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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-second Meeting
Montreal, 23-27 July 2007

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

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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PROJECTS AND ACTIVITIES PRESENTED TO THE 52nd MEETING OF THE EXECUTIVE COMMITTEE

Introduction

1. This document has three sections. Section I provides the statistics on the submissions to the 52nd Meeting received from implementing and bi-lateral agencies. It also has an assessment of the fund balance available against the demand for funds from the submissions, and proposed solutions for managing the cash flow in case of a short fall. Section II presents the policy issues identified by the Secretariat from the review of the submissions, at the meeting. Section III, which is a new addition, presents a number of submissions received from the implementing agencies, which are in most cases proposed amendments to approved projects or annual tranches of multi-year agreements (MYAs). While these do not include requests for additional funding, the proposed changes may have implications on the allocation and use of already approved funds and the activities in the existing agreements. In each case a decision by the Executive Committee is expected. This sub-section is called *Submissions with proposed amendments to on-going projects*.

Section I. Submissions by bilateral and implementing agencies

2. The Secretariat received for consideration at the 52nd Meeting multi-year agreements, projects and activities amounting to US \$51,806,188. This amount includes the total value of new multi-year agreements proposed for approval in principle.

3. Of this total there are 66 funding requests which include specific annual tranches and other projects/activities amounting to US \$49,848,894 (including agency support costs where applicable). Following review by the Secretariat, the number of projects and programmes which are being forwarded to the Executive Committee for consideration is 55 or 83.3 per cent of the total number of the funding requests, with a value of US \$40,289,357 or 80.8 per cent of the total value of the requests.

4. The list of projects recommended by the Secretariat for blanket approval contains 35 activities with a total value of US \$10,254,837. These represent 53 per cent of the total number of funding requests received and 20.6 per cent of the value of the requested funding level. A list of these projects is contained in Annex I.

5. A total of 20 projects and activities are recommended by the Secretariat for individual consideration for a number of reasons ranging from project cost to allocating project funds to enterprises established after July 1995. In terms of percentage, these projects are 30.3 per cent of the total funding requests and 60.3 per cent of the value of the requested funding level. The list of investment projects for individual consideration is contained in Annex II. It should be noted that there are no incomplete submissions being forwarded to this meeting, and 11 projects/activities have been withdrawn by the agencies submitting them.

Status of the Fund

6. At the time of writing this paper, the fund balance of the Multilateral Fund stood at US \$76,100,160, however US \$37,734,395 of this amount is in promissory notes with

US \$6,825,656 scheduled for encashment in August and US\$4,579,700 in November this year, and the balance in 2008, 2009 and beyond. The cash balance to-date is US \$38,365,765, which would not be sufficient to cover all the projects and activities submitted for consideration at the 52nd Meeting at an expected funding level of US \$40,289,357, should the projects on the list for blanket approval and for individual consideration be approved at the funding level proposed.

7. However the situation may change due to two possibilities. First the cash balance could increase as a result of payment of cash contributions by contributing Parties between now and the time of the meeting, thereby making up for some or all of the current shortfall. The second possibility is that reductions could be made to the expected funding levels of the projects that are being submitted for consideration.

8. In the event that the above two possibilities would not be able to make up the shortfall, the promissory notes amounting to US \$6,825,656, which are scheduled for encashment in August, should be more than enough to meet the fund requirement at this meeting. An update on the situation will be provided at the time of the meeting.

Section II. Policy issues identified during project review

9. There is no generic issue identified from project review, which needs to be brought to the attention of the Executive Committee.

10. It may be noted that all the annual tranches of multi-year agreements (except those from the ODS production sector) have included an overview table as an annex. This is done in accordance with the Executive Committee's decision (51/13), under which it was decided "to adopt the new format for MYAs, including terminal phase-out projects, on an interim basis, for review at the 53rd Meeting." However since it is the first time that these tables have been introduced, they should be regarded as work-in-progress. Members of the Executive Committee are invited to provide comments and suggestions to make them more useful as tools for monitoring progress.

Section III. Submissions with proposed amendments to on-going projects

11. The following submissions are received under this section.

Country	Submission	Implementing Agency/ Organization
China	Proposed amendment to the 2007 work programme of the CFC production sector plan	World Bank
China	CTC baseline	Fund Secretariat, Ozone Secretariat, World Bank, SEPA
Cuba	National ODS phase-out plan for CFC	UNDP

Country	Submission	Implementing Agency/ Organization
Indonesia	Funding of enterprises established after July 1995	UNDP
Kyrgyzstan	Halon management and compliance strategy	UNIDO
Lebanon	National CFC phase-out plan	UNDP

China

Proposed amendment to the 2007 work programme of the CFC production sector plan

Project Description

12. The World Bank, on behalf of China is requesting an amendment to the 2007 work programme of the CFC production sector to reallocate US \$2 million to fund a pilot project to replace CFC-based chillers. At its 50th Meeting, the Executive Committee approved the proposed 2007 annual work programme of the China CFC production sector plan, and released US \$24 million for the implementation of the 2007 annual programme at its 51st Meeting after being satisfied with the results of the verification of the 2006 CFC production.

