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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-ninth Meeting
Montreal, 10-14 July 2006

PROJECT PROPOSAL: NIGERIA

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

Solvent

- Terminal ODS phase out umbrella project in the solvent sector
(third tranche)

UNIDO

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

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

(a)	Terminal ODS phase out umbrella project in the solvent sector (third tranche)	UNIDO
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NATIONAL CO-ORDINATING AGENCY:

Federal Ministry of Environment

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF MAY 2006)**

Annex B, Group II	166.65		
Annex B, Group III	31.30		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF MAY 2006)

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Process agent	Fumigant
					CTC: 166.65		
					Methyl chloroform: 31.3		

CFC consumption remaining eligible for funding (ODP tonnes)

n/a

CURRENT YEAR BUSINESS PLAN: Total funding: US \$457,000: total phase-out: 53.4 ODP tonnes.

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
TCA (ODP tonnes)	Annual consumption limit	166.7	22.9	22.9	22.9	0	0	0	
CTC (ODP tonnes)	Annual consumption limit	31.3	23.0	23.0	23.0	23.0	23.0	0	
TOTAL ODS CONSUMPTION TO BE PHASED OUT									
	CTC	143.8	0	0	22.9	0	0	0	
	TCA	8.3	0	0	0	0	23	0	
Total ODS consumption to be phased-in (HCFCs)		n/a							
Project cost as originally submitted (US \$)									n/a
Total project funding (US \$):		530,000	317,000	425,000	303,200	0			1,575,200
Total support costs (US \$)		39,750	23,775	31,875	22,740	0			118,140
TOTAL COST TO MULTILATERAL FUND (US \$)		569,750	340,775	456,875	325,940	0			1,693,335
Final project cost effectiveness (US \$/kg)									

FUNDING REQUEST: Approval of funding for the third tranche (2006) as indicated above.**SECRETARIAT'S RECOMMENDATION**

Blanket approval at the costs indicated above

PROJECT DESCRIPTION

1. On behalf of the Government of Nigeria, UNIDO has submitted to the 49th Meeting a report on the activities undertaken since approval of the terminal ODS phase-out project in the solvent sector for Nigeria, together with an annual implementation plan for the third tranche. UNIDO has also requested approval of US \$425,000 plus support costs of US \$31,875 for implementation of the 2006-2007 programme.

Background

2. At the 43rd Meeting the Executive Committee approved in principle the terminal ODS phase-out project in the solvent sector for Nigeria at a total cost of US \$1,575,200 plus support costs of US \$118,140 for UNIDO (decision 43/31). The Executive Committee also approved funding for the first tranche of the project at a cost of US \$530,000 plus support costs of US \$39,750 for UNIDO (decision 43/31). The second tranche of US \$317,000 plus US \$23,775 was approved at the 46th Meeting on the condition that disbursement of the funding should not commence until agreement between the Secretariat and UNIDO had been reached that the specified 2004 consumption limits had been verified. The Executive Committee requested UNIDO to follow the requirements of decision 43/31 in submitting requests for subsequent tranches of the project.

3. Subsequently, the Secretariat and UNIDO reached agreement on verification of the 2004 consumption and the second tranche was released to UNIDO in February 2006.

4. Decision 43/31 stipulates that the funding of the 2005 and subsequent tranches would be requested at the last Meeting of the Executive Committee in the relevant years. For UNIDO and the Government of Nigeria, it appears to be practical to request 2006 and subsequent tranches at the 2nd meeting of the Executive Committee in order to pursue the activities planned in the same year rather than at the 3rd meeting, as is reflected in decision 43/31. The Executive Committee discussed at its 48th Meeting the issue of timing in requesting funding tranches under multi-year agreements. In its decision 48/15, the Executive Committee urged Article 5 countries and implementing agencies that for new multi-year agreements annual tranche submissions be considered at the first or the second meeting of the year.

Progress report on activities so far implemented

5. The 2005 ODS consumption targets established in the terminal umbrella project were: CTC - 22.9 ODP tonnes and TCA – 23.0 ODP tonnes. As reported in the progress report, CTC and TCA consumption in 2005 was zero ODP tonnes. The calculated level of consumption for the year 2005 was determined in accordance with the Montreal Protocol definition (production + imports – exports) which in the case of Nigeria amounts to imports only since there was no production or export. The verification report has been made available to the Secretariat as part of the documentation submitted by UNIDO with the request for the 2006 funding tranche.

