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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-ninth Meeting
Beijing, 24-26 November 1999

**STATUS REPORT ON ODS PHASEOUT IN ARTICLE 5 COUNTRIES:
IMPLEMENTATION OF DECISION 28/25**

Introduction

At the Twenty-eighth Meeting and after considering the Status Report on the Phaseout of Ozone-Depleting Substances (ODSs) by Article 5 countries as at 31 December 1998 (UNEP/OzL.Pro/ExCom/28/14), the Executive Committee decided:

A. For the purpose of facilitating planning for the next triennium

To request the implementing agencies to work with national Ozone Units in those countries in which they were responsible for institutional strengthening projects, in collaboration with other agencies, in order to analyse the country's baseline data with respect to:

- (i) The distribution of the baseline consumption by sector;
- (ii) The reductions envisaged in the baseline as a result of investment projects already approved within each sector;
- (iii) The estimated distribution between consumption for manufacturing industries and servicing/installations on site in the refrigeration sector.

The implementing agencies should submit a preliminary report to the Twenty-ninth Meeting of the Executive Committee and a final report to the Thirty-first Meeting.

B. For the purpose of clarifying data related to perceived anomalies

concerning (i) Phaseout in approved projects higher than the baseline consumption and (ii) cases where only a small proportion (30 per cent or less) of the funds approved at least 12 months previously for that particular country had been disbursed:

To request the Secretariat to identify the countries where such perceived anomalies occurred (on the basis of the status report);

Also to request the Secretariat to ask those countries:

- regarding B (i) above, to explain the reasons for the anomaly;
- regarding B (ii) above, to clarify the reasons for the low rate of disbursement, what assistance might be needed to overcome the problem where relevant, when the problem might be remedied, and whether they had the capacity to absorb further projects.

With reference to section B above, the Secretariat should submit a report on its findings to the Twenty-ninth Meeting of the Executive Committee.

(Decision 28/25)

Implementation of Part A of Decision 28/25 (Report from the implementing agencies)

1. As part of the follow-up on the decisions from the Twenty-eighth Meeting, the Fund Secretariat communicated to the implementing agencies on 30 July 1999 the needed action to implement Part A of the Decision and followed up with a reminder on 22 September 1999.
2. At the time of preparation of this document, the Fund Secretariat received from UNEP/TIE preliminary data of some of the countries where the organization was managing the institutional strengthening projects, and was waiting for a reply from the other countries. UNEP/TIE informed that the data from some of the countries was not found consistent with the baseline data of the countries and was being verified.
3. The data submitted by UNEP provided in most cases the sectoral distribution of the baseline consumption and the distribution between manufacturing and servicing for the refrigeration sector, as per point (i) and (iii) of Part A of Decision 28/25.
4. UNEP's data did not address the impact of the investment projects on the baseline data as requested in point (ii) of Part A of Decision 28/25.
5. UNIDO transmitted to the Fund Secretariat the data which they received from the following countries: Egypt, the former Yugoslav Republic of Macedonia and Romania and was waiting for a reply from the other countries where they were managing the institutional strengthening projects.
6. The data from Macedonia addresses points (i) and (iii) of Part A of Decision 28/25, but not (ii); the impact of investment projects on the baseline data.
7. The data from Egypt included only those on the status of implementation on approved projects and disbursement but did not address any of the 3 points in Decision 28/25.
8. The Secretariat did not receive any submissions from the World Bank or UNDP.

Implementation of Part B of Decision 28/25

1. Following the conclusion of the Twenty-eighth Meeting, the Secretariat identified 19 countries for which the perceived data anomalies existed, and requested them to clarify the anomalies. Seventeen countries responded as at the time of preparation of this document.
2. The following is a summary, with the Secretariat's comment where appropriate, of the responses received.