13. At its 47th Meeting, the Executive Committee approved the global chiller replacement demonstration project with a total funding level of US \$6.8 million under implementation by the World Bank. The project included China as one of the participating countries, with an expected share of US \$1 million from the total funding approved. However the prerequisite for accessing the funding share was the availability of another US \$2 million from external sources before the project could come off the ground. Of the different possible sources of external financing, namely national programmes, Global Environment Facility (GEF) and the Carbon Fund, the GEF had ruled out co-financing the chiller replacement programme as not being its priority for China and the Carbon Fund required a higher level of certified emission reduction than the chiller replacement scheme could generate.

14. The World Bank and SEPA propose a reallocation from the CFC production sector plan of US \$2 million as external financing in order to access the US \$1 million from the global chiller replacement programme. The US \$3 million is reported to be a concessional lending window to demonstrate the feasibility of financing the replacement of CFC-based chillers. It is estimated that there are approximately 1,404 such chillers in operation in the country which require around 88 tonnes of virgin CFCs on an annual basis.

COMMENTS OF THE SECRETARIAT

15. The terms and conditions that the Executive Committee laid down for the financing of the global chiller replacement were defined in decisions 45/4, 46/33, 47/26 and 48/24. With regard to the definition of external financing, decision 46/33 clearly stated that “The project is intended to use financial resources outside the Multilateral Fund, such as national programmes, Global

Environment Facility (GEF) funding or other sources.” Therefore using the unallocated funds from the CFC production sector plan is clearly not consistent with the above definition of external resources. It would defeat the original intend of financing the chiller replacement programme by the Multilateral Fund, which is to provide seed money to demonstrate the technical and financial feasibility of replacing CFC-based chillers and facilitate the continued financing of the programme from other sources.

RECOMMENDATION OF THE SECRETARIAT

16. Based on the above comment the Secretariat is not able to recommend approval of the proposed amendment.

CTC Baseline Data in China

Introduction

17. The evaluation of CTC phase-out projects and agreements, which was conducted by the Senior Monitoring and Evaluation Officer in 2006, pointed to the change in the CTC baseline data for China taking place no fewer than four times between 2002 and 2007. This was summed up in the China country case study of the final evaluation report as follows:

Changing Baseline Data

Category	November 2001*** (Article 7)	November 02 (PA-I)	October 2005 (Article 7)	February 2006 (PA-II) and Article 7	May 2006 (Article 7)
Consumption	55903.8	25,359	38,220.6	55,891.4**	38,220.6
Production	29367.4	86,280*	29,367.4	29,367.4	11,696.7

* Production and Imports.

** 55,903 in the Accelerated Phase-out Plan.

***UNEP/OzL.Pro/14/3 Appendix XIII-Annex B production and Consumption Baseline Data for Article 5 Parties (ODP tonnes). The baseline has not been changed throughout 2000 to 2003 in the database released by the Ozone Secretariat.

18. In reviewing the evaluation report, the Executive Committee decided “to request China, in cooperation with the Ozone Secretariat, the Fund Secretariat, and the World Bank, to clarify the baselines for CTC production and consumption and to report back to the Executive Committee as soon as possible” (decision 51/11 (c)).

The Control of ODS Process Agents of the Montreal Protocol and China’s Process Agent Sector Plan

19. For the Montreal Protocol, the baseline data is not only a record of history; it is a legal sign post from which the compliance of each Party will be determined. However, the Government of China, represented by the State Environment Protection Administration (SEPA), finds it very difficult to go back in history to “set the record straight”. It is especially

complicated to separate the CTC use into feedstock, process agent and solvent uses for the years 1998-2000 from which the baseline is calculated. At the same time, SEPA is concerned about the implications of a further change in baseline data on the ability of China to comply with the CTC phase-out requirement under the Montreal Protocol if the change results in lowering the baseline. SEPA also wishes to understand the impact of any change in the baseline on the two Agreements of Phase I and Phase II under the on-going CTC sector plan, because the reduction schedules for CTC production and consumption in these agreements were established using the baseline data valid at the time and were used to calculate the maximum allowable annual CTC production and consumption limits according to the Montreal Protocol control schedule. SEPA wishes to know whether any change in the baseline would lead to redefining those reduction schedules.

20. However, it is acknowledged that the control of ODS process agents under the Montreal Protocol, including CTC, is a rather unique process. First, it differentiates between feedstock use and controlled use including process agent and solvent. Secondly, it follows a progressive and open procedure, defined by the Meeting of the Parties, by which ODS applications can be added or removed from a list of uses of controlled substances as process agents. Thirdly, a differentiated treatment is accorded to the Article 5 parties in complying with the progressively expanding control of the ODS used as process agents. This is laid out in decision X/14 of the Tenth Meeting of the Parties. With regard to the treatment of Article 5 Parties, the decision (sub-paragraphs 3(b) and 5) stipulates:

“3. That quantities of controlled substances produced or imported for the purpose of being used as process agents in plants and installations in operation before 1 January 1999, should not be taken into account in the calculation of production and consumption from 1 January 2002 onwards, provided that:

(b) In the case of Article 5 Parties, the emissions of controlled substances from process-agent use have been reduced to levels agreed by the Executive Committee to be reasonably achievable in a cost-effective manner without undue abandonment of infrastructure. In so deciding, the Executive Committee may consider a range of options as set out in paragraph 5 below.”

