



**United Nations
Environment
Programme**



Distr.
GENERAL

UNEP/OzL.Pro/ExCom/52/24
22 June 2007

ORIGINAL: ENGLISH

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

AMENDMENTS TO UNIDO WORK PROGRAMME FOR 2007

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

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COMMENTS AND RECOMMENDATION OF THE FUND SECRETARIAT

1. UNIDO is requesting approval from the Executive Committee of US \$317,000 in amendments to its 2007 Work Programme, plus agency support costs of US \$24,075.
2. The activities proposed in UNIDO's Work Programme Amendments are presented in Table 1 below:

Table 1: UNIDO's Work Programme Amendments

Country	Activity/Project	Amount Requested (US \$)	Amount Recommended (US \$)
SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL			
A.1	TPMP Audit		
Croatia	Monitoring and verification audit report	20,000	20,000
	Subtotal	20,000	20,000
A.2	Renewal of institutional strengthening		
Mexico	Renewal of institutional strengthening support: Phase VIII	247,000	247,000
	Subtotal	247,000	247,000
	Subtotal for blanket approval:	267,000	267,000
SECTION B: ACTIVITY RECOMMENDED FOR INDIVIDUAL CONSIDERATION			
B.1	Project preparation		
Mexico	MDI project preparation, including the development of a national transitional strategy for the sector	50,000	For individual consideration
	Subtotal for individual consideration:	50,000	
Subtotal for sections A and B:		317,000	
Agency support costs (7.5 per cent for project preparation and institutional strengthening, and for other activities over US \$250,000, and 9 per cent for other activities under US \$250,000):		24,075	20,325
Total:		341,075	287,325

SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL

A1: TPMP audit

Croatia: Audit of an ongoing terminal phase-out management plan: US \$20,000

Project description

3. At the 50th Meeting, the Executive Committee noted the Secretariat's recommendation that Croatia be considered as one of the countries where verification of the ongoing TPMP will be undertaken, based on a random selection exercise. This is following decision 45/54 calling, *inter alia*, for verification of a randomly selected sample representing 10 per cent of the ongoing TPMPs in LVC countries annually. UNIDO, as the implementing agency responsible for the TPMP in Croatia, was invited to submit a request for funding to carry out the verification, for consideration at this meeting in the context of their 2007 work programme amendments.

4. UNIDO is requesting US \$20,000 for this verification exercise.

Secretariat's comments and recommendation

5. UNIDO informed the Secretariat that the proposed amount being requested is in line with the current costs. These costs are also consistent with the same verification exercise approved at the 50th Meeting for UNDP to undertake a similar TPMP audit for Trinidad and Tobago.

6. The Secretariat considers this request to be within the funding limits for similar activities, and recommends blanket approval at the level of funding shown in Table 1.

A.2: Renewal of institutional strengthening

Mexico: Renewal of institutional strengthening support (Phase VIII): US \$247,000

Project description

7. UNIDO submitted a request for the renewal of the institutional strengthening project for Mexico. The description of the institutional strengthening project is presented in Annex I to this document.

Fund Secretariat's comments and recommendation

8. The Fund Secretariat recommends blanket approval of the institutional strengthening renewal request for Mexico at the level of funding shown in Table 1. The Executive Committee may wish to express to the Government of Mexico the comments which appear below:

The Executive Committee has reviewed the report presented with the institutional strengthening project renewal request for Mexico and notes with appreciation that Mexico reported data to the Ozone Secretariat, as at end 2005, that was lower than its 1998 average CFC compliance baseline. The Executive Committee also notes that within the framework of the institutional strengthening project, Mexico has achieved in 2005 a substantial phase out of its ODS consumption vis-à-vis 2004. The Executive Committee acknowledges with appreciation the ratification of the Montreal Amendment by the Government of Mexico and hopes that the ratification of the Beijing Amendment will be achieved in the near future. The Executive Committee is therefore hopeful that, in the next two years, Mexico will continue with the implementation of its country programme and the national phase-out plan (NPP) activities with outstanding success in the further reduction of current CFC consumption levels.

SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION

B.1: Project preparation

Background

9. The Executive Committee, at its 51st Meeting, agreed in decision 51/34, *inter alia*, "to consider, on a case-by-case basis the submission of requests for project preparation for the conversion of CFC-MDI production facilities on the understanding that they must include a

comprehensive justification from the country concerned for the need to receive assistance and, as a minimum, should provide the following detailed information:

- (a) Name of nationally owned CFC-MDI manufacturing facilities, the date when the CFC production lines were established and the production capacity of each production line;
- (b) Type of CFC-MDI products manufactured, active ingredients used, annual production output (units/year);
- (c) Growth patterns of CFC-MDI production over the past five years;
- (d) Whether any of the CFC-MDI manufacturing plants were contemplating alternatives to CFC-MDIs and what those alternatives were;
- (e) Each production facility's plans for phasing out CFC consumption; and
- (f) The number of non-CFC-MDIs and dry-powder inhalers sold or distributed within the Party, by active ingredient, brand/manufacturer, and source.

10. UNIDO submitted a request for project preparation of conversion projects in the MDI sector for Mexico. Data provided by UNIDO for each request as required under the above decision is summarized below.

Mexico: MDI project preparation, including the development of a national transitional strategy for the sector: US \$50,000

Project description

11. The national CFC phase-out plan for Mexico¹ reported a consumption of 5.0 ODP tonnes of CFCs used for the manufacturing of MDIs. Mexico had initially stated, as part of the national phase out plan, that phase out of CFCs in the MDI sector could be undertaken without any assistance from the Multilateral Fund. However, following decision 51/34, UNIDO, on behalf of the Government of Mexico submitted a request for the preparation of a project for the conversion of CFC-MDI manufacturing facilities in Mexico.

12. CFC-MDIs have been produced in Mexico by Salus Laboratories, a 100 percent Mexican owned company since 1999. This company is the main manufacturer of salbutamol, beclomethasone dipropionate, and sodium cromoglicate MDIs in Mexico. It is also the main supplier in the Mexican Social Health system and other government medical health services, representing about 70 percent of its consumption.

13. The company has a single production line with a capacity of 57,000 units per day, or around 6.9 million units annually. The current actual demand is for the production of 25,000 units per day in a single shift operation.

¹ The plan was approved by the Executive Committee at its 42nd Meeting (UNEP/OzL.Pro/ExCom/42/39) (decision 42/32).

14. Over the last five years, CFC consumption in the MDI manufacturing sector has increased dramatically in proportion to the increase in the number of units of MDIs produced in the same period, summarised in the table below:

	2001	2002	2003	2004	2005	2006*
CFC-MDI Units Manufactured						
Moiety						
Salbutamol	296,091	1,168,966	800,594	1,174,347	2,136,750	2,902,704
Beclomethasone 50 mcg	280,194	366,963	466,703	546,893	448,059	475,729
Beclomethasone 250 mcg	41,026	---	91,139	108,112	94,464	99,517
Cromoglicate sodium	125,206	167,700	55,767	73,909	38,736	34,664
Total	742,517	1,703,629	1,414,203	2,475,261	2,718,013	3,512,614
CFC Consumption (ODP tonnes)						
CFC-11	5.4	9.4	8.1	17.2	13.5	18.3
CFC-12	12	20	20	40	34	47.2
Total annual consumption	17.4	29.4	28.1	57.2	47.5	70.9

* 2006 figures are preliminary

15. Non-CFC-MDIs are also being imported into Mexico. The table below provides a summary for the import figures for the last three years. Data for 2007 is up to May 2007. These products represent more than 90 percent of the MDIs imported into the country, and the data presented was collected from the Customs Service.

