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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-eighth Meeting
Montreal, 3-7 April 2006

PROJECT PROPOSAL: ISLAMIC REPUBLIC OF IRAN

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

Phase out

- National CFC phase-out plan : 2006 annual implementation programme Germany, France, UNDP, UNEP and UNIDO

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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PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
COUNTRY: ISLAMIC REPUBLIC OF IRAN

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

National CFC phase-out plan : 2006 annual implementation programme	Germany, France, UNEP, UNDP and UNIDO
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SUB-PROJECT TITLES

(a) Investment projects - CFC 113 solvents	UNIDO
(b) Investment projects – foam	Germany
(c) Investment projects - refrigeration manufacturing	UNDP
(d) Investment projects - refrigeration assembly	UNIDO
(e) Refrigeration manufacturing sector - management support	UNIDO
(f) Investment project - MAC R&R project	FRANCE
(g) MACTAP training projects – MAC	Germany
(h) Domestic & commercial refrigeration R&R project	UNIDO
(i) Domestic & commercial refrigeration - technician training project	UNIDO
(j) Custom training	UNIDO
(k) Project implementation & monitoring unit	Germany
(l) Regulation and policy support	UNEP

NATIONAL CO-ORDINATING AGENCY:	National Ozone Unit
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP tonnes, 2004, as of November 2005)**

Annex A Group I, CFCs	3,471.90		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes, 2003, as of November 2004)

ODS	Foam	Ref.	Aerosol	Solvents	Process agent	Fumigant
Annex A	1,920	2,030	53	64.8	0	0

CFC consumption remaining eligible for funding (ODP tonnes)	0
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CURRENT YEAR BUSINESS PLAN: Total funding US \$1,073,348: total phase-out 313.9 ODP tonnes

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
COUNTRY: ISLAMIC REPUBLIC OF IRAN
 (continuation)

PROJECT DATA		2003	2004	2005	2006	2007	2008	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limits	4,571.0	4,571.0	2,285.0	2,285.0	685.0	685.0	685.0	-	n/a
	Annual consumption limit	n/a	3,889.4	2,269.2	965.6	578.7	328.4	132.7		n/a
	Annual phase-out ongoing projects	n/a	1,120.0	988.0	73.0	0	0	0	0	2,181
	Annual phase-out newly addressed	n/a	500.3	315.5	313.9	250.3	195.7	132.7	-	1,708.4
TOTAL ODS CONSUMPTION TO BE PHASED OUT		0	1,620.3	1,303.5	386.9	250.3	195.7	132.7	-	3,889.4
Final Project costs (US \$):										
Funding for lead agency GERMANY		694,124	946,405	479,044	1,007,124	920,868	729,846	717,630	0	5,495,042
Funding for FRANCE		1,006,620	0	500,000	0	0	0	0	0	1,506,620
Funding for UNEP		140,253	0	0	0	0	0	0	0	140,253
Funding for UNIDO		361,840	2,104,066	742,449	66,224	36,179	27,328	0	0	3,338,085
Funding for UNDP		0	770,000	0	0	0	0	0	0	770,000
Total project funding		2,202,837	3,820,470	1,721,493	1,073,348	957,047	757,175	717,630	0	11,250,000
Final Support costs (US \$):										
Support cost for lead agency GERMANY		76,354	104,105	52,695	110,784	101,295	80,283	78,939	0	604,455
Funding for FRANCE		110,728	0	55,000	0	0	0	0	0	165,728
Funding for UNEP		18,233	0	0	0	0	0	0	0	18,233
Funding for UNIDO		27,138	157,805	55,684	4,967	2,713	2,050	0	0	250,356
Funding for UNDP		0	57,750	0	0	0	0	0	0	57,750
Total support costs		232,453	319,659	163,379	115,750	104,009	82,333	78,939	0	1,096,522
TOTAL COST TO MULTILATERAL FUND (US\$)		2,435,289	4,140,130	1,884,872	1,189,098	1,061,056	839,507	796,570	0	12,346,523

FUNDING REQUEST: Approval of funding for the 4th tranche (2006) as indicated above

SECRETARIAT'S RECOMMENDATION	Individual consideration
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PROJECT DESCRIPTION

1. Germany submitted on behalf of the Government of Iran a request for funding of the fourth tranche of the National CFC Phase-out Plan (NCP) for the Islamic Republic of Iran. The NCP was approved at the 41st Meeting with associated funding of US \$11,250,000. It was to be implemented by Germany (lead agency), France, UNEP, UNIDO and UNDP, and aimed at phasing out a total of 3,889.4 ODP tonnes of consumption to achieve complete CFC phase out in all sectors.