I. Perceived data anomalies between CFC phaseout approvals and the baseline data

1. Countries contacted by the Secretariat and related country data:

Country	CFC Phaseout approved as of 31 December 1998 (Tonnes ODP)	Baseline (CFCs) (Tonnes ODP)	Date of approval of country programme	Consumption in Country Programme (Tonnes ODP)	Response received
Cameroon	427	256.9	1993	280.4	Yes
Ecuador	417	301.4	1992	694	No
Egypt	2,656	1,668	1992	1,468.7	Yes
Gabon	12	7.4	1997	79.7	Yes
Ghana	366	35.6	1992	96.6	Yes
Guatemala	159	144.8	1993	275.7	Yes
Indonesia	4797	1,293.7	1994	5339	Yes
Jamaica	109	98.2	1996	149.8	Yes
Jordan	1,052	673.3	1993	674	Yes
Kenya	205	185.4	1994	47	No
Malaysia	3,354	3271	1992	3,420.5*	Yes
Mauritius	38	28.2	1993	60.9	Yes
Romania	1,069	495.7	1995	1,431.3	Yes
Tunisia	932	870.1	1996	508.1	Yes

* Updated country programme in 1995

2. Summaries of responses:

Cameroon

The discrepancy in CFC data reporting is due to the delay in implementing projects.

Of the two projects approved in the refrigeration sector for the phase-out of 150 ODP tonnes, one has been completed phasing out 65 ODP tonnes and the other is experiencing implementation delays which resulted in continuing production of CFC-based equipment.

The implementation of the two projects approved for the phase-out of 250 ODP tonnes of CFC-11 in the foam sector has already started with the delivery of the equipment to the enterprises concerned.

They see positive indications with regards to the phaseout of CFCs as a result of projects financed by the Multilateral Fund and that with time the discrepancies noticed will no longer exist.

As a result it is estimated that before the year 2001 they will have eliminated all of CFC-11 and minimal quantities of CFC-12 will remain.

Egypt

The CFC consumption reported in the country programme was collected on a preliminary basis. Since the preparation of the country programme, more enterprises have been included in addition to the overall annual growth rate in the foam and refrigeration sectors.

As a result, this unconsidered growth (in the country programme) would lead to an estimated CFC consumption doubling the reported consumption in the country programme.

Gabon

The information provided by the country does not directly address the question from the Secretariat, however it is worth noting that the consumption of CFCs has come down significantly from 79.7 tonnes/ODP in the country programme approved in 1997 to 7.4 tonnes/ODP as the official baseline data calculated by the Ozone Secretariat.

Comment: A discrepancy on the baseline consumption is observed between the data submitted this time (10.7 tonnes/ODP) and the official baseline consumption data calculated by the Ozone Secretariat (7.4 tonnes/ODP) and this is brought to the attention of the Government of Gabon and to the Ozone Secretariat.

Ghana

The four foam projects which were implemented between 1991-1993 replaced CFC-11 with methylene chloride and as a result avoided the use of 316 tonnes/ODP of CFC-11, instead of 24 tonnes/ODP the way phaseout is usually accounted for under the Multilateral Fund. The same methodology is applied by Ghana for the impact of the completed project on improved servicing and maintenance within the servicing sector and the impact is 50 tonnes/ODP. This brings to a total of 366 tonnes/ODP in the total phaseout approved.

Comment: The Secretariat advised the Government of Ghana and the UNDP that the Multilateral Fund uses the actual amount of ODS eliminated, not the amount of ODS avoided to record the impact of the phaseout projects.

Guatemala

It is necessary to realize the time lag between project approval by the Executive Committee and project implementation and completion. For instance, two investment projects (Refrigua and Imca) approved in 1994 were not completed until April 1997.

In the period of 1995-97, the GDP growth was 3.4% and the number of shopping malls, hotels, fast food restaurants, food-packing facilities increased substantially.

The average consumption for 1995-1997 was obtained from the customs and should be 251.50 tonnes/ODP.

Comment: The baseline consumption data as reported (251.50 tonnes/ODP) deviates from the baseline data (144.8 tonnes/ODP) reported by the Ozone Secretariat. This was communicated to the Government of Guatemala and to the Ozone Secretariat.

Indonesia

The CFC consumption data in the past was collected from suppliers, however there are new CFC importers, some of whom may be engaged in smuggling. As a result CFC price is very cheap and has adversely affected the phaseout.

CFC consumption 1993-1996 was increasing and data collection was less than adequate in the beginning.

The Ozone Office changed the method for collecting CFC consumption data from single source to different sources.

