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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

PROJECT PROPOSALS: TURKEY

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposals:

Fumigant

- Phase-out of methyl bromide in protected tomato, cucumber and carnation crops (third tranche) UNIDO

Phase-out

- Total phase-out of CFCs plan: 2006 annual programme World Bank

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

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

Phase-out of methyl bromide in protected tomato, cucumber and carnation crops (third tranche)	UNIDO
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NATIONAL CO-ORDINATING AGENCY:

Ministry of the Environment

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF SEPTEMBER 2005)**

Annex E, methyl bromide	90.6		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF SEPTEMBER 2005)

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Process agent	Fumigant
				Methyl bromide			166.8

CFC consumption remaining eligible for funding (ODP tonnes)

n/a

CURRENT YEAR BUSINESS PLAN: Total funding US \$752,500: total phase-out 60 ODP tonnes.

PROJECT DATA		2000	2001	2002	2003	2004	2005	2006	Total
Methyl bromide (ODP tonnes)	Montreal Protocol limits	342.6	332.6	293.4	225.4	167.4	78.4	20.4	
	Annual consumption limit								
	Annual phase-out from ongoing projects								
	Annual phase-out newly addressed	0	0	29.2	58.0	58.0	89.0	58.0	292.2
	Annual unfunded phase-out								
Total ODS consumption to be phased out		0	0	29.2	58.0	58.0	89.0	58.0	292.2
Total ODS consumption to be phased-in									
Project cost as originally submitted (US \$)									
Total project funding UNIDO (US \$)			1,000,000		1,000,000	700,000	708,844		3,408,844
Total support costs UNIDO (US \$)			75,000		75,000	52,500	53,163		255,663
TOTAL COST TO MULTILATERAL FUND (US \$)			1,075,000		1,075,000	752,500	762,007		2,589,507
Final project cost effectiveness (US \$/kg)									11.67

FUNDING REQUEST: Approval for the third tranche (2004) and the fourth (2005) tranches**SECRETARIAT'S RECOMMENDATION**

For individual consideration

PROJECT DESCRIPTION

1. The Government of Turkey, through UNIDO as the implementing agency, has submitted a progress report on the implementation of the second tranche of the project for the phase-out of 292.2 ODP tonnes of methyl bromide (MB) used in protected tomato, cucumber, and carnation crops in Turkey, for consideration by the Executive Committee at its 47th Meeting.
2. Due to project implementation delays in the past, the Government of Turkey has only requested approval of two tranches: one for US \$1,000,000, at the 35th Meeting of the Executive Committee when the project was approved; and the second for another US \$1,000,000, at the 41st Meeting. Since then, no further tranches have been requested.
3. Since the beginning of 2005, the national project team (BATEM), and UNIDO have implemented a work programme that was agreed in November 2004. As of September 2005, UNIDO has entirely disbursed the first tranche of the project, but US \$750,000 is still available from the second tranche. However, to enable BATEM and UNIDO to implement the proposed work programme for 2006, which will result in the complete phase-out of MB used for protected tomato, cucumber and carnation crops by 31 December 2006, UNIDO is now requesting the disbursement of the third and fourth tranches of the project for a total amount of US \$1,408,844, plus agency support costs, to UNIDO.

Background

4. The Executive Committee:
 - (a) At its 31st Meeting, approved US \$479,040 (World Bank) as the total funds available to Turkey to achieve the complete phase-out of methyl bromide (MB) used in the dried fig sector (30 ODP tonnes). The new equipment has been installed and is being used for processing the figs currently harvested;
 - (b) At its 35th Meeting, approved in principle an additional US \$3,408,844 (UNIDO) as the total funds available to Turkey to achieve the complete phase-out of MB used in protected tomato, cucumber, and carnation crops (292.2 ODP tonnes), and allocated US \$1,000,000 for the first tranche, which would phase out 29.2 ODP tonnes; and
 - (c) At its 41st Meeting, approved the second tranche of the protected tomato, cucumber, and carnation crops project and allocated US \$1,000,000 plus agency support costs to UNIDO for the phase-out of an additional 58.0 ODP tonnes.