“5. That the incremental costs of a range of cost-effective measures, including, for example, process conversions, plant closures, emissions control technologies and industrial rationalization.....”

21. The interpretation of the decision indicates that as long as an Article 5 Party has an agreement with the Executive Committee to reduce emissions from the process agent applications listed in Table A of decision X/14 of the Meeting of the Parties, the production and consumption associated with these process agent applications should be excluded from the calculation of the annual production and consumption of the controlled substances of the country from 2002 onwards, provided that the emissions from the process agent applications are consistent with the levels agreed by the Executive Committee. As a result such production and consumption will not be included in the measurement of compliance of the country concerned.

22. Following this argument, the production and consumption of CTC and CFC-113 of Phase I of the sector plan for China should be exempted from the calculation assessing China's

compliance with the CTC production and consumption controls since 2002 when Phase I was approved by the Executive Committee, because Phase I is intended to reduce the emissions from of the process agent applications listed in Table A of decision X/14. The production and consumption of CTC of Phase II of the sector plan should be treated in the same manner after Phase II was approved by the Executive Committee in 2005, because Phase II is intended to address the emission of process agent applications listed in the revised Table A of decision XV/6, in Table A-bis of decision XVII/8 and any other applications that will be controlled by decision of the Meeting of the Parties in the future.

23. If the CTC production and consumption covered by the two phases of the sector plan, which represents almost the entire controlled CTC production and consumption of China, is excluded from the compliance calculation, there is very little chance that China could exceed the compliance targets of the Montreal Protocol calculated on the basis of the existing baseline or a changed one. Therefore the concern over the implication of a changed baseline on China's ability to comply with the control schedule is not real.

24. With regard to the implications of changing the baseline on the two agreements of the sector plan, the baseline data was used to establish the annual maximum allowable CTC production and consumption levels set in the agreements in accordance with the Montreal Protocol control requirement, especially in 2005 and 2010. China accepted these annual targets as "achievable in a cost-effective manner, without undue abandonment of infrastructure". However according to decision X/14, CTC production and consumption in these agreements should not be part of the calculation to assess China's compliance once these agreements had been concluded between China and the Executive Committee. Therefore these agreements are de-linked from the baseline and the compliance schedule calculated there-from, and consequently any change in baseline data does not need to be reflected in the agreements, provided that the emissions from the process agent applications are consistent with the levels agreed with the Executive Committee. In other words, these agreements do not affect the compliance status so long as they are implemented as agreed between China and the Executive Committee.

25. The change in baseline data could, however, impact on the level of CTC production allowed for meeting the basic domestic needs of Article 5 countries prior 2010. A decision of the Meeting of the Parties is required to change baseline data. Any request to change baseline data is subject to review by the Implementation Committee in accordance with decision XV/19 of the Fifteenth Meeting of the Parties.

Proposed text for a decision by the Executive Committee

26. In view of the complex nature of the issues involved, in particular the interpretation of decision X/14 of the Meeting of the Parties and the consequential implication on the compliance status of China, it is China's wish to place some clarifications on record. The proposed text below has been reviewed and agreed upon by the Ozone Secretariat. In light of this, the Executive Committee may wish to consider:

- (a) Requesting China to re-examine the CTC production and consumption data between 1998 and 2000 to reinstate the closest possible historic data *and to submit the data for 1999 and 2000 with a clear breakdown as requested by the Ozone Secretariat* for calculating the baseline data. This should be done with the

following understanding, in accordance with the decision X/14 of the Tenth Meeting of the Parties:

- (i) That as long as China achieves the emission reduction targets laid out in the agreements with the Executive Committee of Phase I and Phase II of the process agent sector plan, the CTC production and consumption associated with the process agent application in these agreements will not be included in the CTC production and consumption for the determination of the compliance status of China from 2002 with respect to those CTC applications covered by Phase I, and 2005 with respect to those applications covered by Phase II onwards; and
 - (ii) That since the CTC production and consumption covered in the two agreements of the sector plan should not be included in the calculation of production and consumption for the determination of compliance, any change in the baseline data does not call for a change in the process agent sector plan agreements.
- (b) Communicating the above language once adopted as a decision to the Meeting of the Parties in its annual report, through the Ozone Secretariat.

Cuba

National ODS phase-out plan for CFC

27. UNDP, as the lead implementing agency for the NPP for Cuba, has submitted to the 52nd Meeting of the Executive Committee a request for the procurement of two vehicles to be utilized in the implementation of the NPP.

Background

28. On behalf of the Government of Cuba, UNDP submitted a request for the third tranche of the national ODS phase-out plan for CFCs (NPP) in Cuba, together with the verification report required by the agreement, for consideration by the Executive Committee at its 51st Meeting. Noting that the implementation of phase-out activities by UNDP in Cuba had just commenced, and given the level of resources still available, the Executive Committee decided, *inter alia*, to allow the joint submission of the third and fourth tranches of the NPP to the 53rd Meeting of the Committee on the condition that phase-out activities were being implemented and the funding available had been disbursed (decision 51/16 (b)).

