal that several hundred tonnes of CFCs will be needed after 2010, mainly for servicing CFC-based domestic refrigerators. Therefore, the refrigeration servicing industry will have to get significant volumes of CFCs after 2007 from elsewhere other than from imports. Taking into consideration the characteristics of the refrigeration servicing sector in Pakistan, the Secretariat noted that the most technically and economically viable solution for servicing CFC-based equipment after 2010 would be from stocks of CFCs. However, technical and financial needs for this option were not discussed in the RMP proposal. In this regard, UNIDO pointed out that the training of technicians in good refrigeration servicing practices would result in reasonable reductions in the level of CFC consumption. The second source of CFCs would be from the recovery and recycling programme. UNIDO further pointed out that the specific proposal by the Secretariat on stocks of CFCs for servicing refrigeration equipment after 2010 deserves full consideration and will be discussed in detail with major stakeholders after careful study of the issue.

13. Based on the above considerations, the Secretariat proposed a different approach for the utilization of the funds still available under the Pakistan RMP. The US \$635,000 (including about US \$220,000 that had not been disbursed from the 2nd tranche) could be used to:

- (a) Purchase only a limited number of recovery and recycling machines,
- (b) Provide basic training in good refrigeration servicing practices to a larger number of technicians (i.e., in "less formal" training courses); and
- (c) Establish a "CFC stockpile system.

14. Subsequently, UNIDO reconsidered the allocation of available funds as follows: training programme for refrigeration servicing technicians (US \$190,000), recovery and recycling project (US \$124,300), technical assistance for a feasibility study of the CFC stockpile system (US \$50,000), and a project management unit (US \$50,000).

RECOMMENDATION

15. The Fund Secretariat recommends blanket approval of the project proposal at the level of funding indicated in the table below.

| | Project Title | Project Funding (US\$) | Support Cost (US\$) | Implementing Agency |
|-----|--|-----------------------------------|--------------------------------|--------------------------------|
| (a) | Implementation of the RMP (institutional framework, customs empowerment, training service technicians, recovery and recycling) (third tranche) | 414,300 | 31,073 | UNIDO |
