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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-seventh Meeting
Montreal, 21-25 November 2005

AMENDMENTS TO WORK PROGRAMME FOR 2005 OF THE WORLD BANK

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

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COMMENTS AND RECOMMENDATIONS OF THE FUND SECRETARIAT

1. The World Bank is requesting approval from the Executive Committee for US \$1,638,275 as amendments to its 2005 Work Programme, plus agency support costs of US \$6,996.

2. The activities proposed in the World Bank’s Work Programme Amendments are presented in Table 1 below:

Table 1: The World Bank Work Programme Amendments

| Country | Activity/Project | Amount Requested US \$ | Amount Recommended US \$ |
|---|--|------------------------|--------------------------|
| SECTION A: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION | | | |
| A1. Renewal of institutional strengthening project: | | | |
| | ODP tonnes | | |
| Chile | Renewal of institutional strengthening project, phase VI, year 2 | 7.7 | 93,275 |
| Subtotal for institutional strengthening: | | 93,275 | |
| CORE UNIT FUNDING | | 1,545,000 | [1] |
| Subtotal : | | 1,638,275 | |
| Agency support costs (7.5 per cent): | | 6,996 | |
| Total: | | 1,645,271 | |

[1] Considered under document UNEP/OzL.Pro/ExCom/47/19

SECTION A: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION**A1: Renewal of institutional strengthening projects**

| | | |
|-----|-------------------------|-------------|
| (a) | Chile (phase VI year 2) | US \$93,275 |
|-----|-------------------------|-------------|

Chile: renewal of institutional strengthening

| Summary of the Project and Country Profile | | |
|---|------------------------------|----------------|
| Implementing Agency | | World Bank |
| Amounts previously received for institutional strengthening (US \$): | | |
| | Phase I: Jun. 1992 | 213,000 |
| | Phase II: Oct. 1996 | 113,500 |
| | Phase III: Jul. 1998 | 143,500 |
| | Phase IV: Dec. 2000 | 143,500 |
| | Phase V: Nov. 2002 | 186,550 |
| | Phase VI: Apr. 2005 (year 1) | 93,275 |
| | Total | 893,325 |
| Amount requested for renewal (Phase VI year 2) (US \$): | | 93,275 |
| Amount recommended for approval (US \$) | | 93,275 |
| Agency support costs (US \$) | | 6,996 |
| Total cost of institutional strengthening Phase VI year 2, to the Multilateral Fund | | 100,271 |
| Date of approval of country programme | | June 1992 |
| Date of approval of country programme update (if applicable) | | 2000 |
| Total ODS consumption reported in country programme (1989), (ODP tonnes) | | 1,055.20 |
| Latest reported total ODS consumption (2004) (ODP tonnes) | | 573.21 |
| Baseline consumption of controlled substances (ODP tonnes): | | |
| (a) Annex A Group I (CFCs) Average (1995-1997) | | 828.7 |
| (b) Annex A Group II (Halons) Average (1995-1997) | | 8.5 |
| (c) Annex B Group II (Carbon tetrachloride) Average (1998-2000) | | 0.6 |
| (d) Annex B Group III (Methyl chloroform) Average (1998-2000) | | 6.4 |
| (e) Annex E (Methyl bromide) Average (1995-1998) | | 212.5 |
| Latest consumption of controlled substances (2004) (ODP tonnes): | | |
| (a) Annex A Group I (CFCs) | | 230.78 |
| (b) Annex A Group II (Halons) | | - |
| (c) Annex B Group II (Carbon tetrachloride) | | 5.05 |
| (d) Annex B Group III (Methyl chloroform) | | 3.61 |
| (e) Annex C Group I (HCFCs) | | 70.99 |
| (f) Annex E (Methyl bromide) | | 262.78 |
| Amount approved for projects (US \$) | | 10,388,451 |
| Amount disbursed (as at September 2005) (US \$): | | 7,711,561 |
| ODS to be phased out (ODP tonnes) | | 977.0 |
| ODS phased out (as at September 2005) (ODP tonnes) | | 570.7 |

Background information

3. The request for approval of the renewal of Phase VI of Chile's institutional strengthening project was first considered at the 45th Meeting of the Executive Committee. Phase VI was

approved at the 45th Meeting for one year only, without prejudice to the operation of the Montreal Protocol's non-compliance mechanism.

4. Chile had reported annual data for the controlled substances in Annex B, Group I (other fully halogenated CFCs - CFC-112), Annex B, group III (methyl chloroform), and Annex E (methyl bromide) for 2003 which were above the Montreal Protocol's control levels for those substances. As a consequence, through decision XVI/22 of the Sixteenth Meeting of the Parties Chile was deemed to be in non-compliance with its obligations under Articles 2C, 2E and 2H of the Montreal Protocol for 2003.

5. With regard to non-compliance with the control measures for CFC-112 and methyl chloroform Chile explained in its progress report that the main reason for exceeding the maximum allowed imported levels under the Montreal Protocol was the lack of an import quota system, for which a national law may be submitted to Congress during 2005. It added that the National Ozone Unit was assessing the CFC-112 imports to confirm whether they were misreported by Customs or if they really corresponded to this chemical.

6. Regarding non-compliance with the control measures for methyl bromide the report indicated that the Government of Chile had developed a strategy and an action plan for a prompt return to compliance. The Government had also requested support from the World Bank to develop a project proposal to assist the country to meet its obligations.

Fund Secretariat's comments

7. The World Bank reported that the Government of Chile has already clarified the CFC-112 non-compliance issue to the Implementation Committee. The 23.84 ODP tonnes that had been reported as CFC-112 for 2003 were actually Tetrafluoroethane and not Tetrachlorodifluoroethane (CFC-112). There had been a misclassification in the HS code at the time of registering the import. Since the Implementation Committee has accepted this explanation, Chile would therefore appear not be in non-compliance regarding this substance.

8. Chile's non-compliance with methyl chloroform was an isolated situation in 2003 with an immediate return to compliance in 2004. This situation arose because companies use very small amounts of methyl chloroform and therefore need to concentrate their imports to certain periods of time in order to cope with the customs clearance costs. The government is fully aware of its future commitments and has begun with the implementation of the project "Technical Assistance for the Total Phase-out of Ozone Depleting Solvents in Chile", approved at the 41st Meeting of the Executive Committee and to be implemented by UNDP.

9. Chile's 2004 consumption of methyl bromide was 262.78 ODP tonnes above the baseline of 212.5 ODP tonnes. Thus the 2002 freeze obligation has not been met. However, the methyl bromide project was submitted by the World Bank to the 45th Meeting of the Executive Committee as requested and approved. Under the project's agreement Chile has an obligation to meet the 20 per cent reduction (maximum consumption of 170 ODP tonnes) in 2005. The World Bank reported that Chile has suspended methyl bromide imports as of April 2005 to ensure compliance with the maximum allowable consumption in 2005. It added that consolidation of

the regulatory framework currently before Congress would ensure compliance with all control measures.

Fund Secretariat's recommendations

10. In light of the information provided in the Secretariat's comments above, the Executive Committee may wish to consider approving the second year of the institutional strengthening project for Chile at the level of funding of US \$93,275 plus agency support costs, without prejudice to the operation of the Montreal Protocol's mechanism on non-compliance.