Progress report on the second tranche of the project

5. To achieve the MB phase-out targets established by the Government of Turkey, the General Directory of Protection and Control authorized the importation of 167.4 ODP tonnes of MB in 2004, and 78.0 ODP tonnes in 2005. The total volume of MB expected to be phased out in 2005 will be 89.4 ODP tonnes, of which 87.9 ODP tonnes can be allocated to the horticulture and cut-flower sectors.

6. From January to May 2005, equipment and materials were delivered for the application of the following MB alternative technologies: steam pasteurization; soilless cultivation; grafting; soil solarization and soil solarization combined with alternative chemicals (i.e., dazomet; metam sodium; 1,3D and 1.3D plus chloropicrin). Approximately 700 producers directly benefited from equipment and supplies, with a total surface area of 127 ha treated with MB alternatives. Almost the same number of farmers, producing on a total surface area of 113 ha, has benefited from training and technical assistance on the application of the above mentioned technologies; this has resulted in the phase-out of 40.7 ODP tonnes of MB without project support. As a further development, in 2005 the concept of a “model farm” was introduced (i.e., a commercial production farm, managed by the owner; the project provides supplies and technical assistance to ensure the optimum application of MB alternatives and crop management). This approach has proven to be a valuable tool for training and transfer of technology.

7. In conclusion, the total area treated with MB alternatives in 2005, both with and without equipment and supplies provided by the Multilateral Fund, is 240 ha, corresponding to a reduction in MB consumption of 87.9 ODP tonnes, with the following breakdown: 72 ha used for the production of cut flowers with a corresponding phase-out of 27.3 ODP tonnes; and 168 ha used by the horticulture sector, corresponding to 60.6 ODP tonnes of MB.

8. The project expenditure for 2005 and the balance over the period 2001-2005 are summarized in the table below:

Budget line	2005		Total 2001 - 2005	
	US\$	%	US\$	%
Equipment	574,046	68.2%	732,417	58.5%
Subcontracts	196,200	23.3%	392,400	31.3%
Short-term international consultant	11,861	1.4%	15,157	1.2%
Study tours	59,139	7.0%	72,953	5.8%
Sundries	0		39,204	3.1%
Total	841,246	100.0%	1,252,131	100.0%

Work programme for the third tranche

9. The Government of Turkey has submitted a funding request for implementation of the third and fourth tranches of the project for protected tomato, cucumber, and carnation crops. According to the Agreement between the Government of Turkey and the Executive Committee, the request for the third tranche of the project should have been in 2003.

10. The main phase-out activities proposed for 2006 include: continuing the application of alternative technologies through the procurement and distribution of equipment and materials to farmers that are still fumigating (over 160 ha) with MB (about 60 ODP tonnes); providing training and technical assistance to farmers; and monitoring. The cumulative area where MB will be phased out completely by the end of 2006 will be 560 ha, of which 300 ha will be supplied with equipment and farm materials. All stakeholders in Turkey have shown a strong commitment and willingness to achieve this target.

11. Taking into consideration the provisional disbursement plan for 2006, the overall project expenditure (2001-2006) is presented in the table below:

Budget line	2005		2006		Total (2001-2006)	
	US\$	%	US\$	%	US\$	%
Equipment	574,046	68.2%	1,246,170	70.9%	1,978,587	65.7%
Subcontracts	196,200	23.3%	400,000	22.8%	792,400	26.3%
Short-term international consult	11,861	1.4%	61,500	3.5%	76,657	2.5%
Study tours	59,139	7.0%	50,000	2.8%	122,953	4.1%
Sundries	-	0.0%	0	0.0%	39,204	1.3%
Total	841,247	100.0%	1,757,670	100.0%	3,009,801	100.0%

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

12. As reported under Article 7 of the Montreal Protocol, MB consumption in Turkey has been reduced from 342.6 ODP tonnes in 2000 to 90.6 ODP tonnes in 2004. Turkey's MB baseline for compliance is 479.7 ODP tonnes.

