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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fourth Meeting
Montreal, 7-11 April 2008

PROJECT PROPOSAL: LIBYAN ARAB JAMAHIRIYA

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

Phase-out

- National CFC phase-out plan (third tranche)

UNIDO

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PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Libyan Arab Jamahiriya

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|--------------------------|---------------|
| (I) PROJECT TITLE | AGENCY |
| CFC phase out plan | UNIDO |

| | | | | | |
|--|--------|---------------|--------|-------------------|--|
| (II) LATEST ARTICLE 7 DATA (ODP Tonnes) | | | | Year: 2006 | |
| CFC: 115.7 | CTC: 0 | Halons: 304.5 | MB: 72 | TCA: 0 | |

| (III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes) | | | | | | | Year: 2006 | | | | | | |
|--|---------|------|-------|---------------|-----------|---------|-------------------|-----|---------|----------------|---------|------------------|--------------------------|
| Substances | Aerosol | Foam | Halon | Refrigeration | | Solvent | Process Agent | MDI | Lab Use | Methyl Bromide | | Tobacco fluffing | Total Sector Consumption |
| | | | | Manufacturing | Servicing | | | | | QPS | Non QPS | | |
| CFC | | 3.3 | | 10. | 102.4 | | | | | | | | 115.7 |
| CTC | | | | | | | | | | | | | 0 |
| Halons | | | 304.5 | | | | | | | | | | 304.5 |
| Methyl Bromide | | | | | | | | | | 72. | | | 72 |
| TCA | | | | | | | | | | | | | 0 |

| (IV) PROJECT DATA | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | Total |
|--|---------------|---------------|------------|----------|----------|----------|------|------|------------|
| Maximum Allowable Consumption (ODP Tonnes) | CFC | 700. | 461. | 300. | 176. | 52. | 11.6 | 0. | |
| Project Costs (US\$) | UNIDO | Project Costs | 1,500,000. | | 720,000. | 277,947. | | | 2,497,947. |
| | Support Costs | 112,500. | | 54,000. | 20,846. | | | | 187,346. |
| Total Funds Approved in Principle (US\$) | Project Costs | 1,500,000. | | 720,000. | 277,947. | | | | 2,497,947. |
| | Support Costs | 112,500. | | 54,000. | 20,846. | | | | 187,346. |
| Total Funds Released by the ExCom (US\$) | Project Costs | 1,500,000. | | 720,000. | 0. | | | | 2,220,000. |
| | Support Costs | 112,500. | | 54,000. | 0. | | | | 166,500. |
| Total Funds Requested for Current Year (US\$) | Project Costs | | | | | 277,947. | | | 277,947. |
| | Support Costs | | | | | 20,846. | | | 20,846. |

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| (V) SECRETARIAT'S RECOMMENDATION: | For blanket approval |
|--|-----------------------------|

PROJECT DESCRIPTION

1. On behalf of the Government of the Libyan Arab Jamahiriya, UNIDO has submitted a request amounting to US \$277,947, plus agency support cost of US \$20,846, for the third and final tranche of the National CFC phase-out plan (NPP). UNIDO has also submitted a verification report regarding the 2005 and 2006 CFC consumption, together with a progress report covering the years 2006 and 2007, and a 2008 annual implementation programme.

Background

2. At its 41st Meeting, the Executive Committee approved in principle US \$2,497,947 (excluding agency support costs) for the implementation of the National CFC phase-out plan for the Libyan Arab Jamahiriya to enable the Government to achieve complete phase-out of CFCs. The plan targeted the refrigeration manufacturing and servicing sectors, as well as the foam sector, with UNIDO as the lead implementing agency. The Executive Committee also approved the first tranche amounting to US \$1,500,000 for the implementation of the 2004 annual work programme.

3. On behalf of the Government of the Libyan Arab Jamahiriya, UNIDO submitted to the 45th Meeting a request for the release of the second funding tranche at the amount of US \$720,000, plus agency support costs of US \$54,000 for the 2005 annual work programme. The request was approved by the Executive Committee (decision 45/50), with a proviso for certain requirements for data reporting and enactment of legislation prior to disbursement.

4. At the 50th Meeting, UNIDO submitted a request for the third tranche. At that time, the Secretariat raised a number of issues with UNIDO, some of which related to the establishment and enactment of a licensing system, as the Secretariat had received official letters from the Government, as part of the submission informing that a licensing system would be enacted at a future date. In view of this and the number of other issues that could not be resolved, UNIDO subsequently withdrew the submission.

