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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-third Meeting
Montreal, 4-8 April 2011

PROJECT PROPOSAL: IRAQ

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

Phase-out

- National phase-out plan (second tranche)

UNEP and
UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Iraq

(I) PROJECT TITLE	AGENCY
ODS phase out plan	UNEP, UNIDO

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)					Year: 2009
CFC: 482.1	CTC: 0	Halons: 0	MB: 0	TCA: 0	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)										Year: 2009			
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC		56.		32.7	403.								491.6
CTC								1.1					1.1
Halons													0
Methyl Bromide										1.8	3.5		5.3
Others													0
TCA								0.					0

(IV) PROJECT DATA			2008	2009	2010	2011	Total
Montreal Protocol Consumption Limits		CFC	227.6	227.6	0.	0.	
		HAL	35.2	35.2	0.	0.	
		CTC	3.2	3.2	0.	0.	
Maximum Allowable Consumption (ODP Tonnes)		HAL		0.	0.	0.	
		CFC			0.	0.	
		CTC			0.	0.	
Project Costs (US\$)	UNEP	Project Costs		1,136,000.		505,000.	1,641,000.
		Support Costs		147,680.		65,650.	213,330.
	UNIDO	Project Costs		4,353,530.		303,000.	4,656,530.
		Support Costs		326,515.		22,725.	349,240.
Total Funds Approved in Principle (US\$)		Project Costs		5,489,530.		808,000.	6,297,530.
		Support Costs		474,195.		88,375.	562,570.
Total Funds Released by the ExCom (US\$)		Project Costs		5,489,530.		0.	5,489,530.
		Support Costs		474,195.		0.	474,195.
Total Funds Requested for Current Year (US\$)		Project Costs				808,000.	808,000.
		Support Costs				88,375.	88,375.

(V) SECRETARIAT'S RECOMMENDATION:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Iraq, UNEP as the lead implementing agency, has submitted to the 63rd Meeting of the Executive Committee a request for funding of the second, final tranche (2011) of the national phase-out plan (NPP) amounting to US \$505,000 plus support costs of US \$65,650 for UNEP as lead agency and US \$303,000 plus support costs of US \$22,725 for the co-operating agency UNIDO. The request was accompanied by a progress report on the implementation of the NPP for 2009 and 2010, the implementation plan for 2011 and 2012 and multi-year agreement (MYA) tables.

Background

2. The NPP for Iraq was approved jointly with the country programme for Iraq at the 58th Meeting in 2009 to completely phase out the use of CFC, halon, CTC and TCA consumption in the country by 31 December 2009. Total funding of US \$6,297,530 plus agency support costs of US \$562,570 was approved by the Executive Committee. At the same meeting, the Executive Committee approved US \$1,136,000 plus agency support costs of US \$147,680 for UNEP and US \$4,353,530 plus agency support costs of US \$326,515 for UNIDO for the implementation of the first tranche of the NPP.

Annual implementation report

3. The annual implementation report submitted to the 63rd Meeting covered the period September 2009 until December 2010. The overall strategy of the NPP for Iraq aims to achieve a full and final phase-out of the use of all ODS covered by the agreement in Iraq by the end of 2011. At the same time, the use in 2010 and 2011 is intended to be covered solely from stockpiles and import of recycled ODS, leading to zero consumption in 2010 and 2011.

4. The report provided through the MYA tables as well as the written report indicates that the implementation commenced shortly after the project approval in 2009. In 2009, training of customs officers and good practices in refrigeration commenced, as did the set up of the project management unit (PMU). During the implementation of the first tranche in 2009 and 2010, in total, 20 trainers for customs training have been trained. The development of updated vocational training curricula for refrigeration and air conditioning technicians, and of the certification programme for service technicians are at an advanced stage. An activity to promote recycled CFCs has been postponed to assess whether there is a need for it in 2011, based on remaining stocks and the results of the recycling programme, 5,000 mobile air conditioning (MAC) retrofit kits have been shipped, as well as 1,000 servicing tool kits and 100 portable recovery and recycling (R&R) machines and 50 larger R&R units for large MAC servicing workshops. These are meant to provide technical assistance to the small and medium scale enterprises in the refrigeration and MAC servicing sector.

5. The umbrella project for the phase-out of CFC-11 in the foam-manufacturing sector has also progressed. The report informed that Baghdad Industrial company, one of the beneficiaries foreseen, has closed and is therefore no longer considered for conversion. The two remaining enterprises will replace CFC-11 with pentane. The equipment for both enterprises was purchased. Finally, a project-monitoring unit was established and terms of reference have been agreed for a national independent monitoring institution/firm for monitoring of the implementation of all activities and components of the NPP. Terms of reference have also been agreed on the establishment of a management and monitoring database for the NPP. A number of meetings between UNEP and the National Ozone Unit (NOU) in order to resolve issues and facilitate the progress in Iraq regarding CFC phase-out have been conducted.