Request by the Government of Cuba

29. For the successful implementation of the NPP, the Government of Cuba considers it necessary to procure two utility vehicles and convert them into mobile service workshops in order to facilitate the retrofit of the CFC-based commercial systems in the country, transport refrigeration technicians to training workshops, and for monitoring implementation of the NPP. Transportation is a critical barrier in Cuba, and the Government is unable to provide any means

of transportation for the implementation of the project. The cost of the two vehicles has been estimated at US \$44,000.

30. UNDP analyzed the option of leasing the vehicles and concluded that it would not be a cost-effective approach since the costs would be higher than the actual costs of the vehicles. Also the vehicles would require certain modifications to enable them to function effectively as mobile workshops. This is usually not permitted by leasing companies.

31. This request is made on the understanding that, if purchased, the vehicles would remain the property of the project until its closure. At that time, the vehicles would either be sold, with proceeds reinvested into the final implementation of the project, or would be donated to the Ozone Unit in Cuba for ongoing extension work dedicated to the refrigeration sector as part of official project handover.

COMMENTS OF THE SECRETARIAT

32. The request by the Government of Cuba is submitted in accordance with decision 46/37 regarding the flexibility provisions in relevant agreements for changes to the scope and nature of the activities foreshadowed in the project document, on which approval in principle of the overall phase-out plan was based. Pursuant to this decision, proposed major changes to the scope and nature of activities foreshadowed in the project document should be referred to the Executive Committee for approval as part of the annual implementation plan for the subsequent year. The request for procuring two vehicles for the implementation of the NPP for Cuba has been categorized as a major change to the agreement.

33. In 2006, the Government of Cuba advised in the progress report on the implementation of the country programme of a CFC consumption of 67.2 ODP tonnes used in the refrigeration servicing sector and 172.4 ODP tonnes of CFCs used for the production of MDIs. This consumption is 20.4 ODP tonnes below the maximum allowable level of consumption in the agreement with the Executive Committee (i.e., 260.0 ODP tonnes). So far, this reduction in the level of CFC consumption has been achieved through activities implemented by the Government of Cuba, including the retrofit of domestic refrigerators and by the Government of Canada in the context of the NPP for Cuba.

34. UNDP indicated that, so far, US \$220,000 has been spent on materials for the commercial retrofit programme. All the technicians who will be involved in the retrofit programme have already been properly trained. The retrofit programme will entail at this stage the conversion of a large number of refrigeration systems located throughout the country. No previous project has so far ever visited the number of end-users that is foreseen under the NPP.

35. UNDP has also analyzed the different options available under UNDP rules and guidelines for providing vehicles, including procuring; leasing or renting a vehicle. Other options, such as subcontracting a company to provide transportation of technicians and material or providing compensation payment to individuals using their own vehicle for project purposes were discarded, as they were not feasible for the conditions in Cuba. Based on this analysis, procurement of a vehicle was the most cost-effective option, as shown below:

Procurement	US \$22,000
Leasing	US \$26,400
Rent for 30 months	US \$37,500 to US \$40,000
Rent for 42 months	US \$52,500 to US \$55,000

36. UNDP has also explored the feasibility of procuring trailers that could serve to transport materials, tools and equipment. However, it would still be necessary to rent vehicles to transport the trailers, and it is therefore not considered a cost efficient option.

RECOMMENDATION OF THE SECRETARIAT

37. The Executive Committee may wish to consider the request by the Government of Cuba for the procurement of two vehicles to be utilized in the implementation of the NPP.

Indonesia

Request for authorization from the Executive Committee to use flexibility to allow funds to be directed to enterprises established after July 1995

Project description

38. On behalf of the Government of Indonesia, UNDP as lead agency has submitted to the 52nd Meeting of the Executive Committee a request for an amendment to the annual implementation plan approved at the 51st Meeting, in order to allow enterprises with capacity installed after July 1995 to be eligible for support under the agreement. Decision 51/12 requests implementing agencies to seek authorization from the Executive Committee prior to using the flexibility provided for under multi-year agreements to allow funds to be directed to enterprises established after July 1995 in cases where countries had committed to the total phase-out of the ODS concerned.

39. In the Agreement between Indonesia and the Executive Committee of the Multilateral Fund for the phase-out of ozone depleting substances, approved by decision 44/39, Indonesia agrees to phase out the controlled use of CFCs according to a phase-out schedule. The Agreement also points out that Indonesia reserves the right to request funding for the MDI sector separately. Paragraph 7 of that Agreement specifies that "while the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country's Annual Implementation Programme, endorsed by the Executive Committee [...] and be subject to independent verification [...]".

40. Upon request, UNDP provided a list containing enterprises with capacity installed after July 1995, while adding that this list might be extended further. UNDP pointed out that for 2007, being the last year for Indonesia to achieve its complete phase-out of consumption of the above-mentioned substances, it is important that Indonesia and implementing agencies are

authorized to address the remaining consumption in enterprises in all sub-sectors that were established before or after July 1995.

COMMENTS OF THE SECRETARIAT

41. The Secretariat has for some years been concerned with the slow rate of ODS phase-out in Indonesia, caused by challenges in the implementation of ODS import controls. While these appear to have been overcome, and while Indonesia could demonstrate that it fulfilled its phase-out commitments so far, the CFC consumption reduction in Indonesia is significant, from an allowed CFC consumption level of 2,331 ODP tonnes in 2006 down to 1,122 ODP tonnes in 2007, and 30 ODP tonnes in 2008. These 30 ODP tonnes are earmarked for MDIs.

