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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-second Meeting
Montreal, 23-27 July 2007

PROJECT PROPOSAL: ECUADOR

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

Phase-out

- National CFC phase-out plan: 2007 annual programme 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
ECUADOR**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National CFC phase-out plan: 2007 annual programme	World Bank
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NATIONAL CO-ORDINATING AGENCY:

MICIP

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF JUNE 2007)**

Annex A	132.5		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF JUNE 2007)

ODS	Aerosol	Foam	Ref. Mfg.	Ref. Servicing	Solvents	Process agent	Fumigant
CFC		7.3		125.0	0.1		

CFC consumption remaining eligible for funding (ODP tonnes)

n/a

CURRENT YEAR BUSINESS PLAN: Total funding US \$245,000: total phase-out 33 ODP tonnes.

PROJECT DATA		2004*	2005	2006	2007	2008	2009	2010	Total
Annex A Group I (ODP tonnes)	Montreal Protocol limits	301.4	150.7	150.7	45.2	45.2	45.2	0.0	301.4
	Annual consumption limit	235.0	150.0	80.0	42.0	21.0	21.0	0.0	235.0
	Annual phase-out from ongoing projects		0.0	0.0	0.0	0.0	0.0	0.0	
	Annual phase-out newly addressed		85.0	70.0	38.0	21.0	21.0	0.0	235.0
	Annual unfunded phase-out								
TOTAL ODS CONSUMPTION TO BE PHASED OUT									
Total ODS consumption to be phased-in (HCFCs)									
Project costs (US \$):									
Funding for World Bank		777,326	439,319	227,410	227,411	18,334	0.0	0.0	1,689,800
Total project funding		777,326	439,319	227,410	227,411	18,334	0.0	0.0	1,689,800
Support costs (US \$):		58,300							
Support cost for World Bank		58,300	32,349	17,055	17,056	1,375	0.0	0.0	
Total support costs		58,300	32,349	17,055	17,056	1,375	0.0	0.0	126,135
TOTAL COST TO MULTILATERAL FUND (US \$)		835,626	471,668	244,465	244,467	19,709	0.0	0.0	1,815,935
Project cost effectiveness (US \$/kg)									n/a

* This first tranche was approved at the last meeting of the Executive Committee in December 2003

FUNDING REQUEST: Approval of funding for the fourth tranche (2007) as indicated above.

SECRETARIAT'S RECOMMENDATION

For blanket approval

PROJECT DESCRIPTION

Background

1. On behalf of the Government of Ecuador, the World Bank has submitted a request amounting to US \$227,411 plus agency support cost of US \$17,056 for the fourth tranche of the national CFC phase-out plan. The World Bank has also submitted a verification report prepared by a national consulting company on follow-up of the license system for import/export of ODS and import quotas in 2006, together with the 2006 progress report and 2007 annual implementation programme.
2. The national CFC phase-out plan for Ecuador (NPP) was approved at the 41st Meeting of the Executive Committee in December 2003. The Government of Ecuador was provided with financial support of US \$1,689,800 from the Multilateral Fund to completely phase out its CFC consumption in accordance with annual targets set in the Agreement between the Government and the Executive Committee. The NPP will phase out the remaining consumption of Annex A, Group I substances over the 2004–2010 period. To achieve this target, a series of investment, non-investment, technical assistance, and capacity building activities will have to be carried out. No refrigeration management plan activities have been funded previously by the Multilateral Fund in Ecuador. Therefore, activities proposed in the NPP include support for training refrigeration technicians and customs officers, and the establishment of an import licensing system.
3. The NPP supports the Ecuadorian Government in its endeavour to ban the use of virgin CFCs in the servicing sector by 2010. The Agreement between the Government of Ecuador and the Executive Committee, approved at the 41st Meeting, established CFC consumption and annual reduction targets as shown in the project evaluation sheet.

Verification report

4. The report on the annual audit of the national CFC phase-out plan for Ecuador (verification report) has been prepared by the ENYA Corporation. The report indicates that 2006 imports quotas have been established at 79.1 metric tonnes of CFCs. The report shows records on CFC imports obtained from the Ministry of Industry and Commerce demonstrating that 2.1 ODP tonnes of CFC-11 and 60.9 ODP tonnes of CFC-12 were imported in 2006. The report shows also the source of the CFC imports. The 2006 target level for of CFC consumption in Ecuador of 80.0 ODP tonnes has therefore been met.

2006 progress report

5. The 2006 annual implementation programme, approved by the 49th Meeting of the Executive Committee, outlined activities to be accomplished and performance indicators to facilitate the monitoring of the progress achieved. The following activities have been undertaken:
 - (a) The import/export licensing and quota system has been further strengthened. Import quotas have been issued to national importers to maintain the import of CFCs, but not to exceed the consumption targets established in the Agreement.