6. The report also advised about some budget reallocation. The foam equipment for the two beneficiaries was purchased at cost US \$320,000 above the allocated budget. Savings which accrued from the purchase of other equipment were used to compensate for the shortfall. UNEP, in close consultation and cooperation with the NOU and PMU, also conducted a number of budget adjustments in

the funding for non-investment components. UNEP submitted a statement on the financial status of the project, and compared the expenditures to the budgeted figures. Currently, US \$4.34 million of the first tranche has been spent; this constitutes 79 per cent of the funding approved.

7. UNEP also reported a number of difficulties faced during the implementation of the project, leading to some delays. These were categorized as delays in finalising the international procurement processes due to, *inter alia*, discussion needs for shipment, delivery, and commissioning terms given the country's special local condition; the country's institutional instability where change of Government and local administrative difficulties delayed the opening of special project accounts; and limitations to conducting key training workshops and activities due to security considerations which forced such workshops to be undertaken outside Iraq.

2011 and 2012 annual implementation plans

8. UNEP submitted annual implementation plans for 2011 and 2012 in the MYA tables, and an implementation plan for the two years combined in their submission document.

9. A number of activities are presently ongoing and have progressed significantly in the first few months of 2011. This includes the shipment of refrigerant identification equipment for customs, expected to arrive in April 2011. An additional 15 identifiers beyond what was originally requested in the HPMP to cover all Iraqi ports, the latter, funded from UNIDO's budget, have already been purchased and were under customs clearance at the beginning of 2011. The customs training is meant to commence as soon as identification equipment has been received; the plan foresees these training activities being held in March 2011. The refrigeration task force for updating the technical and vocational refrigeration and air conditioning curricula will finalize its draft in 2011 for review and apply it from the school year 2012-2013. Training equipment for ten training centres for refrigeration technicians is expected to be delivered in the first half of 2011. The train-the-trainers' workshop for refrigeration and air conditioning technician training is also scheduled for the first half of 2011, making use of the freshly arrived refrigeration equipment, but pending security clearance for the experts from the UN security advisor. This workshop will target 30 trainers. Immediately after this workshop, the detailed plan for the training of the refrigeration technicians will be completed. The tender process for equipment necessary to establish R&R centres was completed in the beginning of 2011, and contracts for the equipment are expected to be issued shortly.

10. For customs training, the second phase of the training will start once the equipment has been received and will address 200 customs officers. The training of refrigeration technicians has been planned to start in mid-2011 and continue for 18 months. At this point in time, provision of additional servicing toolboxes is being considered under the technical assistance to the servicing sector, depending on the possible savings in other activities. Technical assistance to the halon sector and the phase-out project for CTC, TCA and CFC-113 solvent in laboratories has been initiated, and an international consultant is to be contracted to conduct a national survey on CTC laboratory use and to organize a workshop. For the halon sector, the PMU will organize a workshop with stakeholders who will be trained on the respective standards.

11. The umbrella project for the phase-out of CFC-12 in the commercial refrigeration-manufacturing sector was targeting the conversion of six manufacturing plants producing water coolers. The umbrella project was originally proposed in the project submission to the 58th Meeting for replacing CFC-12 with HFC-134a refrigerant. The Executive Committee, in its decision 58/32, had requested the implementing agencies to continue the discussion with the NOU and the enterprises in Iraq on the choice of technology for those sectors that might be able to select a low-global warming potential (GWP) alternative, considering the flexibility inherent in the agreement. UNEP advised that hydrocarbon technology turned out not to be feasible due to high investment cost. The equipment to convert the manufacturing from

CFC-12 to HFC-134a was purchased in January 2011 and will be delivered and distributed to the respective enterprises in the first half of 2011.

12. Further work on the activities for implementation, management and monitoring of the NPP through a PMU will be conducted. That includes managing and directing the day-to-day operation of the NPP, coordination among all stakeholders and monitoring.

13. The implementation plan for 2011 includes as a new activity the establishment of a hydrocarbon refrigerant facility. The concept is to ensure a sustainable supply of hydrocarbon refrigerant for the time after the implementation of the NPP in Iraq. The facility will supply hydrocarbon drop-in refrigerant to servicing workshops for MAC and small-scale refrigeration applications, and will also provide iso-butane. The Government of Iraq will operate the facility within the existing national capacities available at the Ministry of Oil. UNEP, on behalf of UNIDO that is responsible for this particular activity, advised that this concept was introduced at a late stage in the development of this tranche request and thus the related cost could not be fully established; however, UNIDO is of the opinion that the cost of the facility can be accommodated within the savings from the implementation of the first tranche. It is foreseen to identify a reliable source of pure propane and butane, supplying purifying equipment such as molecular sieves, provide a gas-filling scale to allow mixing of propane and iso-butane in refrigerant cylinders, the necessary equipment to operate refrigerant bottling facilities, equipment for storage and safety measures as well as the necessary training for stakeholders and technicians.