42. The understanding of the Secretariat regarding the Agreement approved by the 44th Meeting is that Indonesia has committed to complete phase-out of CFCs, despite retaining some eligibility for an MDI project. In addition, Indonesia has already committed to the complete phase-out of CFCs through their ratification of the Montreal Protocol and all of its amendments. The request of UNDP on behalf of the Government of Indonesia to authorize the utilization of funds to address enterprises established after July 1995 appears justified.

RECOMMENDATION OF THE SECRETARIAT

43. In line with the comments provided above, the Secretariat recommends authorizing the support of enterprises established after July 1995, on the basis that such an authorization is needed to achieve a complete, sustainable, phase-out and that no additional cost are incurred by the Multilateral Fund.

44. The Executive Committee may therefore wish to consider authorizing the use of the flexibility provided for under the Agreement between Indonesia and the Executive Committee of the Multilateral Fund for the phase-out of ozone depleting substances, approved through decision 44/39, to allow funds to be directed to enterprises established after July 1995 in the annual implementation programme approved at the 51st Meeting.

Kyrgyzstan:

Halon management and compliance strategy

Project Description

45. The Executive Committee approved US \$50,000 for the halon management and compliance strategy in Kyrgyzstan at its 48th Meeting. The Government of Kyrgyzstan wrote to UNIDO requesting a change in the project to remove the investment component because the funds were insufficient to procure all of the equipment required, and any further attempts to implement the investment component would be both “useless and counterproductive”. Instead, Kyrgyzstan is proposing to use the full project budget of US \$50,000 for the non-investment components of the project related to “awareness raising, establishment of detailed halon

inventory database, introduction of halon alternatives, standards and codes of good practice and relative legislative adjustments”.

46. UNEP first submitted a request for a halon management strategy for Kyrgyzstan to the 47th Meeting. It was noted that Kyrgyzstan had a zero baseline for halon and had consistently reported zero halon consumption until 2004 when consumption at a level of 2.4 ODP tonnes had been reported, thus putting Kyrgyzstan in potential non-compliance. An action plan had therefore been submitted to the Implementation Committee and subsequently approved. Kyrgyzstan has a level of consumption within the requirements of its action plan. The original UNEP project proposal included US \$15,000 for halon recovery and recycling equipment. The total request was for US \$50,000. The Secretariat reminded UNEP that it could not purchase equipment. UNEP indicated that the country and the agency wanted flexibility in using the US \$50,000, which could be used exclusively for the non-investment components.

47. At the same meeting when this project was submitted, the Committee addressed the issue of halon banking requests for countries with zero baselines and a low level of documented installed halon capacity and decided that between US \$25,000 and US \$50,000 could be allocated for such activities depending on the level of inventories (decision 47/10). It then requested UNEP to revise its proposal in the light of that decision for resubmission to the 48th Meeting (decision 47/17).

48. UNIDO submitted a request to the 48th Meeting, instead of UNEP, because UNEP could not include an investment component. Despite the fact that there was no documented installed capacity, except the 2.4 ODP tonnes recorded for 2004, the project was recommended for approval at the level of US \$50,000 because the equipment, expected to cost US \$25,000, was needed for the recovery and recycling of halon-2402 that was available only from Russia, and because the equipment was intended for use by the military of Kyrgyzstan.

49. Concern was expressed by one representative that the location of the equipment in the Fire Protection State Department, within the Ministry of Emergency Situations, did not constitute enough of a guarantee of the project's sustainability. However, another member felt that the project should be approved owing to the unique circumstances regarding Kyrgyzstan's requirements for halon-2402. Therefore, the Committee decided to approve the project on an exceptional basis on the understanding that no further funds would be sought by Kyrgyzstan for the halon sector (decision 48/35).

COMMENTS OF THE SECRETARIAT

50. In its request, the Government of Kyrgyzstan indicated that international bidding had confirmed that the cost of the halon recovery machine and filtration unit was US \$25,000. However, the NOU felt that the supply of these two pieces of equipment was insufficient to establish the halon R&R operation.

51. The Fund Secretariat indicated to UNIDO that without the investment project, and given the low level of documented installed capacity, the project could only be approved for US \$25,000 based on decision 47/10 since a documented installed capacity of only 2.4 ODP tonnes would be considered the lower end of the range. Also, if the subsidy of the

US \$25,000 was not needed due to the unique circumstances of the country's requirement for halon 2402, then no additional funds could be used for non-investment activities.

52. UNIDO indicated that a level of US \$25,000 in funding did not provide sufficient agency fees to implement the project, and agreed that it would discuss the possibility of either cancelling the project or transferring US \$25,000 of the project to UNEP for implementation of the non-investment component.

RECOMMENDATIONS OF THE SECRETARIAT

53. The Fund Secretariat recommends, pending the outcome of UNIDO's discussions with Kyrgyzstan and UNEP, either cancellation of this project or the transfer to UNEP of US \$25,000 for the non-investment component of the project and the return of US \$25,000 to the Fund for reprogramming.

