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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-sixth Meeting
Montreal, 4-8 July 2005

PROJECT PROPOSAL: NIGERIA

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

Solvent

- Terminal ODS phase-out umbrella project in the solvent sector (second tranche)

UNIDO

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
NIGERIA**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

Terminal ODS phase-out umbrella project in the solvent sector (second tranche)	UNIDO
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NATIONAL CO-ORDINATING AGENCY:	Ministry of Environment
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2003, AS OF MARCH 2005)**

Annex B, Group II	166.65		
Annex B, Group III	31.3		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES 2003, AS OF MAY 2005)

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Process agent	Fumigant
					CTC: 166.65		
					Methyl chloroform: 31.3		

CFC consumption remaining eligible for funding (ODP tonnes)	n/a
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CURRENT YEAR BUSINESS PLAN: Total funding US \$341,000: total phase-out 39.8 ODP tonnes.

PROJECT DATA		2004	2005	2006	2007	2008	2009	2010	Total
TCA (ODP tonnes)	Annual consumption limit	166.7	22.9	22.9	22.9	0	0	0	
CTC (ODP tonnes)	Annual consumption limit	31.3	23.0	23.0	23.0	23.0	23.0	0	
TOTAL ODS CONSUMPTION TO BE PHASED OUT									
		143.8	0	0	22.9	0	0	0	
		8.3	0	0	0	0	23	0	
Total ODS consumption to be phased-in (HCFCs)		n/a							
Project cost as originally submitted (US \$)									n/a
Total project funding (US \$):		530,000	317,000	425,000	303,200	0			1,575,200
Total support costs (US \$)		39,750	23,775	31,875	22,740	0			118,140
TOTAL COST TO MULTILATERAL FUND (US \$)		569,750	340,775	456,875	325,940	0			1,693,335
Final project cost effectiveness (US \$/kg)									

FUNDING REQUEST: Approval of funding for second tranche (2005) as indicated above.

SECRETARIAT'S RECOMMENDATION	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Nigeria, UNIDO has submitted to the 46th Meeting a report on the activities undertaken since approval of the terminal ODS phase-out project in the solvent sector for Nigeria, together with an annual implementation plan for the second tranche. UNIDO has also requested approval of US \$317,000 plus support costs of US \$23,775 for implementation of the second tranche.

Background

2. At the 43rd Meeting the Executive Committee approved-in-principle the terminal ODS phase-out project in the solvent sector for Nigeria at a total cost of US \$1,575,200 plus support costs of US \$118,140 for UNIDO. The Executive Committee also approved funding for the first tranche of the project at a cost of US \$530,000 plus support costs of US \$39,750 for UNIDO (decision 43/31).

3. Decision 43/31 also indicates in paragraph (c) that requests for subsequent tranches will be submitted to the last meeting of the year and in paragraph (d)(v) that UNIDO will be responsible for reporting annually on the implementation of activities funded under the project and for providing verification to the Executive Committee annually that the CTC and TCA consumption limits in the project have been achieved according to the above schedule.

Progress report on activities so far implemented

4. As reported in the progress report, in 2004, the CTC and TCA consumption were 166.7 ODP tonnes and 31.3 ODP tonnes, respectively. These consumption levels are within the limits specified in the approved project. The customs declaration forms and/or other documentation to support these figures are not yet available.

5. Since the approval of the solvent sector phase-out plan, the following activities have been implemented:

- (a) The National Planning Committee, within the Ministry of Environment, as the national authority to ensure compliance with the Montreal Protocol, has assigned a project coordinator for implementation of the solvent phase-out plan, who will be assisted by national industrial experts. UNIDO's headquarter office is assisting in the overall implementation of the project while UNIDO's field office in Abuja is assisting in administration arrangements including financial transactions, customs clearance of goods, logistics and communication support.
- (b) The Ozone Unit, with the assistance from the national industrial experts, has pursued surveys of the enterprises that formulate cleaning solvents (representing more than 50 per cent of the total ODS solvent consumption in Nigeria) and the parts-cleaning industrial sector. Also, a technical workshop was conducted for formulators on alternative cleaning agents and technologies.

- (c) Financial assistance has been provided to selected formulators to develop new non-ODS formulations for their products (i.e., degreasers, stain removers, leather dyes and pigment dispersants). Many of the enterprises had started their development work prior to the approval of project and had reported their interim results on the development of new formulations;
- (d) A study tour to non-Article 5 countries was organized with the assistance of UNIDO to collect information on alternative solvents and technologies for the parts-cleaning sector. Specifications for the equipment needed for the phase-out of CTC and TCA has been developed on the basis of the research so far conducted. UNIDO has already ordered sixteen ultrasonic machines to be delivered to selected enterprises (June-July 2005);
- (e) A train-the-trainer programme in the use of ultrasonic cleaning equipment and alternative cleaning agents had been organized at the premises of the supplier of the cleaning machines in the United States (23 to 26 May 2005), for selected parts cleaners. The trained personnel will in turn train other parts cleaning enterprises on the use of the ultrasonic cleaning equipment; and
- (f) The Ozone Unit has continued discussions with corporate users and dry cleaning workshops on the phase-out of ODS solvents (for example, the Science Equipment Development Institute has been investigating the feasibility of modifying the existing CTC-based dry cleaning machine to trichloroethylene technology. Peugeot Automobile Nigeria has indicated that the use of TCA used for cleaning automobile parts is being phased-out by converting to a detergent cleaning system in line with the global strategy of the company).

