



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/53/52  
25 October 2007

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fifty-third Meeting  
Montreal, 26-30 November 2007

**PROJECT PROPOSAL: SAUDI ARABIA**

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

Phase-out

- Capacity building and technical assistance

UNEP and 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 issuance of the document.

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**PROJECT EVALUATION SHEET – NON-MULTI-YEAR PROJECT  
SAUDI ARABIA**

<b>PROJECT TITLE(S)</b>	<b>BILATERAL/IMPLEMENTING AGENCY</b>
(a) Capacity building and technical assistance	UNIDO and UNEP

<b>NATIONAL CO-ORDINATING AGENCY</b>	Presidency of Meteorology and Environment
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**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT****A: ARTICLE-7 DATA (ODP TONNES 2005, AS OF SEPTEMBER 2007)**

CFCs	878.5	methyl chloroform	0
Halons	0	methyl bromide	27.6
CTC	0		

**B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES): N/A**

ODS	Subsector/quantity	Subsector/quantity	Subsector/quantity	Subsector/quantity

<b>CFC consumption remaining eligible for funding (ODP tonnes)</b>	n/a
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CURRENT YEAR BUSINESS PLAN ALLOCATION	Agency	Funding US \$	Phase-out ODP tonnes
	UNEP	339,000	0
	UNIDO	1,075,000	169.0

PROJECT TITLE:	(a)	
	UNEP	UNIDO
ODS use at enterprise (ODP tonnes):	n/a	n/a
ODS to be phased out (ODP tonnes):	n/a	269.7
ODS to be phased in (ODP tonnes):	n/a	n/a
Project duration (months):	36	36
Final project costs (US \$):	405,000	1,430,000
Incremental Capital Cost:		
Contingency (10 %):		
Incremental Operating Cost:		
Total Project Cost:	405,000	1,430,000
Local ownership (%):	n/a	n/a
Export component (%):	n/a	n/a
Requested grant (US \$):	405,000	1,430,000
Cost-effectiveness (US \$/kg):	n/a	n/a
Implementing agency support cost (US \$):	52,650	107,250
Total cost of project to Multilateral Fund (US \$):	457,650	1,537,250
Status of counterpart funding (Y/N):	n/a	n/a
Project monitoring milestones included (Y/N):	yes	yes

<b>SECRETARIAT'S RECOMMENDATION</b>	For individual consideration
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## **PROJECT DESCRIPTION**

1. On behalf of the Government of Saudi Arabia, UNIDO, as the lead implementing agency, has submitted a Country Programme/National Phase-out Plan (NPP) for consideration by the Executive Committee at its 53<sup>rd</sup> Meeting. The project will also be implemented with assistance from UNEP. The total cost of the Saudi Arabia CP/NPP as originally submitted is US \$3,922,550 (US \$2,850,000 plus agency support costs of US \$213,750 for UNIDO and US \$760,000 plus agency support cost of US \$98,800 for UNEP). The project proposes the complete phase out of CFCs by the end of 2009. The CFC baseline for compliance is 1,798.5 ODP tonnes.

### Background

2. At the 24<sup>th</sup> Meeting UNIDO included in its proposed Work Programme Amendments a request for funding to establish an ozone unit in Saudi Arabia. Through decision 24/37, the Committee urged Saudi Arabia not to seek funding from the Multilateral Fund. The Committee also directed UNEP (decision 29/15) to remove Saudi Arabia from its business plan for the year 2000. UNIDO submitted a further request for funding to the 46<sup>th</sup> Meeting, for preparation of a TPMP, on the basis that the country needed assistance to meet its Montreal Protocol compliance obligations. At that meeting the Committee decided (decision 46/26):

- (a) To defer consideration of funding for the preparation of a country programme/terminal phase-out management plan for the refrigeration-servicing sector in Saudi Arabia until the 48<sup>th</sup> Meeting of the Executive Committee; and
- (b) To request UNIDO and UNEP to provide a preliminary analysis of the nature and cost of the assistance proposed to enable Saudi Arabia to continue its efforts to phase out ODS and fulfil its obligations under the Montreal Protocol.

3. Following presentation of a preliminary analysis at the 48<sup>th</sup> Meeting, the Executive Committee requested (decision 48/40) UNEP and UNIDO to submit a project preparation proposal for the country programme/national phase-out plan to the 49<sup>th</sup> Meeting of the Executive Committee, consistent with the guidelines for such submissions. Subsequently, at its 49<sup>th</sup> Meeting the Executive Committee approved US \$65,000 for the preparation of Saudi Arabia's Country Programme/NPP by UNIDO.