13. The Secretariat noted that in spite of the delay in implementation of the project, MB consumption in 2004 was 76.8 ODP tonnes below the maximum level agreed by the Government of Turkey (167.4 ODP tonnes).

14. According to the progress report, the negative-pressure steam technology that was proposed in the original project will be replaced by direct application of steam to the soil. Also, grafted seeds have been introduced in Turkey, even though this technology was not included in the original project. The Secretariat sought an explanation from UNIDO and requested it to recalculate the cost of the project using these technologies. Subsequently, UNIDO reported that the equipment for steam technology had been purchased at the farmers' request due to the fact that, in certain areas, there are no other possible alternatives. Since the equipment was delivered too late for application during the 2005 season, a detailed assessment will be only available in May 2006.

15. With regard to grafting, UNIDO indicated that the technology was not included in the original document because no data was available at the time of project preparation. Over the last few years, grafting technology in Turkey has significantly improved while the cost of MB has increased (a detailed assessment of cost and outcomes will be available by June 2006). UNIDO also clarified that grafted seedlings are already produced in the country. Furthermore, the growers who have so far received the 100,000 grafted plants have adopted the technology and achieved complete phase-out of MB.

16. It is reported that the application of 1.3D plus chloropicrin was tested in 28 greenhouses in Turkey. However, this chemical is not yet registered in the country. In this regard, the Secretariat asked UNIDO to provide additional information on the status of registration of this chemical, and whether or not the 28 farms that applied this chemical will revert to the use of MB until 1.3 D is registered in the country. UNIDO informed the Secretariat that 1.3 D is registered in Turkey as a nematicide, however, chloropicrin is not yet registered as a single active

ingredient, or as a mixture with 1.3D. The two suppliers for the project have initiated the procedure for registering the mixture of these chemicals, and the product is expected to be commercially available in 2007.

17. For 2006, with the assistance of the subcontractor BATEM, which is also the national body in charge of the registration of new pesticides, UNIDO will seek an authorization to import chloropicrin, at the amount necessary to supply the 28 farms already converted to this technology and the additional farms proposed for 2006. On a cost/ha basis, this technology is cheaper than MB, thus assuring its long-term sustainability.

RECOMMENDATION

18. The Executive Committee might wish to consider approving funding for the third and fourth tranches of the project for the phase-out of methyl bromide in protected tomato, cucumber and carnation crops, at a total cost of US \$1,408,844 plus agency support costs of US \$105,663 for UNIDO.

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

PROJECT TITLE	BILATERAL/IMPLEMENTING AGENCY
Total phase-out of CFCs plan: 2006 annual programme	World Bank

NATIONAL CO-ORDINATING AGENCY:	Ministry of Environment and Forests and TTGV
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT

A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF SEPTEMBER 2005)

Annex A Group I: CFC-11	135.0	Annex A Group I: 275.50	
Annex A Group I: CFC-12	323.0		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF SEPTEMBER 2005)

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Fire fighting	Fumigant
CFC-11	0	93.0		Halon		22.0	
CFC-12		164.0	0	TCA	4.0		
CFC-114				TCA	13.0		
				Methyl bromide			90.0

CFC consumption remaining eligible for funding (ODP tonnes)	N/A
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CURRENT YEAR BUSINESS PLAN: Total funding US \$780,000: total phase-out 0 ODP tonnes.

