



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/54/44
20 March 2008



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fourth Meeting
Montreal, 7-11 April 2008

PROJECT PROPOSAL: PAKISTAN

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

Phase-out

- Sector phase-out plan of CTC (third tranche)

UNIDO

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PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Pakistan

(I) PROJECT TITLE	AGENCY
CTC phase out plan	UNIDO

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2006	
CFC: 626	CTC: 41.8	Halons: 0	MB: 0	TCA: 0	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)							Year: 2006						
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC		80.		48.	391.			107.					626
CTC						41.8							41.8
Halons													0
Methyl Bromide										18.			18
TCA													0

(IV) PROJECT DATA			2003	2004	2005	2006	2007	2008	2009	2010	Total
Maximum Allowable Consumption (ODP Tonnes)		CTC	650.	389.3	61.9	42.	32.	15.	0.	0.	
Project Costs (US\$)	UNIDO	Project Costs	1,200,000.	1,300,000.	245,665.						2,745,665.
		Support Costs	90,000.	97,500.	25,924.						213,424.
Total Funds Approved in Principle (US\$)		Project Costs	1,200,000.	1,300,000.	245,665.						2,745,665.
		Support Costs	90,000.	97,500.	25,924.						213,424.
Total Funds Released by the ExCom (US\$)		Project Costs	1,200,000.	1,300,000.	0.						2,500,000.
		Support Costs	90,000.	97,500.	0.						187,500.
Total Funds Requested for Current Year (US\$)		Project Costs						245,665.			245,665.
		Support Costs						25,924.			25,924.

(V) SECRETARIAT'S RECOMMENDATION:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Pakistan, UNIDO has submitted a request for funding for the third tranche and also the final tranche of the CTC Sector phase-out plan for the consideration by the Executive Committee at its 54th Meeting. The level of funding requested is US \$245,665 plus agency support costs of US \$25,924. The submission from UNIDO includes a verification of CTC consumption in 2006 and a proposed work programme for 2008.

Background

2. At its 41st Meeting, the Executive Committee approved in principle the sector phase-out plan for CTC for Pakistan (CTC Plan) at a total level of funding of US \$2,745,665 plus agency support costs of US \$205,924 for UNIDO for the phase-out of 489 ODP tonnes of CTC by 2009. At the same Meeting, the Executive Committee allocated US \$1,200,000 excluding support costs for the first tranche of the CTC Plan. A second tranche of the CTC Plan was approved at the 44th Meeting for an amount of US \$1,300,000 excluding agency support costs.

3. At their 18th Meeting, the Parties to the Montreal Protocol noted that Pakistan has reported annual consumption for the Annex B, group II, controlled substance (carbon tetrachloride) for 2005 of 148.500 ODP-tonnes, which exceeds the Party's maximum allowable consumption level of 61.930 ODP-tonnes for that controlled substance for that year. Therefore, in decision XVIII/31 Pakistan was found to be in non-compliance with the control measures for carbon tetrachloride under the Protocol. The Meeting of the Parties noted the submission of a plan of action where Pakistan specifically commits itself to reduce carbon tetrachloride consumption from 148.500 ODP-tonnes in 2005 to 41.800 ODP-tonnes in 2006.

Verification report

4. The verification of the CTC consumption in Pakistan in 2006 was carried out on 15 January 2008 by M. A. Javed Consultant, a consulting firm contracted by UNIDO to carry out the audit exercise through a competitive bidding process. The verification report consists of a number of sections and a summary is provided below:

- (a) The auditor first reviewed the policies that have been put in place to control the import of CTC in Pakistan. This includes among other things: the introduction in 1998 of an import authorization/licensing system to regulate and monitor the import of ODS, and the designation in 2004 of five authorized importers of CTC;
- (b) The auditor examined the data from the Customs and the Federal Bureau of Statistics to verify the import of CTC in 2006. In order to validate the data from these two institutions all of the five authorized CTC importers were visited;
- (c) In addition to examining the CTC supply in Pakistan through imports, the auditor also visited 34 industries in the formal sector, which were identified as users of CTC, and confirmed that all of these enterprises already converted to using alternatives to CTC in their production processes. As a result 270 ODP tonnes of CTC were phased out. Apart from the consumption of CTC by the formal industries, the auditor also examined CTC consumption of the small informal

users and found that these users are also switching to non-ODS technologies because the regulation enacted by the Government has raised the prices of CTC considerably as compared to alternatives; and

- (d) After the examination of the supply and demand of CTC in the country, the auditor concluded that the total consumption of CTC in Pakistan in the year 2006 was 38 metric tonnes or 41.8 ODP tonnes.