Lebanon

National CFC phase-out plan

54. On behalf of the Government of Lebanon, UNDP has submitted a progress report on the implementation of the second work programme (including the 2005 and 2006 tranches) of the national CFC phase-out plan (NPP) for consideration by the Executive Committee at its 52nd Meeting. This submission also includes a request for the fourth tranche (2007) at the amount of US \$100,000 plus agency support costs of US \$7,500 for UNDP and the performance verification report of the annual implementation programmes for 2005-2006.

Background

55. The NPP for Lebanon was approved by the Executive Committee at its 44th Meeting (UNEP/OzL.Pro/ExCom/44/43), with the Government committed to completely phase out its remaining consumption of CFC of 312.5 ODP tonnes by the end of 2008. The NPP included conversion of CFC-based aerosol, foam and refrigeration manufacturing plants to alternative technologies and phase-out activities in the refrigeration servicing sector. The second and third tranches of the NPP were approved at the 48th Meeting of the Executive Committee (UNEP/OzL.Pro/ExCom/48/35).

Progress report on the implementation of the second and third work programmes

56. A number of activities have been carried out in the manufacturing sector, including surveys of remaining CFC-based enterprises in the foam and refrigeration manufacturing sectors, and bids for and procurement of conversion equipment for the aerosol, foam and refrigeration sub-sectors. Funds have been committed and conversion was expected to be completed in 2006 in all identified enterprises in the three sub-sectors. In the refrigeration servicing sector, 25 trainers and the technicians to be trained have been identified, procurement of recovery and recycling equipment has commenced and some 50 refrigeration systems were identified for conversion to non-CFC refrigerants. Policy and awareness activities implemented so far include promotion of the NPP through interaction with Government, industry and trade stakeholders, as

well as the drafting of a decree to provide additional mandates to enforce the existing ODS licensing system regulation.

57. However, the specific circumstances that unfolded in Lebanon in July 2006, followed by the difficult post-conflict conditions, including a prevailing tense political and security situation, have severely affected implementation of all the ODS phase-out activities in the country. To date US \$642,457 has been disbursed and an additional US \$169,574 has been committed. Considering the expenditures planned in 2007 total disbursement will amount to US \$903,300. Therefore, there is no immediate need for additional funding at this time. However, once the planned activities are implemented during the second half of 2007, additional funding will be required to achieve the ODS phase-out targets.

Verification report

58. In accordance with the agreement between the Government of Lebanon and the Executive Committee, UNDP submitted an independent verification report of the national consumption targets for ODS in Lebanon. According to the verification report, the 2006 CFC consumption was 224.4 ODP tonnes, which was below the amount of 235 ODP tonnes of CFCs allowable under the Agreement. The national CFC consumption targets for 2005 and 2006 were met partly because of depression of economic activity due to the prevailing circumstances, and partly because of the conversion of non-eligible enterprises.

Plan of action associated with the fourth tranche

59. UNDP is requesting US \$100,000 plus agency support costs for the implementation of the fourth tranche of the NPP. The Government is committed to phasing out an additional 40.0 ODP tonnes of CFCs in 2007, through implementation of a number of activities including, *inter alia*, technical assistance and training for the staff of the manufacturing enterprises in the refrigeration servicing, finalization of the procurement of recovery and recycling equipment, regulations and codes of practice in the refrigeration sector and the initiation of the end-user incentive programme.

COMMENTS OF THE SECRETARIAT

60. In reviewing the progress report and the verification report, the Secretariat noted that the specific circumstances in Lebanon in mid-2006, and the security measures that have been established since then, had caused major delays in the implementation of the majority of the activities of the NPP. Given the fact that all investment and several technical assistance activities that were under implementation have had to be put on hold, and the level of funding still available, the Secretariat and UNDP agreed that the request for the fourth tranche would be submitted to the 53rd Meeting of the Executive Committee. This would allow for the activities initiated with the three tranches previously approved to be fully implemented and all the funding available to be disbursed or committed. The Secretariat also noted that the 2007 annual implementation programme submitted by UNDP has included several phase-out activities some of which are under current implementation. UNDP has agreed to request the release of the fourth tranche at the 53rd Meeting of the Executive Committee in November 2007, subject to satisfactory progress of activities and disbursement during the remaining months of 2007.

RECOMMENDATIONS OF THE SECRETARIAT

61. The Executive Committee may wish to:

- (a) Take note on the progress report on the implementation of the national CFC phase-out plan for Lebanon, the performance verification report of the annual implementation programmes for 2005-2006, and the annual implementation programme for 2007 submitted by UNDP;
- (b) Request UNDP to continue assisting the Government of Lebanon in implementing CFC phase-out activities in Lebanon;
- (c) To note that UNDP will submit a request for the release of the fourth tranche of the NPP for 2007 at the 53rd Meeting of the Executive Committee, subject to the submission of a satisfactory supplementary progress report on the activities implemented and the level of funding disbursed in 2007.