PROJECT DATA		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
CFCs	Montreal Protocol limits	3,805.7	3,805.7	3,805.7	3,805.7	1,902.9	1,902.9	1,902.9	570.9	570.9		
CFC-11 (ODP tonnes)	Annual consumption limit	300	250	200	150	50	0	0	0	0	0	
	Annual phase-out	50	50	50	100	50						
CFC-12 (ODP tonnes)	Annual consumption limit	700	650	334	166	100	0	0	0	0	0	
	Annual phase-out	50	316	168	66	100						
CFC-115 (ODP tonnes)	Annual consumption limit	9	9	0	0	0	0	0	0	0	0	
	Annual phase-out	0	9									
TOTAL ODS CONSUMPTION TO BE PHASED OUT		100	375	218	166	150	0	0	0	0	0	1009
Project cost as originally submitted (US \$)												
Funding for World Bank (US \$):		3,500,000	2,500,000	1,000,000	750,000	750,000	500,000	0	0	0	0	9,000,000
Total support costs (US \$):		295,000	175,000	150,000	45,000	30,000	30,000	30,000	30,000	30,000	25,000	840,000
TOTAL COST TO MULTILATERAL FUND (US \$)		3,795,000	2,675,000	1,150,000	795,000	780,000	530,000	30,000	30,000	30,000	25,000	9,840,000

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

SECRETARIAT'S RECOMMENDATION	Individual consideration
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PROJECT DESCRIPTION

19. The World Bank has submitted, for consideration by the Executive Committee at its 47th Meeting, a progress report on the implementation of the National Plan for Total Phase-out of CFCs in Turkey for the period from 2004 through 2005 as well as the 2006 annual implementation programme with a request for release of the fifth tranche of US \$750,000.

20. The Agreement on the plan for total phase-out of CFCs in Turkey was approved at the 35th Meeting of the Executive Committee in December 2001 at a total cost of US \$9.0 million. Under the plan, the following control targets have been agreed between the Executive Committee and the Government of Turkey.

Table 1: National Control Targets of Turkey for CFC-11, CFC-12 and CFC-115 consumption in ODP tonnes

	1999 Baseline	2001	2002	2003	2004	2005	2006	2007	2008	2009
Maximum allowable CFC-12 consumption (ODP tonnes)	736	700	650	334	166	100	0	0	0	0
Maximum allowable CFC-11 consumption (ODP tonnes)	1,049	300	250	200	150	50	0	0	0	0
Maximum allowable CFC-115 consumption (ODP tonnes)	9	9	9	0	0	0	0	0	0	0
Max allowable total ODP (ODP tonnes)		977	909	534	316	150	0	0	0	0
Total agreed funding (US \$ million)		3.5	2.5	1	0.75	0.75	0.5	0	0	0
Agency support costs (US \$ million)		0.295	0.175	0.150	0.045	0.03	0.03	0.03	0.03	0.025

21. Also at the 35th Meeting, the Executive Committee approved an amount of US \$3.5 million plus agency support cost of US \$295,000 for the implementation of the 2002 annual programme covering activities undertaken in 2002. In line with the agreement, the Executive Committee subsequently approved the 2003, 2004 and 2005 annual implementation programmes and the relevant funding tranches at its 38th, 41st and 44th Meetings respectively.

22. The 2005 progress report describes the implementation status of the following key components of the annual programme outlined in paragraphs 5 to 13 below.

Policies and regulations

23. Policies and regulations in place have been reviewed and evaluated by the Ministry of Environment and Forests (MoEF) in the context of the phase-out plan to support its implementation. In view of the potential impact of illegal trade (given Turkey's long border) on its planned 2006 phase-out of CFCs, the MoEF plans to embark upon activities at the national level, including training in cooperation with the customs authorities, security department and judicial authorities. At the international level, it plans to have meetings with neighbouring countries to discuss issues such as enforcement of identification codes and labelling systems for

ODS-containing equipment among others, as a way of preventing illegal trade in CFCs in Turkey. The regulations will be further discussed and revisions will be finalized after the Halon Banking project starts and after the best practices are determined for successful implementation of the project.

CFC import quotas for 2005

24. Quotas are issued to eligible importers on an annual basis. Each importer is entitled to a quota based on his historical imports which is adjusted to ensure the aggregate import is within the allowed annual national consumption. While the 2004 quotas have been managed in accordance with the approved phase-out plan, the 2005 quotas were issued during the first quarter of 2004 based on specific requests from the individual importers as demand especially for CFC-11 appeared to have fallen significantly. Import license quantities (quotas) and actual import amounts of CFC-11 and CFC-12 were provided in the Verification Report.