Proposed 2008 work programme

5. The proposed 2008 work programme consists of a summary of the implementation of the CTC phase-out plan in Pakistan since January 2005, and a proposed work programme for the year 2008. The report on the implementation of the sector plan in 2005-2006 contains a description of the achievement in project management, policy measures, public awareness, industry phase-out of CTC in the formal sector, CTC phase-out in the informal sector, and the status of fund disbursement.

6. Among the policy measures that have been taken is a more coordinated effort by the Ministry of Commerce, the Central Board of Revenues, and the Ministry of Environment to enforce regulatory measures for the control of CTC imports, and the proposal by the Government to ban the import of CTC with effect from 28 May 2007.

7. It was reported that all of the 34 CTC users that have been identified by the Government and UNIDO have completed the conversion from using CTC to non-ODS technologies, and a table is provided in the report on these 34 enterprises with information on the name of the enterprise, amount of CTC phased out, the application of CTC as well as the status of the project. With the completion of the conversion by the 34 enterprises, CTC consumption has been completely phased out in the formal industry sector.

8. There are an estimated 1,000 small workshops using CTC in automobiles and electronics. However, because of the price increase in CTC from RS. 50 to RS. 200/litre, there has been a drastic reduction in the use of CTC in these small workshops.

9. The report on the financial status shows that of a planned expenditure of US \$1.3 million, US \$1.29 million have been disbursed with a balance of US \$7,952 to be disbursed in 2008.

10. The proposed 2008 work programme aims to reduce the consumption of CTC from 42 ODP tonnes in 2006 to 32 ODP tonnes in 2008. The Government and UNIDO intend to achieve the reduction through a combination of technical assistance to a large number of CTC users in the informal sector, and implementation and enforcement of CTC import control, in particular the banning of CTC imports since 28 May 2007. The Government also intends to continue monitoring those enterprises which were already converted away from CTC to non-ODS technologies, to ensure sustainability of the phase-out. The proposed work plan includes a budget for the activities which will be financed from the funding being requested for the year 2008.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

11. Questions were raised by the Secretariat with regard to the results from the verification of CTC consumption in the year 2006 because the results showed that Pakistan imported 38.1 metric tonnes (41.9 ODP tonnes) of CTC in 2006, which exceeded the target of 41.8 ODP tonnes set in decision XVIII/31 at the Meeting of the Parties by 100 kg. It was later clarified by the National Ozone Office that there was an error made by the auditor in the rounding of figures on one decimal point in the conversion of metric tonnes to ODP tonnes, and a correction was made by the auditor to the result of the verification from 38.1 metric tonnes to 38 metric tonnes, which is 41.8 ODP tonnes. It may be relevant to note that the CTC consumption target for 2006 in the Agreement between the Executive Committee and Pakistan was 42 ODP tonnes.

12. The Secretariat also notes that, based on the reported CTC consumption by the Government of Pakistan for the year 2006, the 39th Meeting of the Implementation Committee congratulated Pakistan on its return to compliance with CTC consumption targets in 2006, and noted that Pakistan would ban the import of CTC from 28 May 2007.

13. It is seen both from the verification report and the report on the implementation of CTC sector phase-out plan in 2005 and in 2006 that Pakistan has made significant progress in reducing the consumption of CTC through a combination of policy measures and industry conversions. This is especially noticeable in the completion of CTC phase-out in the formal industry sector, and the prospect of achieving phase-out of CTC in the informal sector because the increase in CTC prices will reduce the incentive for small CTC users to continue using CTC.

14. The Secretariat notes with gratification that the Government of Pakistan had decided to ban the import of CTC from 28 May 2007. However, an update from UNIDO on the status of the implementation of the ban in the year 2007 is needed.

RECOMMENDATION

15. The Fund Secretariat recommends that the Executive Committee:

- (a) Requests UNIDO to provide an update on the implementation of the ban on CTC imports in its 2008 annual report on the implementation of the CTC sector plan; and
- (b) Approves the third and the final tranche of the phase-out plan with the associated support costs at the funding levels as shown in the table below as the verification indicates that Pakistan has met the target for CTC consumption in 2006, as set by decision XVIII/31. This is with the understanding that UNIDO, on behalf of the Government of Pakistan, will continue providing annual reports and verification of the CTC consumption for the remaining duration of the Agreement.

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	Sector phase-out plan of CTC (third tranche)	245,665	25,924	UNIDO