Laboratory	Generic Name	Brand Name	Propellant	Imported Units		
				2005	2006	2007
Aventis Pharma	Sodium cromoglycate	Intal 5	N/A	2,984	4,228	0.0
Boehringer Ingelheim Promeco	Budesonide	Numark	HFA	51,021	53,487	18,793
Glaxo-Smithkline	Beclometasone dipropionate	Becotide	HFA	306,195	294,968	138,808
	Fluticasone	Flixotide	HFA 134 ^a	324,827	340,527	119,644
	Salbutamol sulphate	Ventolin Inhaler	HFA	809,810	1,009,564	137,667
	Salbutamol/beclomethasone	Ventide	HFA	73,244	67,446	36,317
	Salmeterol Xinafoate	Serevent Inhaler	N/A	577,543	654,549.6	163,637
Total				2,145,624	2,424,770	614,866

16. The company's plans for conversion will require technology transfer from a couple of established multinational companies with experience in the use of HFA technology. The selected replacement technologies will also need production processes different to those presently used for CFC-MDIs. The planned period of conversion is envisaged to be completed in two years, after the project is approved and funded.

Fund Secretariat's comments

17. The proposal is for the preparation of a project for the phase-out of over 70 ODP tonnes of CFCs used by Mexico in the CFC-MDI manufacturing sector. It is noted that the submission on behalf of Mexico was very comprehensive and the Secretariat would like to extend its appreciation to UNIDO for thorough documentation, which responded to decision 51/34.

18. The Secretariat sought clarification from UNIDO on why the document specifically states that retrofitting the existing production line was not possible. UNIDO explained that because of the poor compatibility of HFC-134a or HFC-227ea with existing machinery, mainly seals and valves, and because of the physical properties of these propellants, new filling methods and different preparations will be required. UNIDO emphasises that completely new CFC-free MDI manufacturing facilities are necessary to facilitate efficient conversion.

19. In further discussing other elements of the project with UNIDO, the Secretariat indicated that, considering the amount of CFC consumption in the sector, the fact that only one laboratory is being considered for replacement, and the fact that Mexico already has a large supply of MDIs using both HFA and DPIs from other companies, the project preparation could be done at a lower cost than that requested by UNIDO.

20. UNIDO agreed to the Secretariat's recommendation for the level of funding not to exceed US \$50,000 for Mexico.

Fund Secretariat's recommendation

21. In the light of the comments above, the Executive Committee may wish to consider approval of the request for project preparation at the funding level of US \$50,000, as indicated in Table 1 above. The Committee may also wish to confirm whether the information provided is consistent with the requirements of decision 51/34.

22. In approving this project UNIDO is requested to note that, in developing the investment project, the final document must include elements of a transition strategy to assist the MDI sector, pursuant to decision 51/34. It should also be noted that no further funds for a separate transition strategy for this sector will be available.

Annex I

INSTITUTIONAL STRENGTHENING PROJECT PROPOSALS

Mexico: Renewal of institutional strengthening

Summary of the project and country profile	
Implementing Agency:	UNIDO
Amounts previously approved for institutional strengthening (US \$):	
Phase I: June 1992	350,000
Phase II: July 1995	95,000
Phase III: Oct. 1996	190,000
Phase IV: July 1998	190,000
Phase V: July 2000	194,456
Phase VI: July 2002	242,691
Phase VII: April 2005	247,000
Total	1,509,147
Amount requested for renewal (Phase VIII) (US \$):	247,000
Amount recommended for approval for Phase VIII (US \$):	247,000
Agency support costs (US \$):	18,525
Total cost of institutional strengthening Phase VIII to the Multilateral Fund (US \$):	265,525
Equivalent amount of CFC phase-out due to institutional strengthening Phase VIII at US \$12.1/kg (ODP tonnes):	n/a
Date of approval of country programme:	Feb. 1992
ODS consumption reported in country programme (1989) (ODP tonnes):	9,874
Latest reported ODS consumption (2005) (ODP tonnes):	3,816.7
Baseline consumption of controlled substances (ODP tonnes):	
(a) Annex A Group I (CFCs) (Average 1995-1997)	4,624.9
(b) Annex A Group II (Halons) (Average 1995-1997)	124.6
(c) Annex B Group II (Carbon tetrachloride) (Average 1998-2000)	0
(d) Annex B Group III (Methyl chloroform) (Average 1998-2000)	56.4
(e) Annex E (Methyl bromide) (Average 1995-1998)	1,130.8
Latest consumption of controlled substances (2005) (ODP tonnes):	
(a) Annex A Group I (CFCs)	1,604.0
(b) Annex A Group II (Halons)	52.8
(c) Annex B Group II (Carbon tetrachloride)	89.5
(d) Annex B Group III (Methyl chloroform)	0
(e) Annex E (Methyl bromide)	891.1
(f) Annex C Group I (HCFCs)	1,179.3
Amount approved for projects (US \$):	83,598,636
Amount disbursed (as at March 2007) (US \$):	59,676,626
ODS to be phased out (ODP tonnes):	16,713.4
ODS phased out (as at March 2007) (ODP tonnes):	16,199.3