Implementation of contracts signed with SME commercial refrigeration companies

25. In total, 77 companies have signed CFC phase-out contracts with the national programme implementation entity (TTGV) for a total amount of US \$1.88 million. As of September 2003, US \$1.5 million had been disbursed to SMEs. As of August 2004, 50 SMEs had completed the projects. It was expected that the implementation of all of the sub-projects would be completed by the end of 2004. No other SME projects are envisaged. The SME project was implemented based on standard costs. The eligible enterprises were evaluated on the basis of well defined criteria consistent with the Multilateral Fund rules.

Implementation of the recovery/recycling/reclaim program

26. Three refrigerant reclamation centres and 19 recycling centres (reduced from 24) were planned to be established in different cities in Turkey. Provision of training-related equipment is being implemented by the Government executing agency (KOSGEB). Installation of the Istanbul reclamation centre has been completed. Installation of reclamation centre in Izmir is substantially completed while the centre in Ankara will start soon. All the reclamation and recycling centres are planned to be completed by March 2006.

Training of refrigeration technicians and customs officials

27. A second train-the-trainer seminar was conducted in November 2003. Training materials and handouts were printed. These included 1,000 copies of source books for all companies organizing five-day training courses and 2,500 booklets for all trainees. Training of technicians started in March 2004 and was completed in February 2005. To date, 1,880 technicians have been trained through a total of 91 courses. Following requests from the refrigeration sector and Ministry of Education for widening the training programme throughout the Turkish education system the Ministry of Education will be contracted in October 2005 to run training programmes in 2006 and 2007.

28. The workshop for senior customs officials in 2003 was followed by Phase II of customs training, which was organized in March 2004 in Ankara and Istanbul. In all, 100 customs officers from all major entry points of Turkey participated in the training. It was decided to purchase 25 refrigerant identifiers at a total cost of US \$36,500. The refrigerant identifiers were

procured in March 2004 and handed over to the Customs Department in October 2004 and are now in use.

Implementation of the chiller component

29. The first round of chiller replacements was completed in 2003 at a total cost of US \$0.69 million. Additionally, contracts amounting to US \$1.05 million were signed in late 2003 involving the replacement of 10 chillers in total. Announcement of the third round of the chiller replacement programme was made in May 2004. Two applications were received and evaluated in June 2004. Contracts amounting to US \$0.48 million were signed in July 2004 involving replacement of 4 chillers. The fourth announcement was made in May 2005 and repeated every month. One application received in August 2005 has been evaluated and a contract amounting to US \$100,000 will be signed in October 2005. Two additional applications are expected to be received in October 2005 with contracts amounting to US \$200,000 signed in the fourth quarter of 2005.

30. The criteria for selection and financial support for chiller replacement were attached to the progress report. Support will consist of a combination of 25 per cent of the cost as grant funding and 75 per cent as interest free loan. Repayment of the loan will be in 5 equal instalments. The first instalment will be due 6 months after completion of the project.

Implementation of the end-user retrofit programme

31. As of September 2005, this activity had not commenced. Two national refrigeration manufacturing companies were approached in 2003 and potential participation of these companies was discussed. Since then, no progress has been made. Additional visits to other beverage companies are planned for October 2005 to explain the project in detail. The signing of contracts amounting to US \$300,000 would follow in the fourth quarter of 2005. It is also planned to contact medium sized SMEs to initiate an end-user retrofit programme in late 2005.

Verification report

32. The verification report on CFC consumption in Turkey was prepared by a national consulting company which interviewed officials in the MoEF and importers, reviewed import licensing and customs records, and checked data on sales and stock of importing companies. In 2004, the consumption targets were identified in the Agreement at a level of 166 ODP tonnes for CFC-12 and 150 ODP tonnes for CFC-11. The 2005 CFC import quotas were issued at the level of 162.245 ODP tonnes for CFC-12 and at the level of 130 ODP tonnes for CFC-11. According to the verification report, actual imports in 2004 were 70 per cent of the CFC-11 quota and almost 100 per cent of the CFC-12 quota.

