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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-sixth Meeting
Montreal, 20-22 March 2002

Addendum

BILATERAL COOPERATION

This addendum is issued to add the requests from the Government of Germany.

REQUESTS FROM THE GOVERNMENT OF GERMANY

Introduction

1. The Government of Germany submitted requests for bilateral cooperation for projects in Algeria, Croatia, India, Kenya, Papua New Guinea, Tanzania, and one project for English-speaking African countries.
2. Table 1 presents a summary of Germany's requests by project title, country, amount requested, and amount recommended. The total amounts recommended, once approved by the Executive Committee, should be offset against Germany's contributions for year 2002. These requests do not exceed 20% of Germany's contribution for 2002.

Table 1

SUBMISSIONS FROM THE GOVERNMENT OF GERMANY AND RECOMMENDATIONS

Project Title	Country	Amount Requested (US\$)	Amount Recommended (US\$)
Section A: Non-Investment project proposals			
Project preparation for phasing out ODS Use in PLIVA Pharmaceuticals	Croatia	16,500	Defer
Project for monitoring and evaluation of implemented activities in the RAC Sector	Kenya	15,000	15,000
Project preparation for development of an ODS phase out plan	Papua New Guinea	69,500	60,000
Recovery and recycling of CFCs	Tanzania	164,223	164,223
Regional conference on halon banks and halon alternatives	Region: Africa	70,000	Pending
Section B: Investment project proposals			
Conversion of the use of CFC to LCD in the manufacture of flexible foam at Sarl Djurjura Mousse	Algeria	386,259	Defer
Conversion of Precision Engineering Tools and Components from CFC to water based technology	India	219,496	200,282
Conversion of Pramukh Poly-Products from CFC to water based technology	India	238,439	224,812
Sub-total		1,179,417	
Agency fee		153,324	
TOTAL		1,332,741	

SECTION A: NON-INVESTMENT PROJECT PROPOSALS

Croatia: Project preparation for phasing out ODS in Pliva Pharmaceuticals (US \$16,500)

Project description

3. The Government of Germany received an official request from the Government of Croatia for the preparation of a project to phase out 25.6 ODP tonnes of CFCs used for the production of medical sprays (antibiotics and inhalators) at Pliva Pharmaceuticals.

Fund Secretariat's comments

4. The Executive Committee decided at its 35th Meeting to request the Secretariat, in cooperation with the implementing agencies, to prepare a paper for the Executive Committee's consideration on the issues associated with developing projects for the CFC metered-dose inhaler (MDI) sub-sector to give effect to Decision XIII/9 of the 13th Meeting of the Parties (Decision 35/4 (c)).

5. The Government of Germany agreed to defer submission of this activity pending the approval of the guidelines.

Kenya: Project for monitoring and evaluation of implemented activities in the RAC sector (US \$15,000)

Project description

6. The Government of Germany submitted a request for a project for the monitoring and evaluation of implemented ODS phase out activities in Kenya. So far, the Government of Kenya has implemented some activities in the refrigeration and air conditioning sector. For example, ODS related regulations have been drafted; however, they have not yet been forwarded to Cabinet. One training course for technicians in good refrigeration practices was carried out in 2000; additional courses are scheduled for June 2002. So far, only 26 technicians have been trained in the use of refrigerant recovery and recycling machines. An agreement between the Government of Germany and UNEP for implementation of the customs training has been finalised; the training of customs officers is planned for the second-half of 2002.

7. The Government of Germany is of the opinion that through this activity a few outstanding issues related to implementation of the refrigeration servicing sector could be resolved and the Government of Kenya would also be in a better position to precisely determine future activities and projects to ensure that Kenya will be in compliance with the ODS phase out obligations under the Montreal Protocol.

Fund Secretariat's comments

8. The Secretariat noted that the above request was more related to the preparation of an RMP update rather than a monitoring and evaluation activity. As indicated in the proposal, the Government of Germany has been assisting Kenya in the implementation of its RMP and other

activities related to the refrigeration sector. A number of these activities have already been implemented, including drafting ODS-related regulations, training of refrigeration service technicians and conversion of refrigeration manufacturing enterprises. Refrigerant recovery and recycling operations will commence shortly.

