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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-first Meeting
Montreal, 17 -19 December 2003

Addendum

PROJECT PROPOSALS: PAKISTAN

Sector phase out of CTC (UNIDO)

Replace project evaluation sheet on page 19 with the attached project evaluation sheet.

Add the following paragraphs:

77 bis. In regard to the conversion project for the single enterprise, PEL, after further discussions the Secretariat and UNIDO agreed that incremental costs would be based on the levels established in the project review previously completed between the Secretariat and UNIDO, with the eligible share being proportional to the quantity of eligible CTC solvent, in ODP tonnes, consumed by the enterprise. The resulting incremental cost is US \$79,805. In regard to the consumption of a group of seven small enterprises with identified baselines, agreement was reached on total incremental costs for conversion of US \$249,805.

77 ter. In regard to the major part of the total consumption in the sector, 346.5 ODP tonnes indicated as being consumed in around 920 enterprises addressed by a survey and sampling, the focus of the Secretariat's discussions with UNIDO was the eligibility of the reported consumption. In this regard the total CTC consumption reported by Pakistan in both reports under Article 7 and reports on progress with implementation of the country programme has been consistent over several years. Additionally, according to the reported data, Pakistan is required to reduce CTC consumption by over 350 ODP tonnes by 1 January 2005 to remain in compliance with the Montreal Protocol control schedule for CTC. Pakistan is therefore in need of timely assistance from the Multilateral Fund.

77 quater. UNIDO indicated that account had been taken in the project of ineligible consumption of some 64.9 ODP tonnes. The Secretariat indicated that in other countries verification procedures in surveys of identified enterprises has shown that a significant proportion of the consumption initially reported by enterprises was not eligible, either because the enterprises were subsequently found not to have been established before 25 July 1995, their production capacity had increased after that time, or for other reasons. In other projects the proportion of ineligible consumption in surveyed enterprises has typically been between 15 and 20 percent. This ineligible consumption is usually identified during the survey and verification process. However in this case the verification samples were small. For example, in the largest geographic cluster of some 700 enterprises, only 2.6 percent or 18 companies were visited by the local consultant. In view of Pakistan's urgent need to take action on CTC consumption the Secretariat suggested that for the project to proceed measures would need to be taken to remove or reduce the risk that consumption proposed for funding was ineligible. UNIDO agreed to reduce the level of eligible consumption in the group of 900 small enterprises by 20 percent to 277.2 ODP tonnes to account on a statistical basis for ineligible consumption.

77 quinquies. The overall cost of the project was then based on the eligible consumption estimate for the group of 900 enterprises, plus the consumption of the two small components of the project as indicated above, at a cost-effectiveness corresponding to the global average cost-effectiveness for CTC solvent projects of some US \$7.97/kg, including project management and non-investment costs. This amount is US \$2,745,665, plus support costs at 7.5 percent of US \$205,924 for UNIDO. The project management and non-investment activities, including training of national experts and customs officials have a total cost of US \$253,050, which amounts to nine percent of total costs for the investment part.

77 sexies. A first annual implementation programme is being developed by UNIDO which is consistent with the above conclusions. A draft agreement is being prepared and will be distributed upon completion.

Replace paragraph 78 with the following:

78. On the basis of the above information and subject to the timely provision of a draft agreement, the Executive Committee might wish to:

- (a) Consider whether to approve in principle of the sector phase-out plan for CTC in Pakistan at a total level of funding of US \$2,745,665 plus agency support costs of US \$205,924;
- (b) Consider whether to approve of the draft Agreement; and
- (c) Consider whether to approve funding of US \$1,200,000 plus support costs of US \$90,000 for the first tranche of the project.

**PROJECT EVALUATION SHEET
PAKISTAN**

SECTOR: Solvent ODS use in sector (2002): 660 ODP tonnes

Sub-sector cost-effectiveness thresholds: n/a

Project Title:

(a) Sector phase out of CTC

Project Data	Solvent
	Phase out
Enterprise consumption (ODP tonnes)	
Project impact (ODP tonnes)	344.5*
Project duration (months)	48
Initial amount requested (US \$)	3,609,122
Final project cost (US \$):	
Incremental capital cost (a)	
Contingency cost (b)	
Incremental operating cost (c)	
Total project cost (a+b+c)	2,745,665
Local ownership (%)	100%
Export component (%)	0%
Amount requested for first tranche (US \$)	1,200,000
Cost effectiveness (US \$/kg.)	7.97
Counterpart funding confirmed?	n/a
National coordinating agency	Ministry of Environment, Local Government and Rural Development
Implementing agency	UNIDO

Secretariat's Recommendations	
Amount recommended (US \$)	
Project impact (ODP tonnes)	
Cost effectiveness (US \$/kg)	
Implementing agency support cost (US \$)	
Total cost to Multilateral Fund (US \$)	

* Impact of the first tranche is 20 ODP tonnes.