6. A series of actions and activities undertaken by the Federal Ministry of Environment resulted in a significant reduction in demand for CTC and TCA. There is increased awareness of the availability and applicability of substitutes for CTC and TCA, and a number of enterprises have been converting to these alternatives.

7. Since the approval of the solvent sector phase-out plan, the following activities have been implemented:

- (a) The Federal Ministry of Environment has established a network of field offices which, together with the National Ozone Office, use a permitting and licensing system to control the importation of ODS. The final draft of a comprehensive ODS control act is now with the Federal Ministry of Justice for review and redrafting. It is expected that the act will be passed into law before the end of 2006;
- (b) The NOU undertook a comprehensive survey of the relevant industry sub-sectors with the assistance of national industrial experts;
- (c) Technical assistance was provided to selected formulators of cleaning solvents to assist them in developing new formulations for their products (degreasers, stain removers, leather dyes, pigment dispersants, defoamers etc.) based on non-ODS chemicals available in Nigeria;
- (d) Sixteen ultrasonic cleaning machines were delivered and installed by March 2006;
- (e) A national expert was trained on the use of ultrasonic cleaning equipment and alternative cleaning agents in July 2005 by the U.S. supplier;
- (f) Financial assistance was provided to some of the cleaning contractors that formulate degreasing solvents for their own use. As part of the corporate users programme, Peugeot Automobile Nigeria has phased out the use of TCA in the cleaning line of automobile parts by converting to a non-ODS detergent cleaning system;
- (g) The NOU continued implementation of the public awareness programme.

8. The remaining demand for CTC in different solvent applications in Nigeria in 2005 was estimated by UNIDO and is shown in the following table. The anticipated demand would be in the range of 60 ODP tonnes for CTC, and 10 – 20 ODP tonnes for TCA in 2005. This demand was met from quantities stockpiled in 2004.

Table 1

CTC	2003	2004 low side	2004 high side	2005 estimated maximum
MP Obligation	not controlled	not controlled		22.9
Limit as per Decision 43/31	166.7	166.7		22.9
Total usage	166.7	94.3	164.8	63.6
Formulator	85.8	70.0	92.0	9.0
Industrial cleaning	9.4	2.8	8.4	6.3
Parts cleaning	33.0	9.9	29.7	22.3
Dry cleaning	16.5	5.0	14.9	11.1
Corporate user	22.0	6.6	19.8	14.9

TCA	2003	2004 low side	2004 high side	2005 estimated maximum
MP Obligation	32.9	32.9		23.0
Limit as per Decision 43/31	31.3	31.3		23.0
Total usage	31.3	8.6	19.8	10.6
Formulator	15.6	3.9	5.7	0.7
Industrial cleaning	3.4	1.0	3.1	2.3
Parts cleaning	10.3	3.1	9.3	7.0
Dry cleaning	0	0.0	0.0	0.0
Corporate user	2.0	0.6	1.8	1.4

9. US \$770,412 of the total funds approved for the first and the second tranches of the project (US \$847,000) has been disbursed.

Verification of 2005 consumption limits

10. UNIDO submitted a report on verification of national consumption targets for CTC and TCA established in the solvent sector terminal umbrella project in Nigeria. The verification report was prepared by Anila Resources Limited, Nigeria. The report verified the import of CTC and TCA through inspection of the import/export licensing system procedure established by the Ministry of Environment. The report confirmed that the import and consumption of CTC and TCA respectively was zero ODP tonnes in 2005.

11. The verification team collected information on prices for CTC and TCA which is presented in the following table:

Table 2

US \$/kg	2004	Q1, 2005	2006
CTC	9.4	15.6	17.0 – 19.0 or higher
TCA	6.6 – 7.8	9.4	12.5 or higher

Annual implementation plan for the third tranche

12. UNIDO has submitted an annual implementation plan (AIP) for the third tranche of the solvent sector project. The consumption limits are identical to the levels specified in decision 43/31 (indicated in the project cover sheet).

13. The Government of Nigeria intends to control imports in 2006 to levels lower than the limits in the terminal phase-out plan. The project document contains detailed estimates of CTC and TCA demand in each industrial sub-sector. The actual demand for CTC and TCA in 2005 was significantly lower than the established maximum allowable levels of consumption. For 2006 and subsequent years, it is estimated that the demand would be about 50% of the value for the previous year. The AIP contains the estimated future demands for CTC and TCA in Nigeria.

