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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fiftieth Meeting  
New Delhi, 6-10 November 2006

**PROJECT PROPOSAL: MEXICO**

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

Phase-out

- National CFC phase-out plan: 2006 work programme

UNIDO

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  
MEXICO**

<b>PROJECT TITLE</b>	<b>BILATERAL/IMPLEMENTING AGENCY</b>
National CFC phase-out plan: 2006 work programme	UNIDO

<b>NATIONAL CO-ORDINATING AGENCY:</b>	SEMARNAT
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**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**

**A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF AUGUST 2006)**

Annex A Group I, CFCs	1,604.02		
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**B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)**

ODS	Aerosol	Foam	Ref. servicing	ODS	Solvents	Process Agent	Fumigant
CFC-11	9.03						
CFC-12	22.89		387.01				
CFC-113	6.136						
CFC-114	6.00						

<b>CFC consumption remaining eligible for funding (ODP tonnes)</b>	0
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**CURRENT YEAR BUSINESS PLAN:** Total funding US \$320,000: total phase-out 55.4 ODP tonnes.

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
CFCs	Montreal Protocol limits	4,625	2,312	2,312	694	694	694	0	n.a.
	Annual consumption limit	4,403	2,205	150	50	50	50	0	n.a.
(ODP tonnes)	Total demand (reference)	1,932	1,667	1,190	725	425	195	140	6,274
	Annual phase-out from ongoing projects	40	165	77	15	0	0	0	297
	Annual phase-out newly addressed	0	100	400	450	300	230	55	1535
	Annual unfunded phase-out	0	0	0	0	0	0	0	0
<b>TOTAL ODS CONSUMPTION TO BE PHASED OUT</b>		<b>40</b>	<b>265</b>	<b>477</b>	<b>465</b>	<b>300</b>	<b>230</b>	<b>55</b>	<b>1832</b>
Total ODS consumption to be phased-in (HCFCs)									
Project cost as originally submitted (US \$)									
<b>Final project costs (US\$):</b>									
	Funding for UNIDO	3,517,000	4,478,000	299,500	0	0	0	0	8,294,500
	Funding for World Bank	0	500,000	0	0	0	0	0	500,000
	<b>Total project funding</b>	<b>3,517,000</b>	<b>4,978,000</b>	<b>299,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,794,500</b>
<b>Final support costs (US \$)</b>		0	0	0	0	0	0	0	0
	Support cost for UNIDO	263,775	335,850	22,463	0	0	0	0	622,088
	Support cost for World Bank	0	37,500	0	0	0	0	0	37,500
	<b>Total support costs</b>	<b>263,775</b>	<b>373,350</b>	<b>22,463</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>659,588</b>
<b>TOTAL COST TO MULTILATERAL FUND (US\$)</b>		<b>3,780,775</b>	<b>5,351,350</b>	<b>321,963</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,454,088</b>
Final project cost effectiveness (US \$/kg)									5.26

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

<b>SECRETARIAT'S RECOMMENDATION</b>	Blanket approval
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## PROJECT DESCRIPTION

1. On behalf of the Government of Mexico, UNIDO has submitted to the 50th Meeting of the Executive Committee a request for the third tranche of the national CFC phase-out plan at a total cost of US \$299,500 plus agency support costs of US \$22,463. 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; Third Tranche", as well as by a verification report as delineated in the Agreement between the Government of Mexico and the Executive Committee.

### Background

2. The Agreement for the national CFC phase-out plan for Mexico was originally approved at the 42nd Meeting of the Executive Committee in 2004, with an associated level of funding of US \$8,794,500. Through this Plan, the Government of Mexico intended to achieve a phase-out of its CFC consumption to 3.2 % of its baseline in 2006, 1.1 % in 2007 and complete phase-out by the end of 2009, starting at a consumption level of 4,403 ODP tonnes in 2004.