Implementation report

5. The National CFC phase-out plan foresaw activities in the strengthening of customs through training and refrigerant identifiers, a foam component, a refrigeration manufacturing component and service sector activities. All activities related to customs, foam and refrigeration manufacturing had been completed before 2006. Altogether, 173 customs officers have been trained, and ten refrigerant identifiers provided. Six refrigeration manufacturers have received assistance for the conversion of CFC-11 use in insulation foam to HCFC-141b, and CFC-12 to HFC-134a. Thirteen flexible foam companies have been converted, and two rigid foam companies have also received assistance and phased out the use of CFC-11.

6. The implementation of service-sector related activities has been slower. Of the six training workshops planned for the whole duration of the plan, four have been delivered so far, which is in line with the planned figures. The delivery of equipment to workshops is somewhat delayed, while it was intended to equip 60 workshops, up to now only 29 could be equipped.

7. UNIDO reported that all import licenses for chemical products issued by the Ministry of Economy and Trade require approval by the Environment General Authority (EGA). The Customs Authority does not clear any materials without this approval. The EGA approves only the amounts allowed by the National CFC phase-out plan agreed upon between the Government of the Libyan Arab Jamahiriya and the Executive Committee. Import of used equipment is discouraged and no equipment or cars, in particular those older than five years, are allowed to enter the country. Cars and refrigerator models built in the year 2000 and onwards are supplied with ozone friendly refrigerants.

Verification report

8. As per the Agreement, UNIDO submitted a verification report on the achievement of the national consumption targets set out in the NPP for the Libyan Arab Jamahiriya. The report was prepared by a local consultant hired by UNIDO, and covers the verification of CFC import and consumption data for 2005 and 2006, confirming the regulatory arrangements mentioned above. In a revised version of the verification report incorporating some data requests from the Secretariat, the consultant examined data provided to him by the Executive office of the National Committee on Climate Change (responsible for the quota), which is also responsible for Ozone, the EGA, the Customs Authority, three CFC importers, and end users.

9. In some cases, oil-producing companies or the military might be able to import without a license. The verification estimated the maximum possible CFC use in the oil-consuming sector, and arrived at less than three per cent of the national ODS consumption. Discussions between the verifier and oil companies strongly suggested that actually no additional imports took place, since larger equipment is very modern and uses non-CFC refrigerants, and smaller equipment is being serviced from the local market, i.e. from officially imported quantities. An investigation of publicly available data regarding military uses came to an estimated consumption well below six ODP tonnes. In total, the verified official data shows 248.0 ODP tonnes for 2005 and 115.7 ODP tonnes for 2006. Since the maximum allowable consumption for these two years were 300.0 ODP tonnes and 176.0 ODP tonnes, respectively; the verification proves that the country's consumption has remained below the maximum allowable consumption under the Agreement.

Implementation programme for the years 2008 and 2009

10. The 2008 annual implementation programme foresees the implementation of the outstanding two training programmes and delivery of equipment to 71 workshops, and the conclusion of the activities under the NPP. The PMU will continue to report on the progress of CFC phase-out activities in the Libyan Arab Jamahiriya during 2008 and 2009.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Issues related to the current request

11. Since the last tranche submission, the institutional arrangements regarding clarification of responsibilities and identifying a national ozone officer in Libya have progressed considerably. The verification report has taken on board the suggestions the Secretariat provided during an earlier review prior to the 50th Meeting, and provides a sufficient basis to assess the country's compliance with the Agreement. A mission conducted by the Senior Monitoring and Evaluation Officer of the Secretariat improved the understanding of the Multilateral Fund requirements in the Government of the Libyan Arab Jamahiriya, and the understanding of specific issues raised by the Secretariat.

RECCOMENDATION

12. The Fund Secretariat recommends blanket approval of the third and final tranche of the phase-out plan with associated support costs at the funding levels show in the table below, on the understanding that UNIDO, on behalf of the Government of the Libyan Arab Jamahiriya, will continue providing annual reports and verification of the CFC consumption for the remaining duration of the Agreement.

| | Project Title | Project Funding (US \$) | Support Cost (US \$) | Implementing Agency |
|-----|---|------------------------------------|---------------------------------|--------------------------------|
| (a) | National CFC phase-out plan (third tranche) | 277,947 | 20,846 | UNIDO |