6. Of the total funds approved for the first tranche of the project (US \$530,000), US \$481,005 had been disbursed.

Verification of 2004 consumption limits

7. UNIDO advised that two ODS verification audits are currently in progress, one for CFC consumption data for 2004 under the NPP for CFCs and the other for the CTC and TCA solvent sector consumption data, also for 2004. During these audits the import data for 2004 will be verified along with the necessary supporting documents from relevant stakeholders.

Annual implementation plan for second tranche

8. UNIDO has submitted an annual implementation plan (AIP) for the second tranche of the solvent sector phase-out plan. The consumption limits are identical to the levels specified in decision 43/31 (indicated in the project cover sheet).

9. The activities proposed to be carried out in the second tranche are as indicated below:

- (a) Phase-out of 25.3 ODP tonnes of ODS solvents (15.4 ODP tonnes of CTC, and 9.9 ODP tonnes of TCA) used by some 15 formulation enterprises;

- (b) Phase-out of 12.8 ODP tonnes of ODS solvents (9.4 ODP tonnes of CTC, and 3.4 ODP tonnes of TCA) used by industrial cleaning contractors;
 - (c) Phase-out of 16.0 ODP tonnes of ODS solvents (6.8 ODP tonnes of CTC, and 9.3 ODP tonnes of TCA) used by parts cleaning enterprises;
 - (d) Phase-out of 24.0 ODP tonnes of ODS solvents (22.0 ODP tonnes of CTC, and 2.0 ODP tonnes of TCA) used by corporate users, including Ibeto Group, Peugeot Automobile Nigeria, Ltd., Scientific Equipment Development Institute;
 - (e) Phase-out of 16.5 ODP tonnes of CTC used by dry cleaning workshops; and
 - (f) Continuation of the awareness campaign for the industry and the general public.
10. The potential actions to be implemented by the Government include the following:
- (a) Development of regulations on the control of ozone depleting solvents in Nigeria;
 - (b) Training programmes for parts cleaners on ultrasonic cleaning technology; awareness technical workshops for dry cleaning, corporate use and industrial cleaning sub-sectors;
 - (c) Training programme for customs officers and relevant Government agencies; and
 - (d) Consultative meetings (twice a year) with major stakeholders on control of ozone depleting substances in Nigeria.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Issues related to decision 43/31

11. In accordance with decision 43/31, the funding for the second and subsequent tranches of solvent sector project phase-out plan is to be requested at the last meeting of the Executive Committee in the relevant years. In this regard, the Secretariat sought an explanation from UNIDO on the reasons for a deviation from the agreed terms of approval.

12. UNIDO indicated that at the time of the submission of the project to the 43rd Meeting, there was some uncertainty whether or not there would be two or three Executive Committee meetings in 2005. Also, it was likely that the request for funding of the second tranche at the first meeting of the Executive Committee in 2005 would not be realistic, as expected results from the implementation of the first tranche would be limited. Moreover, the proposed annual implementation programme submitted to the 46th Meeting is essential for Nigeria to achieve compliance with its CTC and TCA Montreal Protocol obligations.

ODS consumption and phase-out

13. The Secretariat noted that while there are currently no regulations in place controlling imports of CTC or TCA, import quotas were issued for 2004 (amounting to the maximum quantities of CTC and TCA permitted under the agreement). Noting that there is no supporting documentation from the customs organization, the Secretariat sought an explanation on how the level of CTC and TCA imports were ascertained. The Secretariat also noted that the actual level of imports was reported to be precisely equal to the maximum levels in the agreement. The Secretariat sought a clarification as to whether the Government of Nigeria had been advised by UNIDO that the import levels to be reported as consumption are the actual imports entering the country, not the levels authorised for importation.

14. UNIDO indicated that Nigeria has an existing system to control the imports of certain hazardous chemical substances including CTC and TCA. This instrument has been used by the Government for successfully controlling ODS consumption to maintain Nigeria's compliance with the Montreal Protocol phase-out schedule. Moreover, the implementation of the ODS phase-out programme is based on existing environmental regulations which contain specific reference to the control of ODS consumption in the country. For 2004, the maximum allowed amount to be imported into the country was 166.7 ODP tonnes of CTC. Based on this, import quotas to the tune of 166.7 ODP tonnes were issued to certified importers who applied. Reports so far received from CTC and TCA importers indicate that they fully utilized their import permits in view of the anticipated reduction in quotas. In view of the laborious nature of data acquisition from Customs operations, which are yet to be computerized, the Government has yet to confirm this information (however, UNIDO considers that the reported data is reliable in view of the experiences in previous years). UNIDO noted that a draft act for the control of the import, export and use of ODS is expected to be passed to the National Assembly and become operational before the end of 2005.