9. Subsequently, the Government of Germany agreed to reformulate the request as a project proposal for the preparation of the Kenya RMP update. An official letter from the Government of Kenya, as requested by Decision 33/13 (approve project preparation requests for RMP updates), was submitted to the Fund Secretariat.

Fund Secretariat's recommendations

10. The Fund Secretariat recommends blanket approval of the above project with the associated support costs at the funding level recommended in Table 1 above, and the Treasurer should offset these amounts against Germany's 2002 contribution to the Multilateral Fund.

Papua New Guinea: Project preparation for development of an ODS phase out plan (US \$69,500)

Project description

11. The Government of Germany submitted a request for the development of a detailed ODS phase out action plan which will outline the various activities that need to be undertaken by Papua New Guinea to ensure that all ODS use in the country is reduced and gradually phased out.

Fund Secretariat's comments

12. The Secretariat noted that the Executive Committee at its 21st Meeting, approved US \$30,000 for UNEP for the preparation of the RMP for Papua New Guinea; however, UNEP advised the Secretariat in 1997 that the funds were utilised for the preparation of the RMP for Western Samoa because Papua New Guinea had difficulties in proceeding with the preparation of its RMP project (the Secretariat has received an official request from UNEP to record the transfer of funds approved at the 21st Meeting for the preparation of the RMP for Papua New Guinea to the preparation of the RMP for Western Samoa).

13. The Secretariat also pointed out that according to Decision 31/48 (preparation and approval of new RMPs for LVCs), the level of funding provided for the project preparation phase for a new RMP should be double the level traditionally funded (i.e., US \$30,000 for LVCs) to include a full survey of CFC consumption in all subsectors, the development of a comprehensive government phase-out strategy and a commitment by the government to enact regulations and legislation required for the effective implementation of activities to phase out the use of CFC refrigerants.

14. Subsequently, the Government of Germany agreed to adjust the request to US \$60,000, with the understanding that if ODS use is identified in other sectors, further project preparation funds for development of specific projects could be requested.

Fund Secretariat's recommendation

15. The Fund Secretariat recommends blanket approval of the above project with the associated support costs at the funding level recommended in Table 1 above, and the Treasurer should offset these amounts against Germany's 2002 contribution to the Multilateral Fund.

Tanzania: Recovery and recycling of CFCs (US \$164,223)Project description

16. The Government of Germany submitted a request for the implementation of a CFC recovery and recycling programme in Tanzania, to prevent release of CFC-refrigerants into the atmosphere during the course of maintenance work on refrigeration equipment and to encourage the practice of recovery and reuse of the refrigerants. The project will set-up a recovery and recycling network consisting of 40 recovery machines, 10 recycling machines for servicing and ancillary equipment. A direct phase out of 11.7 ODP tonnes is estimated to be recovered on an annual basis.

Fund Secretariat's comments

17. At its 22nd Meeting, the Executive Committee approved a project for the implementation of a national programme for recovery and recycling of refrigerants and allocated US \$161,554 to UNDP for its implementation. Due to delays in the implementation of this programme reported by UNDP, the Executive Committee at its 34th Meeting decided to cancel the programme (Decision 34/3).

18. At its 26th Meeting, the Executive Committee approved a number of activities submitted by the Government of Germany related to RMPs of 14 low volume consuming countries in eastern and southern Africa, including Tanzania. The Government of Germany reported that the activities approved for Tanzania have so far been implemented successfully and no delays have been recorded. ODS-related regulations have been drafted (October 2001) and would come under the East African Customs and Transfer Tax Management Act; the training programme for trainers has been accomplished in Germany and training equipment have been delivered.

19. Furthermore, the Government of Germany advised the Secretariat that the current price of CFC-12 is over US \$5.00/kg which will make the recovery and recycling programme viable and self-financing after the initial funding is provided. As a result of the RMP implementation, a complete list of refrigeration service workshops and maintenance companies is available.