Altogether, 63 ODP tonnes of CFC-11 and CFC-12 have been imported by Ecuador in 2006;

- (b) Most of manufacturing companies in the foam and refrigeration sectors initially identified in the approved Plan have been found ineligible for funding since they closed down their operations or switched to non-CFC alternatives by themselves. The resources available have been diverted to other activities described below. Conversion of three eligible manufacturing companies in the foam sector has been completed and CFC-free foam manufacturing started in September 2006;
- (c) The “train-the-trainers” programme for training of 15 professional refrigeration instructors was accomplished in 2004. Since then, regular training activities have been undertaken on good practices in refrigeration servicing, including recovery/recycling operations. During 2006, 18 training workshops were completed resulting in training of 240 refrigeration technicians;
- (d) The total demand for recovery and recycling machines has been determined to be 130 in the country and; planned to be fully financed by the Multilateral Fund. The World Bank authorized the purchase of 130 recovery and recycling machines amounting to US \$676,736 to be delivered by the end of 2008. Fifteen recovery and recycling machines from the first batch of 48 machines have been delivered;
- (e) As part of the customs strengthening programme, six portable ODS identifiers have been delivered to the national customs office and a training course of customs officers was carried out in 2005. The customs office has been carrying out field tests of ODS consignments using portable ODS identifiers. The World Bank has approved the purchase of a gas chromatograph and hydrogen generator for the amount of US \$39,565 for the customs office in Guayaquil. The construction of the laboratory has been finished and the equipment will be delivered and installed in the second half of 2007;
- (f) A survey has been conducted in the chiller sector identifying 11 CFC-based chillers consuming approximately 1.78 ODP tonnes. About US \$360,000 will be allocated for the incentive programme in replacing CFC-based chillers representing about 20% to 40% of the total investments required for chiller replacement activities. The remaining funds will come from the owners of chillers; and
- (g) Information related to the Government of Ecuador’s policies in phasing-out CFCs has been disseminated to the industrial sectors and public in general through a variety of media.

2007 Annual Implementation Programme

6. The phase-out targets in the 2007 Annual Programme are to ensure that CFC consumption during the year does not exceed 42 ODP tonnes. Ecuador is requesting the release of US \$227,411 to achieve this objective. The following specific activities will be implemented in 2007:

- (a) Policy measures: ratification of the Beijing Amendment; follow-up of the import/export licensing system and import quotas;
- (b) Technical assistance: development of the next phase of the R&R programme targeting selected refrigeration workshops; conducting training courses on good practices in refrigeration servicing by authorized training centres;
- (c) Implementation of a chiller replacement project;
- (d) Preparation and implementation of a CFC banking system, including the purchase of a distillation tower to increase the reclamation capabilities in the country; and
- (e) Other activities: dissemination of information related to the Government's policy to phase out CFCs in the manufacturing sector, including information on the availability of funds provided by the Multilateral Fund to support CFC phase-out in Ecuador; raising public awareness of the environmental and economic impact of ozone layer depletion to the public via newsletters, articles, seminars and radio spots; conducting awareness programmes for the general public encouraging servicing of refrigeration and MAC systems by trained technicians.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

7. The Secretariat noted from the verification report prepared by ENYA that the 2006 CFC imports were below the cumulative quotas issued. The World Bank provided additional information not included with the original submission. It describes how the actual import was verified and how the quota system is organized to ensure communication between Government entities involved.

8. The Secretariat noted that the report on progress with the implementation of the country programme in Ecuador for 2006 has not been received; instead, the country sent data to be reported under Article 7. The World Bank as the agency responsible for Ecuador's institutional strengthening project has been advised about the outstanding report and requested to contact Ecuador's NOU and to advise them to send the above report to the Fund Secretariat.

9. The development and implementation of legal instruments for certifying refrigeration technicians was included in the 2005 programme but could not be implemented. Upon request of the Secretariat, the 2006 progress report was amended to provide information on a certification system for the refrigeration technicians, which is administered by a government training institution.

10. The Secretariat noted that 15 sets of recovery and recycling machines, together with refrigeration servicing equipment, have been provided to training centres. Altogether 48 recovering and recycling machines are expected to be provided as a first batch to selected servicing workshops in the second half of 2007. In addition, the World Bank has already approved the purchase of another 130 recovery and recycling machines amounting to US \$676,736. The Secretariat drew the World Bank's attention to decision 41/100 which urges Article 5 countries and implementing agencies to be more selective in providing new recovery and in particular recycling equipment. The World Bank informed that the Government of Ecuador is considering the Secretariat's comments and will subsequently, through the World Bank, report any deviation from the present plan, but is currently seeking approval for the request as described.