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/52/20
Annex I

Project Title	Agency	ODP (tonnes)	Funds approved (US\$)			C.E. (US\$/kg)
			Project	Support	Total	
BHUTAN						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan	UNEP		\$40,000	\$5,200	\$45,200	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Terminal phase-out management plan	UNDP	0.1	\$35,000	\$3,150	\$38,150	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Bhutan		0.1	\$75,000	\$8,350	\$83,350	
BRAZIL						
SEVERAL						
Ozone unit support						
Extension of institutional strengthening project (phase V)	UNDP		\$351,000	\$26,325	\$377,325	
Total for Brazil			\$351,000	\$26,325	\$377,325	
CHINA						
FUMIGANT						
Methyl bromide						
National phase-out of methyl bromide (phase II, second tranche)	UNIDO	153.2	\$1,200,000	\$90,000	\$1,290,000	
Total for China		153.2	\$1,200,000	\$90,000	\$1,290,000	
COLOMBIA						
SEVERAL						
Ozone unit support						
Extension of institutional strengthening project (phase VI)	UNDP		\$275,600	\$20,670	\$296,270	
Total for Colombia			\$275,600	\$20,670	\$296,270	
COMOROS						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (first tranche)	UNEP		\$77,000	\$10,010	\$87,010	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Terminal phase-out management plan (first tranche)	UNDP		\$43,000	\$3,870	\$46,870	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Comoros			\$120,000	\$13,880	\$133,880	

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/52/20
Annex I

Project Title	Agency	ODP (tonnes)	Funds approved (US\$)		C.E. (US\$/kg)
			Project	Support	
CONGO, DR					
SEVERAL					
Ozone unit support					
Extension of institutional strengthening project (phase IV)	UNEP		\$64,540	\$0	\$64,540
Total for Congo, DR			\$64,540		\$64,540
COSTA RICA					
PHASE-OUT PLAN					
CFC phase out plan					
Terminal phase-out management plan for Annex A Group I substances (first tranche)	UNDP		\$200,000	\$15,000	\$215,000
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. UNDP was urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>					
Total for Costa Rica			\$200,000	\$15,000	\$215,000
CROATIA					
PHASE-OUT PLAN					
CFC phase out plan					
Monitoring and verification audit report	UNIDO		\$20,000	\$1,800	\$21,800
Total for Croatia			\$20,000	\$1,800	\$21,800
ECUADOR					
PHASE-OUT PLAN					
CFC phase out plan					
National CFC phase-out plan: 2007 annual programme	IBRD	38.0	\$227,411	\$17,056	\$244,467
Total for Ecuador			\$227,411	\$17,056	\$244,467
GABON					
PHASE-OUT PLAN					
CFC phase out plan					
Terminal phase-out management plan (first tranche)	UNDP		\$50,000	\$4,500	\$54,500
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>					
Terminal phase-out management plan (first tranche)	UNEP		\$65,000	\$8,450	\$73,450
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>					
Total for Gabon			\$115,000	\$12,950	\$127,950
JORDAN					
SEVERAL					
Ozone unit support					
Extension of institutional strengthening project (phase VII)	IBRD		\$147,333	\$11,050	\$158,383

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/52/20
Annex I

Project Title	Agency	ODP (tonnes)	Funds approved (US\$)			C.E. (US\$/kg)
			Project	Support	Total	
Total for Jordan			\$147,333	\$11,050	\$158,383	
KUWAIT						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan for Annex A Group I substances (first tranche)	UNEP		\$240,000	\$31,200	\$271,200	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Terminal phase-out management plan for Annex A Group I substances (first tranche)	UNIDO	15.0	\$220,000	\$16,500	\$236,500	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Kuwait		15.0	\$460,000	\$47,700	\$507,700	
MADAGASCAR						
PHASE-OUT PLAN						
ODS phase out plan						
Terminal phase-out management plan (first tranche)	UNIDO		\$78,000	\$5,850	\$83,850	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Terminal phase-out management plan (first tranche)	UNEP		\$133,000	\$17,290	\$150,290	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Madagascar			\$211,000	\$23,140	\$234,140	
MALAYSIA						
PHASE-OUT PLAN						
CFC phase out plan						
National CFC phase-out plan: 2007 annual programme	IBRD	89.0	\$275,000	\$24,750	\$299,750	
<i>The World Bank and the Government were encouraged to examine closely the need for stockpiling and the functioning of the recovery and recycling programme to plan for the continued demand for CFCs beyond 2010, in view of the approaching final phase-out.</i>						
Total for Malaysia		89.0	\$275,000	\$24,750	\$299,750	
MEXICO						
SEVERAL						
Ozone unit support						
Extension of institutional strengthening project (phase VIII)	UNIDO		\$247,000	\$18,525	\$265,525	
Total for Mexico			\$247,000	\$18,525	\$265,525	

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/52/20
Annex I

Project Title	Agency	ODP (tonnes)	Funds approved (US\$)			C.E. (US\$/kg)
			Project	Support	Total	
MOLDOVA						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal CFC phase-out management plan (first tranche)	UNDP		\$152,500	\$11,438	\$163,938	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Terminal CFC phase-out management plan (first tranche)	UNEP		\$74,500	\$9,685	\$84,185	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Moldova			\$227,000	\$21,123	\$248,123	
NEPAL						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (first tranche)	UNDP	8.0	\$75,000	\$6,750	\$81,750	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Terminal phase-out management plan (first tranche)	UNEP		\$35,000	\$4,550	\$39,550	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Nepal		8.0	\$110,000	\$11,300	\$121,300	
NIGERIA						
SOLVENT						
Multiple solvents						
Terminal ODS phase-out umbrella project in the solvent sector (fourth tranche)	UNIDO	22.9	\$303,200	\$22,740	\$325,940	6.59
Total for Nigeria		22.9	\$303,200	\$22,740	\$325,940	
OMAN						
PHASE-OUT PLAN						
CFC phase out plan						
Terminal phase-out management plan (first tranche)	UNIDO	10.0	\$305,800	\$22,935	\$328,735	
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. UNIDO was urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>						
Total for Oman		10.0	\$305,800	\$22,935	\$328,735	
ROMANIA						
PRODUCTION						
ODS closure						
Sector plan for production sector (third tranche)	UNIDO		\$1,000,000	\$75,000	\$1,075,000	
Total for Romania			\$1,000,000	\$75,000	\$1,075,000	