Fund Secretariat's recommendation

20. Taking into consideration statements in the proposal that: (a) so far, the RMP project for Tanzania has been successfully implemented and no delays recorded; (b) ODS-related regulations are in place and the retail price of CFC-12 is already above US \$5.00/kg; (c) discussions held among the Government of Germany, the Ozone Office and UNDP; and

(d) the level of funding requested is similar to the original recovery and recycling programme, the Secretariat recommends blanket approval of the above project with the associated support costs at the funding level recommended in Table 1 above, and the Treasurer should offset these amounts against Germany's 2002 contribution to the Multilateral Fund.

Region Africa: Regional conference on halon banks and halon alternatives (US \$70,000)

Project description

21. The Government of Germany submitted a request to organise a regional conference on halon banks and halon alternatives for English-speaking African countries, to assist the countries concerned to reduce their consumption of halons and achieve the 2002 freeze. The topics of the conference will include: experience from the development of a national halon bank; alternatives to halon in fire protection; and necessary regulations for halon consumption reduction.

Fund Secretariat's comments

22. The Secretariat informed the Government of Germany that many of the countries to be included in the proposed workshop were part of the regional halon bank for 7 English-speaking countries approved at the 35th Meeting. It should be noted that the Executive Committee approved the regional halon bank on the condition that this would be the final project in the halon sector for the participating countries (Decision 35/22). The Government of Germany indicated that the workshop would address all 22 English-speaking countries and that there was no contradiction to the decision at the 35th Meeting.

23. The Secretariat is continuing its discussions with the Government of Germany on this activity.

Fund Secretariat's recommendation

24. Pending.

SECTION B: INVESTMENT PROJECT PROPOSALS

Algeria: Conversion of the use of CFC to LCD in the manufacture of flexible foam at Sarl Djurdjura Mousse (US \$386,259)

Fund Secretariat's comments

25. At the 33rd Meeting of the Executive Committee an amount of US \$30,900 was approved for the Government of Germany for project preparation for the phase-out of ODS in the flexible foam sub-sector in Algeria.

26. In view of discrepancies in the foam sector ODS consumption in Algeria, where the amount of CFC to be phased out in approved but unimplemented projects in the foam sector was about 150% that of the country's reported CFC consumption in the foam sector, the project

preparation was approved with conditions pertaining to Decision 17/2 (a). Thus, the Government of Algeria was requested to update the foam sector ODS consumption data in the country programme, and submit with the project proposals the revised figures and a detailed explanation of the reason for the variation.

27. The Government of Germany submitted a project for one enterprise to phase out 62 tonnes of CFC-11 through the use of liquid carbon dioxide (LCD). Consistent with the conditions of approval of the project preparation funds, the Government of Algeria submitted a note "Corrections to data re: Algerian consumption of ozone-depleting substances" which included a table of CFC consumption data by sector. The Secretariat's review of the data showed that the consumption data reported did not resolve the data discrepancies, which still remain.

28. Consequently, consistent with Decision 34/18 (a), which requests the Secretariat and the implementing agencies not to submit project proposals which showed inconsistencies between project data and the latest reported sectoral consumption data, the Secretariat advised the Government of Germany to withdraw the project from submission. As at the time of dispatch of documentation, the Government of Germany had not confirmed the withdrawal of the project.

**PROJECT EVALUATION SHEET
INDIA**

SECTOR: Foam ODS use in sector (2000): 2,898 ODP tonnes
 Sub-sector cost-effectiveness thresholds: Integral skin US \$16.86/kg

Project Titles:

- (a) Conversion of Pramukh Poly-Products from CFC to water-based technology
- (b) Conversion of Precision Engineering Tools and components from CFC to water-based technology

Project Data	Integral skin	Integral skin
	Pramukh	Precision Engineering
Enterprise consumption (ODP tonnes)	27.00	22.00
Project impact (ODP tonnes)	27.00	22.00
Project duration (months)	18	18
Initial amount requested (US \$)	238,439	219,496
Final project cost (US \$):		
Incremental capital cost (a)	90,000	80,000
Contingency cost (b)	9,000	8,000
Incremental operating cost (c)	125,812	112,282
Total project cost (a+b+c)	224,812	200,282
Local ownership (%)	100%	100%
Export component (%)	0%	0%
Amount requested (US \$)	224,812	200,282
Cost effectiveness (US \$/kg.)	8.33	9.31
Counterpart funding confirmed?		
National coordinating agency	National Ozone Cell, ME&F	
Implementing agency	Germany	