11. The 2007 annual implementation programme did not contain full information on the financial status of implementation of the Plan. The World Bank has been requested to provide comprehensive information reflecting tranche allocations received, expenditures by activities implemented and balances forwarded, within the new format of multi-year agreement tables. The World Bank responded to queries by the Secretariat and provided the requested information.

12. The Secretariat noted that the request for the fourth funding tranche of the Plan for Ecuador is in accordance with the agreement between the Government and the Executive Committee approved at the 41st Meeting. The Secretariat also noted that the majority of phase-out activities included in the 2005 annual implementation programme have been completed. The Government of Ecuador reported to the Secretariat the 2005 CFC consumption data which are below the limit established in the Agreement.

RECOMMENDATION

13. The Fund Secretariat recommends blanket approval of the fourth 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)	National CFC phase-out plan 2007 annual programme	227,411	17,056	World Bank

ECUADOR

Annex II

(1) PROJECT TITLE: National CFC phase-out plan

(2) EXECUTIVE COMMITTEE APPROVALS AND PROVISIONS

CODE	AGENCY	EXCOM PROVISION	Fulfilled	According to (Agency/ Country/ Verification/ Secretariat/ ExCom)
ECU/PHA/41/INV/32	IBRD	Approved in accordance with the agreement between Ecuador and the Executive Committee for the phase-out of CFCs.	Yes	Yes
ECU/PHA/45/INV/36	IBRD	Approved in accordance with the agreement between Ecuador and the Executive Committee for the phase-out of CFCs.	Yes	Yes
ECU/PHA/49/INV/37	IBRD	Approved in accordance with the agreement between Ecuador and the Executive Committee for the phase-out of CFCs.	Yes	Yes

Source: Inventory

(3) ARTICLE 7 DATA (ODP TONNES)

Substances	Baseline	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CFC	301.4	314.7	269.2	320.4	271.7	153.0	230.5	207.0	229.6	256.3	147.4	132.5
CTC	0.5	2.8	1.7	0.0	0.6	0.6	0.3	0.2	0.2	0.1	4.3	0.0
Halons	5.5	16.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MBR	66.2	39.4	70.0	64.3	91.2	122.4	122.4	369.8	40.8	0.0	0.0	153.0
TCA	2.0	0.7	0.9	3.1	2.4	1.9	1.7	1.7	2.8	3.5	2.6	0.8

Source: A7 Data from the Ozone Secretariat

(4) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES)

Year: 2005

Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco Fluffing	Total
				Manufacturing	Servicing					QPS	Non-QPS		
CFC		7.3			125.0	0.1			0.0				132.5
CTC													0.0
Halons													0.0
MBR													0.0
TCA						0.2	0.5		0.1				0.8

Source: Country Programme Data

(5) PHASE-OUT (ODP TONNES)

Substances	Calendar year	2003	2004	2005	2006	2007	2008	2009	2010	Total	Decision
CFC	Maximum Allowable Consumption (Agreement; per substance if valid)	246.0	235.0	150.0	80.0	42.0	21.0	21.0	0.0		
	Compliance Action Target (MOP)										N/A
	Consumption Reported in Implementation Report submitted										
	Consumption Reported in the Verification Report										
	Reduction Under Plan		11.0	85.0	70.0	38.0	21.0	21.0		246.0	
	Approved Phase-Out (Inventory)	11.0		85.0	70.0					166.0	
	Actual Phase-Out (Current Progress)	11.0		0.0						11.0	
	Remaining Phase-Out to be Achieved										

Source: Agreement, Inventory, Progress Report, MOP Report, Project Document (Annual Plan) and Verification Reports.

(6a) PROJECT COSTS (US\$)

Calendar year	2003	2004	2005	2006	2007	2008	2009	Total
IBRD								
Funding as per Agreement	777,326		439,319	227,410	227,411	18,334		1,689,800
Funds approved (Inventory)	777,326		439,319	227,410				1,444,055
Estimated Disbursement in Previous Progress Report	300,000							300,000
Funds Disbursed in Current Progress Report	301,297		0	0				301,297
Funds Obligated in Current Progress Report	476,029		439,319	NA				915,348
Estimated Disbursement in Current Progress Report	410,000		300,000	NA				710,000
Disbursement as per Annual Plan								
[Comments]								

Source: Agreement, Inventory, Progress Reports and Project Document (Annual Plan)

(6b) SUBMISSION SCHEDULES (planned and actual)