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/52/20
Annex I

Project Title	Agency	ODP (tonnes)	Funds approved (US\$)		C.E. (US\$/kg)
			Project	Support	
SAINT LUCIA					
PHASE-OUT PLAN					
CFC phase out plan					
Terminal phase-out management plan for the phase-out of ODS in the refrigeration and air conditioning sector (first tranche)	Canada		\$156,000	\$20,280	\$176,280
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The Government of Canada was urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>					
Total for Saint Lucia			\$156,000	\$20,280	\$176,280
SENEGAL					
PHASE-OUT PLAN					
CFC phase out plan					
Terminal phase-out management plan for CFCs (first tranche)	UNEP		\$109,500	\$14,235	\$123,735
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>					
Terminal phase-out management plan for CFCs (first tranche)	UNIDO		\$220,000	\$16,500	\$236,500
<i>Approved in accordance with the Agreement between the Government and the Executive Committee. The agencies were urged to take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the TPMP.</i>					
Total for Senegal			\$329,500	\$30,735	\$360,235
THAILAND					
SEVERAL					
Ozone unit support					
Extension of institutional strengthening project (phase V)	IBRD		\$346,668	\$26,000	\$372,668
Total for Thailand			\$346,668	\$26,000	\$372,668
VENEZUELA					
PRODUCTION					
CFC closure					
National CFC production closure plan (fourth tranche)	IBRD		\$2,300,000	\$172,500	\$2,472,500
<i>The World Bank was requested to complete the dismantling activities at the Produven facility in a timely manner, and continue the verification of the Produven facility in 2008 and 2009 to ensure the permanent closure of the CFC production capacity at the plant.</i>					
Total for Venezuela			\$2,300,000	\$172,500	\$2,472,500
VIETNAM					
SEVERAL					
Ozone unit support					
Extension of institutional strengthening project (phase VI)	UNEP		\$118,976	\$0	\$118,976

List of projects and activities recommended for blanket approval

UNEP/OzL.Pro/ExCom/52/20
Annex I

Project Title	Agency	ODP (tonnes)	Funds approved (US\$)		C.E. (US\$/kg)
			Project	Support	
Total for Vietnam			\$118,976		\$118,976
GLOBAL					
AEROSOL					
Metered dose inhalers					
MDI regional workshops	UNEP		\$200,000	\$26,000	\$226,000
PHASE-OUT PLAN					
CTC phase out plan					
Assessment of CTC phase-out in the chlo-alkali sector	IBRD		\$100,000	\$9,000	\$109,000
Total for Global			\$300,000	\$35,000	\$335,000
GRAND TOTAL		336.2	\$9,486,028	\$768,809	\$10,254,837

Annex II

LIST OF PROJECTS FOR INDIVIDUAL CONSIDERATION

Country	Project	Agency	Document No.	Issue
Aerosol (MDIs)				
Bangladesh	Phase-out of CFC consumption in the manufacture of aerosol MDIs	UNDP, UNEP	ExCom/52/26	Costs issues under discussion. Policy issue related to MDI projects
Islamic Republic of Iran	Phase-out of CFC consumption in the manufacture of MDIs	UNIDO, UNEP	ExCom/52/36	Costs issues under discussion. Policy issue related to MDI projects
Foam				
China	Sector plan for phase-out of CFC-11 in the China foam sector: 2007 annual programme	World Bank	ExCom/52/30	Authorization for direction of funds to companies with capacities installed after July 1995
Fumigant				
Cameroon	Total phase-out of methyl bromide used in stored commodities fumigation	UNIDO	ExCom/52/29	Cost and policy issues unresolved. A new MYA to be approved, the current practice
Phase-out plan				
Bosnia and Herzegovina	National ODS phase-out plan (third tranche)	UNIDO	ExCom/52/28	Action plan is outstanding; project pending
Process agent				
China	Verification of CTC consumption under Phase II of CTC sector plan	World Bank	ExCom/52/30	The need to adjust the 14,300 ODP/tonnes for CTC outside Phase I and II
India	CTC sector plan: 2007 work programme	World Bank, UNDP/Japan, UNIDO, Germany/France	ExCom/52/35	Request for funding of enterprises established after 1995
Mexico	Umbrella project for terminal phase-out of CTC	UNIDO	ExCom/52/41	Cost issues still under discussion; conclusion pending
Solvent				
DPR Korea	Plan for terminal phase-out of CTC (fifth tranche)	UNIDO	ExCom/52/37	Implementation delays