14. The implementation plan provided also information on the interface between the NPP and the HPMP planned for Iraq. The NPP foresees that the implementation of the key components will continue until the end of 2012 or early 2013. Presently, the submission of the HPMP for Iraq is planned for the 65th Meeting of the Executive Committee, consequently, several of the NPP activities will be overlapping with the HPMP activities. The NOU, UNEP and UNIDO have jointly identified activities under the NPP that will contribute to the HCFC consumption reduction, such as the establishment of R&R centres and the promotion of recovery practices in Iraq, the ODS legislation development as well as the enforcement and training of customs officers, and the training on refrigeration good practices and certification. The NOU, UNEP and UNIDO informed that they will assess impact and the contribution of those activities for the HCFC phase-out in Iraq and reflect them in the HPMP proposal.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

15. The request for funding of the second tranche for the NPP for Iraq as submitted by UNEP did not contain a verification of the consumption of Iraq. The agreement concluded at the 58th Meeting of the Executive Committee with the Government of Iraq calls for verification as a condition for tranche submission, and a tranche submission to the 64th Meeting. The first verifiable target in the agreement is foreseen for the year 2010. Decision 61/5 of the Executive Committee calls for submission of the tranche request for the second tranche of the NPP for Iraq latest to the 63rd Meeting. It is evident that timing issues make it impossible to provide a verification of the consumption in the year 2010 as part of a tranche request for the 63rd Meeting. The Secretariat requested therefore further information from UNEP regarding the timing of the verification to be delivered, and what the verification would entail. UNEP informed that, the NOU had started to register and license ODS imports officially only since early 2011. All the data compiled by the NOU for the years 2009 and 2010 are based on market surveys, contact with traders and comparison of demand against compiled data from traders. UNEP therefore pointed out that a verification in the conventional sense would not be possible for 2009 and 2010. Principally a verification report regarding 2010 could be submitted for the 64th or 65th Meetings of the Executive Committee, but, with the shortcomings regarding the data quality outlined before. A more sound verification report

regarding the consumption in 2011 could be delivered to the first or second meeting of the Executive Committee in 2012, depending on the exact dates for the meetings.

16. The Secretariat also requested the exact consumption data, to the degree known, for all of the controlled substances covered under this agreement. UNEP advised that the consumption for all substances was 0.0 ODP tonnes. Further questions of the Secretariat concerned the consumption at an enterprise level, which the submission of the tranche request provided at a total of 338.7 ODP tonnes of CFC for 2010 and 195 ODP tonnes for 2011. UNEP explained that the term “consumption” at an enterprise basis would translate into “use” on the country basis, and that considerable stockpiles of CFCs are being drawn down from 2010 to 2012, enabling the country to sustain a consumption of zero ODP tonnes while, in some cases, continuing to use CFCs until the implementation activities in Iraq allow the use of alternatives in the respective sectors. The related stockpiles were according to UNEP’s information held over from previous exports by manufacturing companies, traders, and the Ministry of Trade, which maintained a stock of CFCs since before 2003. This also explains why, contrary to the original intention, no recycled CFCs were bought from abroad.

17. The Secretariat considered the implementation of decision 58/32, asking in paragraph (h) to continue the discussion with the NOU and the enterprises in Iraq on the choice of technology for those sectors that might be able to select a low global-warming-potential alternative. The activities in the foam sector had been planned from the outset to involve hydrocarbon as the replacement for CFC-11, and the remaining two activities in that sector are using this technology accordingly. In the refrigeration sector, six companies are producing water coolers with an aggregated consumption of less than 16 metric tonnes. The Secretariat noted that the fulfilment of safety requirements and the necessary audits are hampered by the specific local circumstances, and that the average consumption of these companies is small. It appears therefore that the decision to implement HFC-134a technology as intended should under the circumstances be acceptable. In this context the Secretariat also noted that for those types of applications where hydrocarbons appear to be an acceptable service refrigerant, Iraq intended to set-up a hydrocarbon refrigerant facility; this appears to be in line not only with the flexibility provided to Iraq in the Agreement, but also with the intention of paragraph (h) of decision 58/32.

RECOMMENDATION

18. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the first tranche of the national phase-out plan (NPP) of Iraq in 2009 and 2010;
- (b) Approves the 2011 and 2012 annual implementation plans;
- (c) Considers whether to request the country to provide either:
 - (i) A verification of the 2010 consumption based on trading and similar quality information not later than the 65th Meeting; or
 - (ii) A verification of the 2011 consumption not later than the 67th Meeting; and
- (d) Requests the Government of Iraq, with the assistance from UNEP, to submit a progress report on the implementation of the work programme associated with the second and final tranche of the NPP no later than the 67th Meeting of the Executive Committee.

19. The Secretariat further recommends approval of the second tranche of the NPP for Iraq, with the associated support costs at the funding level shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	National phase-out plan (second tranche)	505,000	65,650	UNEP
(b)	National phase-out plan (second tranche)	303,000	22,725	UNIDO