Comment: The data submitted changed drastically the baseline data from 1,293.7 tonnes/ODP reported by the Ozone Secretariat to 7,989 tonnes/ODP. This was brought to the attention of the Government of Indonesia and to that of the Ozone Secretariat.

Jamaica

The 109 tonnes/ODP total ODS phaseout approved as of December 1998 includes a retroactively funded foam project. As a result there has been a decrease of 81 tonnes/ODP from 165 tonnes/ODP reported in the country programme. The baseline consumption of 93 tonnes/ODP includes two projects approved but not implemented.

Jordan

Forced migrations from the Gulf War led to population increase and additional small ODS using plants being set up. Hence growth in CFC consumption.

The 1990 surveys for the preparation of the country programme left out commercial refrigeration manufacturing facilities and low ODS consuming insulation foam manufacturers and aerosol operators with an annual CFC consumption of less than 20 tonnes/ODP. These additional enterprises surfaced after the country programme was prepared during the public awareness campaigns.

Companies did not want to report current data partly for tax liability and partly for lack of knowledge of Montreal Protocol requirement.

This situation on data collecting was since improved.

Malaysia

Most projects were approved between 1994-1997 and it usually takes at least 2 years to complete a project, considering the lack of technical know-how and experience to handle phaseout projects. This was made worse by the economic crisis in 1997 when many industries including joint ventures and SMEs could not have enough funds to implement conversions. As a result many industries continue using CFCs before project completion and there was a slight increase in the CFC consumption in 1997. That also uplifted our baseline consumption data.

However, as of December 1998, a total of 57 investment projects had been completed and eliminated 2,798.9 tonnes/ODP and helped significantly reduce CFC consumption in 1998. The Fund assistance was fully utilized and was contributing to Malaysia's national phaseout programme.

The baseline data should not be the sole indicator for measuring the effectiveness of the Fund, but should also consider other factors like economic and social influences. The Government is committed to meeting the 50% reduction target in 2005 and at the same time it wants to ensure that the economy of the country will recover and stabilize again.

However, the Government has already taken the following policy measures:

1. Administrative Order by the Fire Services Department to prohibit the use of halon in rent installations – 6 June 1990.
2. Administrative Order by the Malaysian Industrial Development Authority to prohibit the use of CFCs (Annex I) in new investment in manufacturing sector (new factory using CFCs) – 8 December 1992.
3. Environment Quality Order 1993, to prohibit use of CFCs in aerosol and foam sector.
4. Application Permit System by Ministry of International Trade and Industry to control import of CFCs by licensing system and quota set to reduce import as well as trade with non-Parties – 7 April 1999.

Mauritius

Two projects which were completed in 1995 phased out 38 tonnes/ODP. The remaining 28.2 tonnes/ODP (equivalent to the baseline) will be eliminated once additional projects are approved and implemented.

Romania

During 1993-1997, there was an increase in the CFC imports, because old equipment needed more CFCs for servicing and there is an increase of second-hand CFC-based equipment being imported into the country.

Data collection for the country programme was inadequate, for instance first version of the country programme left out the foam sector.

There is often a delay in project implementation. However, the Government introduced in September 1996 strict control of CFCs; Ministry of Waters, Forestry and Environment Protection Ordinance No. 506/1996 controls the import and export of ODS.

Tunisia

The baseline data 870 tonnes/ODP which is the average of 1995-1997 consumption does not reflect the exact annual consumption, actually if we compare the total approval of 932 tonnes/ODP to the higher consumption figure of 1997 which is 970.2 tonnes/ODP, then the total approval figure is lower.

The 932 tonnes/ODP is the total of all approved projects up to 31 December 1998. There are projects that were identified in 1997, submitted and approved in 1998 but not considered for the past 3 years.

There has been an increase due to the expansion of the foam sector and the identification of new units operating in the sector.

However with all the projects that have been approved, completed and being completed, plus the control initiated on the import of CFCs, Tunisia will decrease its CFC consumption in 1999 and implement the freeze.