Secretariat's Recommendations		
Amount recommended (US \$)	224,812	200,282
Project impact (ODP tonnes)	27.00	22.00
Cost effectiveness (US \$/kg)	8.33	9.31
Implementing agency support cost (US \$)	29,226	26,037
Total cost to Multilateral Fund (US \$)	254,038	226,319

PROJECT DESCRIPTION

Sector background

- Latest available total ODS consumption (2000)	18,760.50 ODP tonnes
- Baseline consumption of Annex A Group I substances (CFCs)	6,681.00 ODP tonnes
- Consumption of Annex A Group I substances for the year 2000*	5,614.30 ODP tonnes
- Baseline consumption of CFCs in foam sector	2,391.00 ODP tonnes
- Consumption of CFCs in foam sector in 2000*	2,898.00 ODP tonnes
- Funds approved for investment projects in foam sector as of end of 2001	US \$31,548,573
- Quantity of CFC to be phased out in investment projects in the foam sector as of end of 2001	4,352.00 ODP tonnes

* Based on data reported to the Fund Secretariat by the Government of India on 6 June 2001.

29. India reported 1999 CFC consumption in the foam sector as 6,056.69 ODP tonnes out of which 4,075 ODP tonnes were reported to be contained in imported preblended polyol. India has also reported CFC consumption data for the foam sector for the year 2000 as 2,898 ODP tonnes, namely without the amount contained in imported premixed systems. The two enterprises producing flexible molded foam use polyols premixed with CFC-11. However, the source of supply is not indicated.

Integral Skin Foam

Precision Engineering Tools, Pramukh Poly Products

30. Precision Engineering Tools and Pramukh Poly Products were established in 1969 and February 1995 respectively. The enterprises consumed 22 and 27 ODP tonnes CFC-11 premixed in polyol in 2000. Precision Engineering manufactures flexible molded foam bicycle saddles while Pramukh manufactures seat cushions for automotive applications.

31. Both Precision Tool and Pramukh currently use low-pressure dispensers (1986 Cannon and 1994 Edgesweets respectively) and a mix of aluminium, epoxy and fiberglass molds without temperature control systems. The molds used by the two companies are not heated while the working tanks are not pressurized or temperature conditioned.

32. The enterprises propose to phase out CFC-11 from their production by converting to water-blown technology. The incremental capital costs of conversion include retrofitting the existing dispensers (US \$15,000 each), and upgrading the fiberglass molds (US \$30,000 and US \$40,000), provision of temperature control systems (US \$10,000 per enterprise) and provision of mold heating facility (US \$10,000 per enterprise). Other capital costs for each enterprise include technical assistance, trials, and training (US \$15,000). Incremental operational costs of US \$112,282 and US \$125,812 respectively are requested.

Fund Secretariat's comments

33. The Fund Secretariat and GTZ have discussed the projects and agreed on their levels of funding as follows:

	ICC US \$	IOC US \$	Total Grant US \$	Cost- effectiveness US \$
Precision Engineering Tools	88,000	112,282	200,282	9.31
Pramukh Poly Products	99,000	125,812	224,812	8.33

Consistency with Executive Committee Decisions

Decision 33/2:

34. The projects meet the relevant requirements of Executive Committee Decision 33/2.

Decision 35/37: National Aggregate Consumption

35. The two projects submitted by Government of Germany (GTZ) will phase out a total of 49 ODP tonnes CFC-11. As of time of dispatch of documentation, the Government of India had not indicated its preferred option for starting point for implementation of its national aggregate consumption reductions (Decision 35/57). The 49 ODP tonnes to be phased out by the two projects when approved should be deducted from India's national aggregate consumption when it is determined.

Fund Secretariat's recommendations

36. The Fund Secretariat recommends blanket approval of the Precision Engineering Tools and Pramukh projects with the level of funding and associated implementing agency support costs as indicated in the table below.

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Conversion of Pramukh Poly-Products from CFC to water-based technology	224,812	29,226	Germany
(b)	Conversion of Precision Engineering Tools and components from CFC to water-based technology	200,282	26,037	Germany

37. The Treasurer should offset these amounts against Germany's 2002 contribution to the Multilateral Fund.