### Activities proposed

4. UNIDO submitted a comprehensive NPP proposal focussed on refrigeration servicing that includes technical assistance components for other, non-refrigeration, sectors. The main project elements contained in the NPP and their proposed costs are outlined in the table below:

Item	Total Funding (US \$)	1st Tranche 2007/08	2nd Tranche 2009/10	Agency
<b>Policy Update, Enforcement and Prevention of Illegal Trade</b>				
Establishing National Legal Committee; review and update national regulations	\$25,000	\$25,000	\$0	UNEP
Contracting national legal expert(s)	\$15,000	\$15,000	\$0	UNEP
National enforcement workshops for policy makers and stakeholder	\$20,000	\$15,000	\$5,000	UNEP
Provision of identification and upgrade testing facilities	\$75,000	\$75,000	\$0	UNEP
Training programme for customs and related authorities; phase I (30 master trainers)	\$15,000	\$15,000	\$0	UNEP
Training programme for customs and related authorities; phase II (2,000-2,200 officers)	\$105,000	\$15,000	\$90,000	UNEP
Sub-Total	\$255,000	\$160,000	\$95,000	
<b>Refrigeration Training, Standardization and Certification</b>				
National refrigeration task-force (including contracting national experts, conduction of meetings, local travel, documentation, logistics and miscellaneous.):	\$120,000	\$90,000	\$30,000	UNEP
Upgrading the technical capacities of the technical education and vocational training facilities; (10 sets of training equipment and tools for the 10 vocational schools and institutes)	\$180,000	\$180,000	\$0	UNEP
Training programme; Phase I training of 60 master trainers in two workshops	\$30,000	\$30,000	\$0	UNEP
Training programme; Phase II (2,500-3,000 technicians)	\$175,000	\$25,000	\$150,000	UNEP
Sub-Total	\$505,000	\$325,000	\$180,000	
<b>Recovery and Recycling</b>				
1,000 service sets for small/medium workshops (\$750 per set)	750,000	750,000	0	UNIDO
50 portable recovery sets for medium workshop (\$2,000 per set)	100,000	100,000	0	UNIDO
75 R&R sets for large workshops/end-users (\$5,000 per set)	375,000	375,000	0	UNIDO
Assessment, training, storage, distribution, international expert and miscellaneous	150,000	100,000	50,000	UNIDO
Contingencies	50,000		50,000	UNIDO
Sub-Total	\$1,425,000	\$1,325,000	\$100,000	
<b>MAC Recovery/Recycling and Retrofit</b>				
50 R/R/R sets for MAC workshops (\$2,500 per set)	125,000	125,000	0	UNIDO
MAC retrofitting awareness campaign	50,000	50,000	0	UNIDO
MAC retrofitting incentive	250,000	125,000	125,000	UNIDO
Assessment, training, storage, distribution, international expert and miscellaneous	100,000	75,000	25,000	UNIDO
Sub-Total	\$525,000	\$375,000	\$150,000	
<b>Technical Assistance to Manufacturing Sectors</b>				

Item	Total Funding (US \$)	1st Tranche 2007/08	2nd Tranche 2009/10	Agency
CTC & MCF	\$50,000	\$50,000		UNIDO
Aerosol	\$50,000	\$50,000		UNIDO
Foam	\$50,000	\$50,000		UNIDO
Refrigeration manufacturing	\$100,000	\$50,000	\$50,000	UNIDO
Halon	\$50,000	\$50,000		UNIDO
MB	\$100,000	\$50,000	\$50,000	UNIDO
Sub-Total	\$400,000	\$300,000	\$100,000	
<b>Project Implementation and Monitoring</b>				
Project implementation, management and coordination including monitoring and reporting	\$500,000	\$250,000	\$250,000	UNIDO
Sub-Total	\$500,000	\$250,000	\$250,000	
<b>Grand Total</b>	<b>\$3,610,000</b>	<b>\$2,735,000</b>	<b>\$875,000</b>	

5. Funding was requested in two tranches: US \$2,735,000 in 2007 for the 2008 programme and US \$875,000 in 2008 for the 2009 programme.