2. The request for funding of the fourth tranche is submitted according to the Agreement between the Islamic Republic of Iran and the Executive Committee and amounts to US \$1,073,348, plus agency support cost of US \$115,750. It is accompanied by the report on the implementation of the third tranche, the annual implementation programme for the fourth tranche, and a subsequently submitted verification report. As per the agreement, funding is being requested for GTZ and UNIDO for the fourth tranche. There are no funds to be disbursed to France, UNEP, and UNDP during 2006 for this phase-out plan.

Status

3. The plan covers activities in multiple sub-sectors. An overview of the current status is provided in the following table:

ACTIVITY/SECTOR	OVERVIEW
CFC 113 Solvents (UNIDO)	The companies to be converted under this component were identified. A case study of existing plants will identify and advise suitable alternatives under present conditions and provide technical assistance.
Foam (all sub-sectors) (GTZ)	The enterprises have been selected from the list of eligible enterprises approved in the NCP document. Surveys in the respective enterprises were performed. The preparation, review, and approval of conversion plans and the procurement of the necessary replacement equipment was completed. The phase-out of 301.7 ODP tonnes as a total of all those projects will be achieved latest in autumn 2006.
Refrigeration Manufacturing (UNDP)	25 enterprises consuming 165.3 ODP tonnes were identified. Only low-pressure foaming machines are being provided due to funding constraints. The trial runs took place in December 2005. Commissioning and destruction of baseline equipment is to take place in January 2006.
Refrigeration Assembly and Refrigeration Manufacturing Sector – Management Support (UNIDO)	40 small size and 12 medium size companies were identified. Installation and commissioning of refrigeration and foaming equipment at all companies was completed in April 2005. The companies started the trial productions in 2004 and completely stopped use of CFCs in 2005.
MAC R&R Project (France)	The first 220 units were distributed. Training workshops were implemented jointly with the National Training Institute for Vocational Training. Commissioning and monitoring of equipment use is ongoing.
MAC Training (GTZ)	Two train-the-trainer workshops were organised. A manual and handouts were provided. The National Vocational Training Organisation has integrated the best practices in their regular training courses, from which several hundred new technicians per year are certified.
Domestic & Commercial Refrigeration R&R (UNIDO)	Two train-the-trainer workshops were organised. 150 R&R workshops were provided with R&R tools and equipment. Another 50 sets of R&R equipment for medium size workshops and 25 recovery machines for small maintenance shops have been delivered and will be distributed.

ACTIVITY/SECTOR	OVERVIEW
Domestic & Commercial Refrigeration - Technician Training (UNIDO)	150 trainers were trained. They subsequently trained 480 technicians of the refrigeration maintenance workshops which were provided with R&R equipment under the project. Seven new R&R centres were provided with equipment during the previous year. In total, 23 centres are now operational both as training institutes as well as R&R centres.
Custom Training (UNIDO)	93 custom officers were trained as trainers. The training material was prepared and four training courses were held until mid of 2005. 122 ODS identification kits were delivered to the borders and ports.
Regulation and Policy Support (UNEP)	A licensing system has been set up although it has not yet been approved by all legislative bodies. Registration forms have been developed and their use facilitated. A quota system is implemented and works sufficiently, although not perfectly. Imports of CFC-containing products were banned starting from March 2004.
Awareness, Technical Assistance, Monitoring (GTZ)	Effective coordination and process management verifies and enhances compliance of all activities with the NPP targets. The NOU and the Lead Agency kept track of the implementation activities and intervene in case of major delays. A project manager has been hired and started work. The project office has been established and additional support staff have been hired. The monitoring and follow up of enterprises with projects has been continued by the responsible units in the NOU.

4. The following comparison of expenditures relates to the sub-sectors and activities mentioned in the previous table. In combination it provides valuable insights into the progress of implementation:

Agency	Description	Funds approved 1-3rd tranche		Funds disbursed (including planned until April 2006) of those approved
		1-3rd tranche, total	Of total planned in the NCPP for the activity	
UNIDO	Investment Components - CFC 113 Solvents	39,840	100%	50%
GTZ	Investment Components – Foam (all sub-sectors)	1,592,115	40%	111%
UNDP	Investment Components - Refrigeration Manufacturing/Assembly	770,000	100%	100%
UNIDO	Training Components - Refrigeration Assembly	923,245	100%	107%
France	Investment Component – MAC R&R Component	1,506,620	100%	55%
GTZ	Sector assistance - MAC	218,592	36%	59%
UNIDO	Domestic & Commercial Refrigeration R&R Component	1,673,800	100%	76%
UNIDO	Domestic & Commercial Refrigeration - Technician Training Component	342,270	73%	133%
UNIDO	Custom Training	229,200	100%	95%
UNEP	Regulation and Policy Support	140,253	100%	100%
GTZ	Awareness, Project Implementation & Monitoring Unit	308,866	35%	63%
	TOTAL	7,744,800	69%	87%

5. For three activities at the end of the implementation of the first three tranches expenditures were higher than originally foreseen. The Government of Iran and the agencies involved carried out readjustments of funding within the overall budget to meet the specific needs of the country. Accordingly, an overspending in the activities "Training Components - Refrigeration Assembly" and "Domestic & Commercial Refrigeration - Technician Training Component" is offset against all of the remaining balance in "Customs Training" as well as the remaining funds in "Domestic & Commercial Refrigeration R&R Component". The overspending in the foam component will be offset against the approval of the fourth tranche.