15. Based on the information contained in the progress report, it can be inferred that the phase-out activities have been commenced, but are not yet completed. Considering that the Montreal Protocol consumption limit for 2005 applies for the entire year, any activity necessary to meet the 2005 consumption limit but not yet completed, will already be giving rise to consumption above the limit for 2005. On this basis, the Secretariat requested an explanation on, how the consumption limit is to be achieved in view of the planned completion dates for project activities.

16. UNIDO reported that according to the latest information from the supplier of ultrasonic cleaning machines, it is expected that the equipment will be delivered to selected part-cleaning enterprises in June and July 2005; CTC will be phased-out in this sub-group immediately after installation of equipment and trials with non-ODS cleaning agents have been completed. Additional parts cleaning enterprises have also been listed to be provided with the same machines from the second tranche. UNIDO had estimated the remaining level of CTC demand for 2005 and noted that the demand is higher than the limit for 2005 (the estimated demand for TCA is lower than the limit in the project). Demand exceeding the controlled amount may be satisfied with the stocked chemicals or substitutes.

17. The Secretariat also pointed out that activities so far commenced for the phase-out of CTC will fall short of the required reductions in consumption by some 5 ODP tonnes, and sought an explanation from UNIDO on how the CTC target would be achieved.

18. UNIDO reported that the shortfall of the CTC reduction compared to the 2005 target will be addressed by the activities proposed in the second AIP. Among the activities to be undertaken are the provision of assistance to the remaining enterprises that formulated cleaning solvents, and intensification of awareness activities among the dry-cleaning workshops and industrial cleaning contractors. It is estimated that the phase-out activities proposed in the second tranche may reduce the demand by more than the current shortfall.

19. The Secretariat notes that from the information provided by UNIDO, although some enterprises that were consumers of CTC may have ceased to use ODS by the end of 2004, a significant proportion of other enterprises that need to phase-out to enable achievement of the 2005, 85 percent reduction target (a phase-out of 143.8 ODP tonnes), may still be using ODS. It appears that there are a number of challenges facing Nigeria if it is to meet the CTC control measures for 2005.

Issues related to verification

20. It is indicated in the report that ODS verification audits are now under way. The implementation schedule for the second tranche indicates that the verification process will be complete in August. Thus, the 2004 verification requirement arising from decision 43/31 have not been complied with. In this regard, the Secretariat drew UNIDO's attention to decision 44/12 through which agencies were requested to "ensure that all verification procedures required under the relevant agreement had been completed and were included in project documentation prior to submission."

21. UNIDO indicated that it was aware of decision 44/12. However UNIDO also pointed to what it characterised as discrepancies in the timing of relevant activities related to the solvent sector phase-out plan, including data availability (in first quarter of 2005), official data reporting (with deadlines of 1 May for the Fund Secretariat and 30 September for the Ozone Secretariat), the verification, and the timing of submission of the implementation programme for the next tranche. UNIDO also indicated that the terms of reference for the verification had been prepared (based on the draft guideline on verification which has been discussed at several meetings of the Executive Committee), and an institute has been selected. The selected institute had already started work, with the following planned activities:

- (a) Meeting with Federal Ministry of Environment for review of the Government's policy and actions in respect to ODS phase-out plan in the solvent sector;
- (b) Meeting with the Central Bank of Nigeria, External Trade Division for import documentation;
- (c) Meeting with major stakeholders (pre-shipment inspectors, relevant authorities, customs and excise departments, national agency for foods, drug administration and control, importers);

- (d) Data compilation and analysis; and
- (e) Reporting (interim report and the draft final report).

22. The Secretariat notes that submission of requests for subsequent tranches of this project to the last meeting of the year, as required by decision 43/31, would obviate the difficulties faced by UNIDO in complying with verification requirements at the current meeting. Apart from the overriding requirement to assist Nigeria to remain in compliance, there is no basis for the proposal to be considered for approval at the current meeting.

23. If the project were to be approved in principle with disbursement withheld pending satisfactory verification, and if the verification report, when received, was able to be reviewed positively by the Secretariat without the need for supplementary information, approval of the second tranche at the present meeting could provide a saving of some three months compared to deferral of the project to the 47th Meeting.

RECOMMENDATION

24. The Executive Committee may wish to consider the request for approval of the second tranche of funding for the terminal ODS phase-out project in the solvent sector in Nigeria on the basis of the information provided above.