6. Although Saudi Arabia has substantively completed phase-out in all the manufacturing sectors without assistance from the Fund, the level of current use of CFCs in refrigeration and air-conditioning servicing may adversely affect the country's prospects for compliance, in particular with the 2007 85 percent reduction step. The CFC phase-out schedule envisaged in the NPP is indicated in the table below, which also sets out the CFC Protocol limits for Saudi Arabia, consumption reported under Article 7 and the consumption limits proposed in the CP/NPP:

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
MP Limits	1,798.5	1,798	1,798	1,798	1,798	899.5	899	269.7	269.7	269.7	0
Article 7 data	1,593.6	1,593	1,531	1,300	1,150	878.5					
Proposed							850	750	450	250	0

7. There were no imports of halon into Saudi Arabia in 2005. Consumption of methyl bromide in 2005 was 52.8 ODP tonnes (including QPS). A request to change Saudi Arabia's methyl bromide baseline is currently before the Implementation Committee. No consumption of CTC was reported in 2005, but 2004 consumption was 27.5 ODP tonnes.

8. The current prices of relevant refrigerants in Saudi Arabia are as follows:

R-11		R-12		R-22		R-134a	
Import	Retail	Import	Retail	Import	Retail	Import	Retail
4.44	4.81	6.67	7.41	1.67	2.08	5.93	6.67

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

9. Prior to consideration of any other issues, the Secretariat advised UNIDO that the proposed phase-out schedule for CFCs included in the NPP indicated levels of consumption in 2006, 2007 and 2008 that were substantially greater than Saudi Arabia's Protocol limits in those years (see the table in paragraph 6 above). The Secretariat observed that inclusion in an NPP submission of a phase-out schedule that was not compliant with Protocol obligations, or which had not been endorsed by a decision of the Parties, could amount to inviting the Executive Committee to pre-judge the operation of the Implementation Committee. Following discussions that took into account the decisions of the Executive Committee leading to the approval of project preparation funding, it was agreed that UNIDO would formulate a revised proposal focussing on capacity building and technical assistance geared to assisting Saudi Arabia to make its best efforts to comply with its Protocol obligations. The revised proposal does not contain any phase-out targets; it is based on the institutional and technical assistance elements contained in the original proposal, and is intended to provide the knowledge-based support that UNIDO and UNEP indicate Saudi Arabia needs, but would leave the matter of future compliance to be decided between the country and the Implementation Committee as appropriate.

10. The main project elements contained in the revised capacity building and technical assistance proposal and the associated costs are outlined in the table below:

Item	Total Funding	Agency
<b>Policy Update, Enforcement and Prevention of Illegal Trade</b>		
Contracting national legal expert(s)	\$10,000	UNEP
National enforcement workshops for policy makers and stakeholder	\$10,000	UNEP
Provision of identification and upgrade testing facilities	\$45,000	UNEP
Training programme for customs and related authorities; phase I (30 master trainers)	\$10,000	UNEP
Training programme for customs and related authorities; phase II (1000 officers)	\$60,000	UNEP
<i>Sub-Total</i>	<b>\$135,000</b>	
<b>Refrigeration Training, Standardization and Certification</b>		
National Refrigeration task-force to:	\$50,000	UNEP
§ Update the refrigeration curricula of the technical educational and vocational training		
§ Update the existing Codes of Practice according to the curricula update		
§ Prepare mandatory minimum national technical requirements for licensing refrigeration companies/workshops		

<b>Item</b>	<b>Total Funding</b>	<b>Agency</b>
Including contracting national experts, conduction of meetings, local travel, documentation, logistics and miscellaneous		
Upgrading the technical capacities of the technical education and vocational training facilities; (5 sets of training equipment and tools for the 5 vocational schools and institutes)	\$90,000	UNEP
Training programme; Phase I training of 60 master trainers in two workshops	\$20,000	UNEP
Training programme; Phase II (1500 technicians)	\$110,000	UNEP
<b>Sub-Total</b>	<b>\$270,000</b>	
<b>Recovery and Recycling</b>		
500 service sets for small/medium workshops (\$750 per set)	375,000	UNIDO
50 portable recovery sets for medium workshop (\$2,000 per set)	100,000	UNIDO
40 R&R sets for large workshops/end-users (\$5,000 per set)	200,000	UNIDO
Assessment, training, storage, distribution, international expert and miscellaneous	50,000	UNIDO
<b>Sub-Total</b>	<b>\$725,000</b>	
<b>MAC Recovery/Recycling and Retrofit</b>		
50 R/R/R sets for MAC workshops (\$2,500 per set)	125,000	UNIDO
MAC retrofitting awareness campaign	45,000	UNIDO
Assessment, training, storage, distribution, international expert	50,000	UNIDO
<b>Sub-Total</b>	<b>\$220,000</b>	
<b>Technical Assistance to Manufacturing Sectors</b>		
CTC & MCF	\$25,000	UNIDO
Foam	\$25,000	UNIDO
Refrigeration Manufacturing	\$100,000	UNIDO
Halon	\$25,000	UNIDO
MB	\$150,000	UNIDO
<b>Sub-Total</b>	<b>\$325,000</b>	
<b>Project Implementation and Monitoring</b>		
Project implementation, management and coordination incl. monitoring	\$160,000	UNIDO
<b>Sub-Total</b>	<b>\$160,000</b>	
<b>Total Project Cost</b>	<b>1,835,000</b>	
<b>Support costs UNIDO (7.5%)</b>	<b>107,250</b>	
<b>Support costs UNEP (13%)</b>	<b>52,650</b>	
<b>Total cost to the Multilateral Fund</b>	<b>1,994,900</b>	