33. As in previous years the verification report also identified two sources of CFC supply to industry. These are imported stocks and stocks identified as "other procurement". The "other procurement" quantities are said to have been purchased through internal trade mainly among sister companies. The stocks and sales of CFC-11 and CFC-12 in 2003 and 2004 are shown in Tables 2(a) and 2(b) below.

Table 2(a): The stocks and sales of CFC-11 in 2003 and 2004

COMPANY	STOCK AS OF 01.01.2003	TOTAL IMPORT DURING 2003 (kg)	OTHER PROCUREMENTS DURING 2003 (kg)	TOTAL SALES DURING 2003 (kg)	STOCK AS OF 01.01.2004	TOTAL IMPORT DURING 2004 (kg)	OTHER PROCUREMENTS DURING 2004 (kg)	TOTAL SALES DURING 2004 (kg)	STOCK AS OF 01.01.2005
CANTAS	0	63600	0	49800	13800	49800	4500	49800	18300
ÇETİNEL	9639	19040	11711	35867	4523	19880	3900	8264	20039
İLTEKNO	-	-	-	-	0	4500	0	4500	0
SOĞUK TEKNİK	0	0	0	0	0	0	18360	18360	0
TEKPOL	10500	38080	0	39140	9440	0	0	9440	0
TERMO	0	11760	0	11760	0	0	0	0	0
TURA	11465	2000	0	2000	0	0	18360	3780	14580
Total	31,604	134,480	11,711	138,567	27,763	74,180	45,120	94,144	52,919

Table 2 (b): The stocks and sales of CFC-12 in 2003 and 2004

COMPANY	STOCK AS OF 01.01.2003	TOTAL IMPORT DURING 2003 (kg)	OTHER PROCUREMENTS DURING 2003 (kg)	TOTAL SALES DURING 2003 (kg)	STOCK AS OF 01.01.2004	TOTAL IMPORT DURING 2004 (kg)	OTHER PROCUREMENTS DURING 2004 (kg)	TOTAL SALES DURING 2004 (kg)	STOCK AS OF 01.01.2005
AKGÜN -T	1346	1986	1591	1401	3523	1414	0	4874	62
AKGÜN	2440	1986	3237	2788	4875	1414	8400	12852	1837
ANATEKS	16864	14525	0	28669	2720	7915	0	10635	0
BİRMAK	0	1999	19584	21583	0	1414	25364	25364	1414
BİRSAN	0	3618	0	3618	0	2421	0	0	2421
CANTAS	0	79796	0	79787	9	38080	1918	38080	1927
ÇETİNEL	367	39603	23460	51639	11791	19692	14688	41588	4583
FLOGAZ	35170	53981	0	40046	49105	21760	0	16778	54087
GLOBAL	-	-	-	-	0	0	0	0	0
İLTEKNO	-	-	-	-	0	1238	0	1238	0
KOÇSAN	-	-	-	-	0	1238	0	460	778
MESPA	612	35904	0	35200	1316	15436	1360	14756	3356
SOĞUK TEKNİK	68	55474	5753	60234	1061	25364	0	26425	0
TEKGAZ		17775	0	8663	9112	8840	0	9112	8840
TEKNİON	979	8772	30246	31090	8908	4801	10635	24344	0
TERMO	0	5535	0	5535	0	3318	0	3318	0
TURA	0	6147	53162	41494	17816	3604	25364	43180	3604
UZMAN		4488	0	0	4488	2964	0	0	7452
Total	57,846	331,589	137,033	411,747	114,724	160,913	87,729	273,004	90,361

34. In accordance with the Agreement, the value of contracts signed for the previous year's programme, in this case the 2004 programme, is one of the plan's performance indicators. As indicated in Table 3 below, US \$1 million was approved for the 2004 annual programme while US \$750,000 was approved for the 2005 annual programme. Total contracts signed from the 2004 approved amount of US \$1 million were valued at US \$532,662 equivalent to 53 per cent

of the Multilateral Fund grant available for 2004. For the 2005 annual programme, no contracts appeared to have been signed as of September 2005 but contracts amounting to US \$657,547 are planned to be signed in the fourth quarter of the year. When these are signed the level of signed contracts for the 2005 annual programme funding will represent 88 per cent of the Multilateral Fund grant available for 2005.