II. Perceived data anomalies on low disbursement

1. Countries contacted by the Secretariat and related country data:

Name of Country	Approval as of 31 December 1997 (US \$)	Disbursed as of 31 December 1998 (US \$)	%	Response received
Bahamas	332,900	98,760	30%	Yes
Nicaragua	156,000	46,910	30%	Yes
Pakistan	9,716,330	1,479,754	15%	Yes
Paraguay	544,900	85,096	16%	Yes
Togo	100,000	30,000	30%	Yes

2. Summaries of responses:

Bahamas

The low disbursement figure as reported in the Status Report is due to the time lag in recording the implementation and disbursement. The actual disbursement as of 31 December 1998 should have been \$242,300 or 73% of the total approval as of 31 December 1997.

Nicaragua

Of the total funding level approved as of 31 December 1997, the disbursement level as of 31 December 1998, should have been higher by \$72,400 from the institutional strengthening project for the 1998 annual expenditure. As a result ratio of the disbursement to approvals would be 44% (\$69,310/\$156,000), higher than the threshold of 30% set in Decision 28/25.

Pakistan

Reasons for low disbursement:

- The World Bank was unable to begin disbursement until the issue of import duties etc. was resolved this year;
- The longer than expected learning curve for industry and financial agent of the World Bank, i.e., national Development Finance Corporation (NDFC);
- Availability of new technology which required reappraisals;
- Availability and cheap price of ozone depleting substances (ODS) in the market;
- Risk of being the first to change in the refrigeration industry;
- Shyness on the part of industry to accept newly developed substitutes and technologies;
- Longer pre-project implementation gestation period due to selection of supplier of equipment, finalization of specification of equipment, technical and financial appraisals, etc.

Assistance to overcome the problem:

- Major hurdle in the implementation of approved ODS phaseout project was issue of payment of customs duties etc. in import of equipment under the grant funding of the Multilateral Fund. This has been resolved this year.
- Now with the introduction of licensing system, we are in a position to check free availability/import of ODS in the country.

When the problem might be remedied:

- The World Bank anticipate that disbursement rate would improve substantially as the hurdles have been cleared and difficulties related to the learning curve have been resolved. They hope to get the project back on track over the next 18 months.
- As far as UNIDO assisted projects are concerned, they have already imported equipment for one of their projects named Riaz Electric Co. Limited. Equipment specifications have been finalized and working arrangement for implementation signed for four other projects namely (i) Pak Elecktron Ltd., (ii) Treet Corporation

Ltd., Lahore (iii) Treet Corporation Ltd., Hyderabad; and (iv) Hirra Farooq's (Pvt.) Ltd. It is anticipated that said projects would be implemented in the next 18 months or so.

Whether Pakistan has the capacity to absorb further projects:

- Pakistan has the capacity for new and innovative projects (e.g. Railways) and hopes to demonstrate this by improved disbursement and Government commitments e.g. licensing system etc.

Paraguay

The reply from the country does not provide any relevant data. As a result the Secretariat requested UNDP for project implementation data because UNDPs' foam project is the largest project in the country's current portfolio (\$405,000 from \$544,900). UNDP reported delay in disbursement to the project due to delayed delivery of equipment to the project site, slow implementation of local work (ventilation) and late submission of claims for reimbursement.

In spite of that, UNDP reported disbursing \$60,239 in 1998 and expected to add another \$30,000 in 1999.

Togo

There has been 4 consecutive government restructurings since February 1998 and a lot of decision-making has been delayed. The Memorandum of Agreement with UNEP for the implementation of the institutional strengthening project was not signed until December 1998 and first disbursement was effected in February 1999.

RECOMMENDATIONS

Part A

1. UNEP and UNIDO should be commended for their efforts in submitting the preliminary data on countries for which they are managing the institutional strengthening projects.

In working on their final report for submission to the Thirty-first Meeting, UNEP and UNIDO should a) complete their data collection and verify the data received, b) provide analysis according to the 3 points of Part A of Decision 28/25.

2. The Executive Committee may wish to urge UNDP and the World Bank to fully comply with Decision 28/25 A and submit a preliminary report to the Thirtieth Meeting and their final report to the Thirty-first Meeting.

Part B

3. The Executive Committee may wish to take note of the responses received from countries where data anomalies existed.