3. UNIDO submitted a request for a second tranche to the 45th Meeting of the Executive Committee. At that time, three of the agreement's four preconditions for approval of annual tranches had not been fulfilled, namely verification, the implementation of the previous year's annual programme, and the presentation of a suitable annual implementation programme for the current year. The Executive Committee, in its decision 45/51, approved the funding, amended the agreement to include a chiller component and the World Bank as a co-operating agency, and 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. The Secretariat was able to advise UNIDO on 31 January 2006 that the conditions for disbursement had been fulfilled.

### Annual programmes

4. The report regarding the implementation of the second tranche provided information on the finalisation of the programme management unit (PMU) with a total of eight staff, awareness measures, and the training of 38 customs and a further 29 instructors from the Environment Protection Federal Attorney's Office. Twenty eight sets of identification equipment had been provided to customs. The project upgraded 20 refrigeration technician training centres in the country and supported the upgrade of training manuals. Thirty nine trainers have been trained, and 2,100 sets of tools for refrigeration technicians have been purchased and will be distributed in line with the training. The actual training has not yet commenced.

5. An incentive programme for the replacement of CFC refrigerators and air conditioning equipment was initiated jointly with the Fund for Energy Savings in Mexico. The activity includes the recovery of CFCs from the appliances. To carry out this activity, 90 centres were selected, equipped with recovery equipment, and their personnel trained. These efforts facilitated the destruction of 604,000 domestic refrigerators with 22 tonnes of CFC-12 recovered. The chiller component has replaced two chillers, activities for the replacement of a further 8 chillers have been cancelled because of various reasons.

6. The verification report included a thorough review of the country's legislation regarding import and export of ODS, the list of importers and exporters of CFCs, and the amount of CFC produced, imported and exported. The amount of CFC produced in Mexico is being verified as part of a separate production sector verification effort. Data provided from different sources was compared and analyzed. The verified CFC consumption of Mexico was 2,056 ODP tonnes, as compared to a target consumption of 2,312 ODP tonnes. According to the information provided in the annual plan, 1,415.25 ODP tonnes (69%) of the consumption has been stockpiled. Consequently, the regular use of CFC in the country has already decreased to 641 ODP tonnes.

7. The Plan for the next year foresees completion of one conversion of an aerosol manufacturer, funded before the national plan had been prepared, and expected to yield a reduction in consumption of 45 tonnes. Taking into account the figure for stockpiling, the remaining use of CFCs of 595 ODP tonnes for 2005 is in the refrigeration servicing sector.

8. In the implementation of the next tranche, the ambitious objective for technician training is the organization of 200 workshops and training of 4,100 technicians. 2,100 of them are to be selected and equipped with the tools already purchased in the previous year. The plan also foresees to establish seven recycling centers in the country, consisting of the necessary institutional set-up, supply of equipment and training of personnel. The chiller component is supposed to implement 4 more replacements. The country is planning to continue the development of a strategy for the long-term management of refrigerant gases, which focuses on storage, recycling, and the feasibility of installing a destruction facility. Finally, the plan includes awareness components and the funding of the plan management.

## **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

### **COMMENTS**

9. UNIDO, on behalf of the Government of Mexico, has submitted a report detailing the activities during implementation of the second tranche. The Secretariat found the PMU, consisting of 8 staff members to be unusually generous. The training should have commenced already, at least on a trial basis, but so far only the preparations have been completed. The success rate in the chiller component is lower than expected. The remaining activities however, have been implemented as planned, and the verification shows full compliance with the conditions of the agreement. The planned activities for the next tranche are very ambitious regarding the amount of training to be undertaken. UNIDO informed the Secretariat that they were aware of the challenges but were confident that they would be able to deliver the outcome.

10. The above remarks concern issues which are, in comparison, relatively minor. The overall impression from the review is that the implementation is proceeding well and with good success rate. This is further underlined and secured by the recent production closure in Mexico.

**RECOMMENDATION**

11. The Fund Secretariat recommends blanket approval of the third tranche of the national CFC phase-out plan for Mexico with associated support costs at the funding levels shown in the table below:

	<b>Project Title</b>	<b>Project Funding (US \$)</b>	<b>Support Cost (US \$)</b>	<b>Implementing Agency</b>
(a)	National CFC phase-out plan: 2006 work programme	299,500	22,463	UNIDO