Submission year as per agreement	2003	2004	2005	2006	2007	2008
IBRD						
Planned submission as per Agreement	Dec-03		Apr-05	Apr-06	Mar-07	Mar-08
Tranche Number	I		II	III		
Revised Planned Submission (As per Submission Delays Decisions)				Jul-06		
Date Approved	Dec-03		Apr-05	Jul-06		

Source: Agreement, Inventory and Final ExCom Report Decisions

(7) INFORMATION ON POLICIES FROM COUNTRY PROGRAMME AND VERIFICATION REPORTS

	2005	
	Country Programm	Verification Report
Establishing general guidelines to control import (production and export) of ODS		
ODS Import/Export licensing or permit system in place of bulk ODSs	Yes	Yes
Regulatory procedures for ODS data collection and reporting in place	Yes	Yes
Requiring permits for import or sale of bulk ODSs	Yes	Yes
Quota system in place for import of bulk ODSs	Yes	Yes
Banning import or sale of bulk quantities of:		
CFCs	No	No
Halons	No	No
Other ODSs (CTC, TCA, methyl bromide)	No	No
Banning import or sale of:		
Used domestic refrigerators or freezers using CFC	Yes	No
MAC systems using CFC	Yes	No
Air conditioners and chillers using CFC	Yes	No
CFC-containing aerosols except for metered dose inhalers	No	No
Use of CFC in production of some or all types of foam	No	No
Enforcement of ODS import controls		
Registration of ODS importers	Yes	Yes
Qualitative assessment of the operation of RMP		
The ODS import licensing scheme functions	Very Well	NA
The CFC recovery and recycling programme functions	Yes	Yes

Source: Country Programme and Verification Report

(8) IMPLEMENTATION DETAILS

	Completed tranche covered by report submitted							Tranche currently implemented (preliminary data)					
	Activities			Budget				Explanations	Activities		Budget		Explanations
	Planned (annual)	Actual (annual)	Cumulative achievement as compared to overall plan [%]*	Planned (annual)	Actual (annual)	Cumulative achievement as compared to overall plan [%]*	Carryover		Planned	Actual	Planned	Actual	
Customs Training				39,565	22,237		17,328				70,643	0	Ongoing
Training of Customs Officers	Yes	Yes	80%					Completed as planned	No	No			Not included
Good Practices in Refrigeration				251,070	139,062	1	112,008				141,570	0	Ongoing
Train the Trainers	Yes	Yes	60%					Completed as planned	Yes	Yes			Ongoing
Training of Technicians by Trained Trainers	Yes	Yes	50%					Completed as planned	Yes	Yes			Ongoing
Strengthening vocational schools	No	N/A	80%					Completed as planned	Yes	Yes			Ongoing
Refrigeration Service investment component				209,076	0	0	209,076				209,076	0	Ongoing
Recovery & Recycling, establish R&R Centers	Yes	Yes	30%					Completed as planned	Yes	Yes			Ongoing
Service equipment supply other than R&R	Yes	Yes	30%					Completed as planned	Yes	Yes			Ongoing
Conversion, ... (including chillers)	No	No	0					Not included	Yes	Yes			Chiller included
Foam and Ref sector Investment	N/A	N/A		541,900	173,754	NA	368,146	Not included	No	No	0	0	Completed
PMU & Monitoring	Yes	Yes		54,999	72,148	0.5	-17,149		Yes	Yes	18,333	18,333	

*Refers to latest revision of overall plan

(9) ANNUAL PLAN SUBMITTED COMPARED TO OVERALL PLAN

	Activities		Budget		Explanations
	Planned (future tranche)	Cumulative achievement as compared to overall plan [%]*	Planned (future tranche)	Cumulative achievement as compared to overall plan [%]*	
Customs Training			0	0	
Training of Customs Officers	Yes	Yes			Planned
Good Practices in Refrigeration			0	0	
Train the Trainers	Yes	Yes			Ongoing
Training of Technicians by Trained Trainers	Yes	Yes			Ongoing
Strengthening vocational schools	Yes	Yes			Ongoing
Refrigeration Service investment component			209,077	0.67	
Recovery & Recycling, establish R&R Centers	Yes	Yes			Ongoing
Service equipment supply other than R&R	Yes	Yes			Ongoing
Conversion, ... (including chillers)	Yes	Yes			Chiller included
Foam and Ref sector investment	N/A	N/A			Completed
PMU & Monitoring	Yes	Yes	18,334	0.8	
Unforeseen Activities					

*Refers to latest revision of overall plan

(10) REQUESTED FUNDS

	Impact in ODP tonnes	Project cost (US \$)	Support cost (US \$)	Total
World Bank	38	227,411	17,056	244,467
Total	38	227,411	17,056	244,467

(11) SECRETARIAT'S RECOMMENDATION: FOR BLANKET APPROVAL