14. The following activities are proposed for the third tranche of the project to assist in the reduction of demand, particularly in 2006:

- (a) Awareness campaign (continued from the second tranche) to be completed at the end of 2006;
- (b) Formulator programme: assistance for facility modification with an expected impact of 15.4 ODP tonnes of CTC and 9.9 ODP tonnes of TCA) to be completed in the second quarter of 2007;
- (c) Industrial cleaning contractor programme with an expected impact of 9.4 ODP tonnes of CTC and 3.4 ODP tonnes of TCA to be completed in the second quarter of 2007;
- (d) Programme for cleaners of parts with an expected impact of 6.8 ODP tonnes of CTC and 9.3 ODP tonnes of TCA to be completed at the end of 2006;
- (e) Corporate users programme with an expected impact of 22 ODP tonnes of CTC and 2.0 ODP tonnes of TCA to be completed in the second quarter of 2007;
- (f) Dry cleaning shop programme with an expected impact of 16.5 ODP tonnes of CTC to be completed in the second quarter of 2007;

15. The potential actions to be implemented by the Government include the following:

- (a) Development of regulations on the control of ozone depleting solvents in Nigeria;
- (b) Training programmes for dry cleaning, corporate use and industrial cleaning sub-sectors;
- (c) Training programme for customs officers and relevant Government agencies;
- (d) Monitoring and inspection; and
- (e) Consultative meetings (twice a year) with major stakeholders on the control of ozone depleting substances in Nigeria.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

16. The verification report provided one major conclusion, namely, that official figures indicate that imports of CTC and TCA were zero ODP tonnes in 2005 in Nigeria. No import licenses were issued in 2005. Thus, Nigeria has met the targets as defined in the Agreement with the Executive Committee. The Secretariat notes that the verification team collected information on current prices of CTC and TCA, which increased significantly due to the lack of supply. The verification team also visited a number of sites with completed and on-going projects, and observed that the demand for CTC and TCA had dropped significantly due to high prices and the availability of cheaper substitutes.

17. The Secretariat indicated to UNIDO that it would have been helpful to demonstrate in quantitative terms, as part of the verification, that the actual quantities of CTC and TCA used during 2005 could have been provided from the stockpile accumulated in 2004. This was particularly the case because if the higher range of the estimated levels of use provided in the submission were corroborated, the total projected use in 2004 and 2005 would have exceeded the total level of imports in 2004.

18. UNIDO reported that a comprehensive verification of the actual use of CTC and TCA in Nigeria would be extremely difficult given the number of small-scale industries scattered all over the country. Therefore, the verification of the actual use was limited to a review of a representative sample of reports from importers and where available, from distributors. Although the stocked amounts of CTC and TCA would represent important information, it was not explicitly requested by the auditor based on the terms of reference. UNIDO indicated that the corroboration of reported data on the existing demand would be possible in the future when on estimation of the stockpile will be included in the terms of reference for the verification. UNIDO will work with the Government of Nigeria on the possible modification of the terms of reference for the next verification to include the assessment of the amount stocked.

19. The Secretariat notes that most of activities included in the 2005 annual implementation programme had been completed as planned.

20. The Executive Committee had through decision 43/31 approved the project in principle and envisaged that future tranches would be requested at the last meeting of the year. However the second tranche was approved at the second Meeting in 2005 (46th), to facilitate implementation (although funding was not released until February 2006, following the conclusion of discussions on verification). UNIDO is now seeking approval of the third tranche at the second meeting in 2006, again to facilitate implementation. Ninety per cent of approved funding has been disbursed. In its advice to the 48th Meeting on delayed tranches, the Secretariat indicated this project as being schedule for the second meeting of the year, and this would appear to be a satisfactory arrangement.

RECOMMENDATIONS

21. The Fund Secretariat recommends:

- (a) Blanket approval of the third tranche of the project with associated support costs at the funding levels shown in the table below;

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Terminal ODS phase out umbrella project in the solvent sector (third tranche)	425,000	31,875	UNIDO

- (b) Approval of an adjustment to the condition for submission of requests for funding agreed in decision 43/31, to make provision for submission to the second meeting of each year.