35. The financial summary of the phase-out plan showing the contracts signed for the 2002 to 2005 programmes is provided in the following table:

Table 3: Approved amounts and contracts signed 2002-2005.

Activity	Amount allocated for 2002 (US\$)	Amount contracted in 2002 (US\$)	Amount allocated for 2003 (US\$)	Amount contracted in 2003 (US\$)	Amount allocated for 2004 (US\$)	Amount contracted in 2004 (US\$)	Amount allocated for 2005 (US\$)	Amount contracted as of September 2005 (US\$)	Total Amount allocated in 2002+2003 +2004+2005 (US\$)	Total Amount Contracted (as of September 2005) (US\$)
SME program	1,800,000	1,390,770	250,000	355,385	0	131,375	0	0	2,050,000	1,877,530
Recovery/recycling	600,000	1,527,484	1,100,000	77,770	0	12,130	0	28,177 14,000 ¹	1,700,000	1,645,561 14,000 ¹
Customs Training			200,000	45,300	100,000	0	50,000	0	350,000	45,300
Chiller replacement	900,000	485,388	660,000	1,298,049	600,000	474,884	400,000	0 300,000 ²	2,560,000	2,258,321 300,000 ²
End user		0	90,000	0	200,000	0	200,000	0 300,000 ³	490,000	0 300,000 ³
Training activities	100,000	286,329	100,000	0	50,000		50,000		300,000	286,329
Technical assistance program/Project management office	100,000	84,373	100,000	63,556	50,000	57,778	50,000	57,547 30,000 ⁴	300,000	263,254 30,000 ⁴
Total	3,500,000	3,774,344	2,500,000	1,840,060	1,000,000	676,167	750,000	729,724	7,750,000	7,020,295

¹ US \$14,000 will be disbursed for civil works and required equipment of Ankara reclaim center in 4th quarter of 2005

² Contracts amounting US \$300,000 is planned to be contracted in 4th quarter of 2005 for additional Chiller replacement.

³ Total contract amounting US \$300,000. is planned to be contracted in 4th quarter of 2005 for end-user retrofit

⁴ US \$30,000 is planned to be disbursed in 4th quarter of 2005 for that programme

2006 annual implementation programme

36. Turkey should achieve a complete phase-out of CFCs in 2006 according to the phase-out plan. Hence import of CFCs should be reduced to zero in 2006. Against this background the implementation of a number of activities already initiated will be intensified and new activities initiated.

37. The 2006 annual programme to be funded at the cost of US \$750,000 will consist of the following components which are considered as key to achieving the objectives of the phase-out plan:

- (a) Review and strengthening of existing phase-out policies and regulations;
- (b) Follow-up and control of illegal import of CFCs in 2006 (there are no quotas in 2006 as per the phase-out plan);
- (c) Continue the implementation of the training activities in the refrigeration industry as contracted;

- (d) Continue the implementation of the recovery/recycling/reclamation the programme as per contracts;
- (e) Continue the implementation of customs training as required;
- (f) Sign contracts with eligible chiller companies as identified since 2003;
- (g) Continue the implementation of end-user retrofit programme.

38. Activities for the 2006 annual programme will focus mainly on the recovery and recycling scheme, the chiller replacement programme and the end-user retrofit programme. It is expected that the establishment of the reclamation and recycling centres will be completed by March 2006. Based on contracts signed with chiller owners it is expected that new chillers will be installed in 2006. With regard to the end-user retrofit programme, based on the strategy to be developed in late 2005, a number of companies will be invited to participate in the activity in 2006. Results of the first round of the end-user retrofit activity will be disseminated during 2006 to the remaining companies which will also be invited to participate in the subsequent phases of the programme.