1. Summary of activities and funds approved by the Executive Committee:

Summary of activities		Funds approved (US \$)
(a)	Investment projects:	78,189,109
(b)	Institutional strengthening:	1,646,191
(c)	Project preparation, technical assistance, training and other non-investment projects:	3,763,336
	Total:	83,598,636

Progress report

2. The National Ozone Unit in Mexico is part of the Environmental and Natural Resources Secretariat (SEMARNAT) and cooperates closely with the General Directorate for Air Quality Management and Public Release and Transfer Registry. The Ozone Unit is the focal point for Montreal Protocol activities. The major legislative measures achieved in the framework of Phase VII are (a) the ratification of the Montreal Amendment, (b) the Official Standard for CFC, which is close to the implementation stage, and (c) the Information and Monitoring System (SISSAO) which is close to its finalization and for which first trial operations are underway. An international workshop on illegal trade in ODS was organized. Consumption in 2005 (in metric tonnes): 440.75 tonnes in CFC, 17.60 tonnes in the halon sector, 81.37 in carbon tetrachloride, 1,725.07 tonnes in methyl bromide and 14,526.34 in HCFCs.

Plan of action

3. The NOU is the nucleus of the ODS management structure and was established as a specialized body within the Environment and Natural Resources Agency (SEMARNAT) to provide the execution and follow-up of the ODS phase-out strategy as laid down in the Action Plan of the Country Programme. For this coming phase, the NOU will follow-up the issue of ratification of the Beijing Amendment with the new Senate. The country is planning a number of measures to achieve the 20% reduction in methyl bromide consumption and facilitate the audit for the closure of the CFC production plant. A national strategy for an accelerated calendar for phasing out the use of CFCs, halons, methyl bromide, foams and solvents will continue to be implemented. In the framework of phase-out projects, it is planned to ban the import of CTC as feedstock and of equipment and materials that contain CFCs, as well as phase-out of CTC as a process agent.

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

52nd Executive Committee of the
Multilateral Fund for the Implementation
of the Montreal Protocol

UNIDO 2007 Work Programme Amendment
(June 2007)

Item	Country	Title of Project	Substance	Type	Project Value (w/o A.S.C.) in US\$	A.S.C in US\$	Requested Amount (incl. A.S.C.) in US\$	A.S.C %	Duration in months
Project Preparation									
1	Mexico	MDI project preparation, including the development of a National Transitional Strategy for the sector	CFC	PRP	50,000	3,750	53,750	7.50	12
1	Subtotal				50,000	3,750	53,750		
Technical Assistance									
1	Croatia	Monitoring and Verification audit report	REF	TAS	20,000	1,800	21,800	9.00	6
1	Subtotal				20,000	1,800	21,800		
Institutional Strengthening									
1	Mexico	Renewal of institutional strengthening support, Phase VIII	SEV	INS	247,000	18,525	265,525	7.50	24
1	Subtotal				247,000	18,525	265,525		
3	Total				317,000	24,075	341,075		