6. Other than the implementation in the MAC sector, all other implementation activities show expenditures fairly close to the levels expected. For the implementation of the next tranche, the expenditures foreseen are described in the following table:

Agency	Description	Previous approvals plus current request		Planned status of expenditures end of April 2007	
		Total	Of total planned in the NCPP for the activity	Total	as in relation to total planned
UNIDO	Investment Components - CFC 113 Solvents	39,840	100%	39,840	100%
GTZ	Investment Components – Foam (all sub-sectors)	2,599,239	65%	2,557,293	64%
UNDP	Investment Components - Refrigeration Manufacturing/Assembly	770,000	100%	770,000	100%
UNIDO	Training Components - Refrigeration Assembly	923,245	100%	985,000	107%
France	Investment Component – MAC R&R Component	1,506,620	100%	1,439,008	96%
GTZ	Sector assistance - MAC	218,592	36%	200,718	33%
UNIDO	Domestic & Commercial Refrigeration R&R Component	1,673,800	100%	1,559,238	93%
UNIDO	Domestic & Commercial Refrigeration - Technician Training Component	408,493	87%	472,300	100%
UNIDO	Custom Training	229,200	100%	218,200	95%
UNEP	Regulation and Policy Support	140,253	100%	140,253	100%
GTZ	Awareness, Project Implementation & Monitoring Unit	308,866	35%	280,095	32%
	TOTAL	8,818,148	78%	8,661,944	77%

7. As shown in the above table, Iran is aiming at spending the funding requested at this meeting almost completely until April 2007. The objective appears achievable. Beyond April 2007 Iran intends to concentrate on foam and MAC recovery and recycling.

Verification

8. Initially the lead agency provided only a verification certificate. Subsequently, and upon request of the Secretariat, a verification report was provided:

- (a) The verification report included verification that the consumption targets have been met, that the sector activities have been implemented and the annual activities completed. In addition, the changes in the use of the funding were verified;
- (b) The verification provided for the above issues was sufficient. Upon request, the Secretariat was provided with detailed information about the licensing system, a list of licenses issued and imported quantities by licence and import;
- (c) Difficulties were observed due to the use of the period of one Iranian new year (the Iranian new year 1383, lasting from 20 March 2004 to 20 March 2005) as a reference for the annual imports, resulting in initially inconclusive information. A consolidation of data for the Iranian new years 1381, 1382, and 1383 was necessary to obtain consistent information for the licenses and imports in the (Gregorian) year 2004;
- (d) The verification showed a consumption of 2,145.3 ODP tonnes, which is significantly lower than the amount reported under Article 7 to the Ozone Secretariat (3,471.9 ODP tonnes). The Fund Secretariat pointed to this deviation and asked the lead agency for an indication if Iran intends to inform the Ozone Secretariat of the revision of data for 2004. The lead agency informed the Secretariat that Iran is aware of the issue, but no definite reply had been received; and
- (e) The monitoring performed by the monitoring institutions was meant to be subject to independent verification, but only very rudimentary information was provided in this regard.

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**

9. The proposal has been submitted for consideration at the 48th Meeting, and the Secretariat has reviewed it accordingly. A number of clarifications were requested from Germany, in particular regarding the verification provided.

10. The issue of the verification of the monitoring system could not be resolved in time. Nevertheless, initial information appears to indicate that a somewhat rudimentary monitoring system exists. Both the Governments of Iran and Germany indicated in the narrative that in the upcoming year the finalisation of a monitoring set-up would be a high priority activity.

11. The total funding sought by the Government of Germany from submissions to the 48th Meeting exceeds 20 per cent of Germany's contributions for the year 2006. This issue is addressed in document UNEP/OzL.Pro/ExCom/48/20 on bilateral funding. Consequently, although all of the conditions for approval of the fourth tranche of the NCPP for Iran have been met, this request is submitted for individual consideration, since the Executive Committee's decision will need to take into account the outcome of its deliberations on the bilateral funding issue.

RECOMMENDATION

12. Subject to the Executive Committee's conclusions on the policy issue arising from the Government of Germany's submissions to the 48th Meeting, the Executive Committee could consider approving the fourth tranche of the NCPP for Iran at the funding level shown in the table below, on the understanding that the Government of Germany as lead agency ensures that a verification of the monitoring institutions is included in the next submission of an annual tranche.

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	National CFC phase-out plan : 2006 annual implementation programme	1,007,124	110,784	Germany
(b)	National CFC phase-out plan : 2006 annual implementation programme	66,224	4,967	UNIDO