39. The activities to be carried out and resource allocation in the 2006 annual programme are shown in Table 4 below.

Table 4: Activities and resource allocation of the 2006 annual programme

Activity	Amount allocated for 2006 (US\$)	Activity starting	Contracts signing completed	Full ODS impact of activity
Policies and regulations	0			
Quota allocated	0	Dec. 2005	Sept. 2006	
SME program	0	Dec. 2001	Dec. 2003	25% in 2002 75% in 2003 100% in 2004
Recovery/recycling	0	May, 2002	Dec. 2003	2006
Customs training	0	April 2003	May 2005	
Chiller replacement	650,000	Jan. 2003	Ongoing	2006
End user	100,000	Jan. 2003	Ongoing	2006
Training activities	0	Jan. 2002	Ongoing	NA
Technical assistance program/ Project management office	0	Jan. 2003	Ongoing	NA
Total	750,000			

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

40. The Secretariat identified several data discrepancies in the verification report and drew the World Bank's attention to them. The report has been revised accordingly. The revised verification report is available from the Secretariat upon request.

41. The total CFC consumption for 2004 reported by Turkey to the Ozone Secretariat was 257.6 ODP tonnes which is lower than the maximum allowable consumption for the year of 316 ODP tonnes agreed under the agreement for total phase-out of CFCs in Turkey. However, the verification report indicated large quantities of CFCs described as “other procurement” whose source continues to be unclear. For CFC-12 this constituted over 50 per cent of the imported amount. The World Bank, following the Secretariat’s comments, provided additional information to clarify the source as internal trade between sister companies and other suppliers from stocks held over from previous years. As there will be no import of CFCs in 2006, this could be the main source of CFC supply for the companies that may require them in future.

42. The Government explained that the implementation of the SME conversion and recovery and recycling components of the phase-out plan has turned out to be more difficult and time consuming than was anticipated, due mainly to lack of management capacity of the SMEs and slow administrative procedures. Only 77 out of the 300 enterprises originally expected to participate in the SME conversions actually participated in the programme. Any unutilized funds from the SME conversion programme will be used for the chiller replacement and end-user programmes. Delays were caused by difficulty encountered in identifying suitable host organizations in the refrigeration sector to manage the reclamation and recycling centres. As a consequence the rate of contract signing was slow and only contracts amounting to 53 per cent of the 2004 grant have been signed.

43. According to the agreement for the total phase-out of CFCs in Turkey, payment in 2005 for the 2006 implementation plan will be released based on confirmation that the 2004 consumption targets have been met, all 2004 implementation plan activities have been completed and contracts amounting to at least 80 per cent of the 2004 Multilateral Fund grant have been signed. The performance target with regard to contracts signed could not be met.

44. The World Bank’s attention was drawn to this non-fulfilment by Turkey of one of the conditions for release of new funding. On the basis of the cumulative amounts of approvals and disbursements, instead of the annual amounts in the agreement, the World bank stated that “it is required that contracts amounting to 80 per cent (US \$6.2 million) of the available amount (US \$7.75 million) are signed before approval of the 2006 implementation plan”. The Secretariat advised the World Bank and the Government of Turkey that while it is correct that on a cumulative basis agreements for more than 80 per cent of the available contract funding have been signed, such understanding was not consistent with the provisions for annual performance as provided in paragraph 4 of the agreement. The World Bank was requested to revise this condition in the 2006 annual programme accordingly.

45. Given the unforeseen difficulties encountered by Turkey while implementing the scheduled activities in 2004 and noting that the strict consumption limits have been advised, the Executive Committee may wish to consider, on an exceptional basis, that the cumulative performance achievement might be taken as a basis for approving funding for the 2006 annual programme.

RECOMMENDATION

46. The Executive Committee may wish to consider whether to approve the request for funding for the 2006 annual programme of the Turkey total CFC phase-out plan (fifth tranche) in light of the information provided in the project description and the Secretariat's comments, in particular paragraph 27 above, and subject to all future annual programme approvals being dependent on strict compliance with the established performance criteria.