11. Noting that Saudi Arabia had substantially achieved complete phase-out in the industrial conversion sectors, had commenced activities to reduce consumption in the refrigeration

servicing sector, but was now facing challenges in that sector, UNIDO agreed with a proposal from the Secretariat that the level of assistance from the Fund might be linked to phase-out of the final 15 percent of CFC consumption between 2007 and 2010, namely, 269.7 ODP tonnes. Compliance with the Protocol requirements up to the 85 percent reduction target applying in 2007 would remain the responsibility of the country. The activities and associated funding will be undertaken jointly by UNEP and UNIDO as indicated in the table. The activities are consistent with those normally included in refrigerant management plans or terminal phase-out management plans. There are no components associated with industrial conversion activities.

12. In regard to other sectors, the aerosol sector has been fully converted for a number of years and support is not now being requested. The primary focus of assistance will be in commercial refrigeration manufacturing where there are likely to be significant numbers of small enterprises and in the methyl bromide sector where the main application is in the fumigation of dates.

13. In view of Saudi Arabia's methyl bromide baseline consumption of 0.6 ODP tonnes and the 2005 reported consumption of 27.6 ODP tonnes, Saudi Arabia submitted a request to the 38<sup>th</sup> Meeting of the Implementation Committee for a change of baseline. Through Recommendation 38/35 the Committee requested the presentation of additional data to support the request. Saudi Arabia subsequently informed the Implementation Committee that there was insufficient time between the 38<sup>th</sup> and 39<sup>th</sup> Meetings to assemble the data, and that it would be presented for the 40<sup>th</sup> Meeting in 2008. Following consideration of Saudi Arabia's situation at the 39<sup>th</sup> Meeting of the Implementation Committee, the 19<sup>th</sup> Meeting of the Parties took decision XIX/23, indicating that Saudi Arabia was presumed to be in non-compliance with its obligations in regard to consumption of methyl bromide and should submit by 29 February 2008 an explanation for its excess consumption and a plan of action to return to compliance. The Parties also decided that Saudi Arabia should continue to be considered a country in good standing and should continue to receive assistance. On this basis the Secretariat agreed with UNIDO on the continued inclusion in the project proposal of the US \$150,000 technical assistance component for methyl bromide. This would be the final funding that the country would request for the phase-out of methyl bromide. It is also indicated in the revised project proposal that Saudi Arabia will also not request additional support from the Multilateral Fund to meet the control measures for CFCs, CTC and halons and this would constitute a proviso of the project if approved.

14. The project was submitted as a combination country programme/project proposal. The country programme component is considered separately in document UNEP/OzL.Pro/ExCom/53/59. On behalf of Saudi Arabia, UNEP has separately submitted a request for institutional strengthening support. This proposal is considered in document UNEP/OzL.Pro/ExCom/53/18.

## **RECOMMENDATION**

15. Noting that cost issues have been resolved between the implementing agencies and the Secretariat, the Executive Committee might consider whether it wishes to approve the project for capacity building and technical assistance for Saudi Arabia as indicated in the table below, on the understanding that this is the final support Saudi Arabia is requesting from the Multilateral Fund



for the substances specified in Annexes A and B (Groups I, II, and III), and Annex E of the Montreal Protocol:

	<b>Project Title</b>	<b>Project Funding (US\$)</b>	<b>Support Cost (US\$)</b>	<b>Implementing Agency</b>
(a)	Capacity building and technical assistance programme	1,430,000	107,250	UNIDO
(b)	Capacity building and technical assistance programme	405,000	52,650	UNEP

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