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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-first Meeting
Montreal, 5-9 July 2010

PROJECT PROPOSAL: ECUADOR

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

Phase-out

- National CFC phase-out plan: 2010 annual programme

UNEP and UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Ecuador

(I) PROJECT TITLE	AGENCY
CFC phase out plan	UNEP and UNIDO

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2008	
CFC: 8.2	CTC: 0.1	Halons: 0	MB: 51	TCA: 0	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)											Year: 2008		
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC					8.1				0.				8.2
CTC									0.1				0.1
Halons													0
Methyl Bromide										10.2	51.		61.2
Others													0
TCA													0

(IV) PROJECT DATA			2003	2004	2005	2006	2007	2008	2009	2010	Total
Montreal Protocol Consumption Limits		CFC	301.4	301.4	150.7	150.7	45.2	45.2	45.2	0.	
Maximum Allowable Consumption (ODP Tonnes)		CFC	246.	235.	150.	80.	42.	21.	21.	0.	
Project Costs (US\$)	IBRD	Project Costs	777,326.		439,319.	227,410.	227,411.	18,334.			1,689,800.
		Support Costs	58,300.		32,349.	17,055.	17,056.	1,375.			126,135.
Funds Approved in Principle (US\$)		Project Costs	777,326.		439,319.	227,410.	227,411.	18,334.			1,689,800.
		Support Costs	58,300.		32,349.	17,055.	17,056.	1,375.			126,135.
Funds Released by the ExCom (US\$)		Project Costs	777,326.		439,319.	227,410.	227,411.	18,334.			1,689,800.
		Support Costs	58,299.4		32,349.	17,055.	17,056.	1,375.			126,134.4
Funds to be returned by IBRD (US\$)		Project Costs				227,410.	227,411.	18,334.			473,155.
		Support Costs				17,055.	17,056.	1,375.			35,486.
Revised Tranche Costs (US\$)	UNEP	Project Costs				92,835.	92,835.	7,485.			193,155.
		Support Costs				12,069.	12,069.	973.			25,111.
	UNIDO	Project Costs				134,575.	134,576.	10,849.			280,000.
		Support Costs				10,093.	10,093.	814.			21,000.
Tranches Requested for Current Year (US\$)		Project Costs				227,410.	227,411.	18,334.			473,155.
		Support Costs				22,162.	22,162.	1,787.			46,111.

(V) SECRETARIAT'S RECOMMENDATION:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Ecuador, UNEP, as the lead implementing agency, has submitted to the 61st Meeting of the Executive Committee a request for funding for the third, fourth and fifth tranches (2006, 2007 and 2008) of the national CFC phase-out plan (NPP) at a total cost of US \$193,155 plus agency support costs of US \$25,110 for UNEP and US \$280,000 plus agency support costs of US \$21,000 for UNIDO. The submission includes the implementation programme for 2010. The aggregated progress report for the implementation of the first tranches was already submitted by the World Bank to the 56th Meeting.

Background

2. The NPP for Ecuador, to be implemented by the World Bank as the lead implementing agency, was initially approved by the Executive Committee at its 41st Meeting to completely phase-out CFCs in the country by 1 January 2010. Total funding of US \$1,689,800 plus agency support costs of US \$126,135 was approved in principle by the Executive Committee. All five tranches foreseen under the NPP were released. The Grant Agreement between the Government of Ecuador and the World Bank expired in September 2009, and the unspent funds covering all of the last three tranches are to be returned from the World Bank to the Multilateral Fund to be transferred to the new implementing agencies.

Verification

3. The World Bank has submitted verification reports with each tranche request, and the 2004-2007 annual consumption was verified to be below the maximum allowable consumption, established in the agreement. The country does neither produce nor exports CFCs. There is a stable decrease in CFC imports, and the CFC consumption of the country in 2007 was equal to 28.4 ODP tonnes, which is below the maximum allowable consumption of 42 ODP tonnes. The current request is a re-submission for tranches already approved in the past and has not been accompanied by a verification report.

2004-2007 progress reports

4. The World Bank has reported on the annual progress starting from 2004 to 2007. The latest 2007 implementation report covered activities implemented up to April 2008. Multi-year agreement tables were also submitted by the World Bank with the fifth tranche request and included implemented activities until the end of 2007. The World Bank led a series of investment, non-investment, technical assistance and capacity building activities which were implemented during 2004-2007:

- (a) The ODS import/export licensing system is operational in the country since 2004 and has been strengthened since then. Quotas were established to ensure proper compliance with the annual targets setup in the agreement;
- (b) Most of the manufacturing companies in the foam and refrigeration sectors initially identified in the NPP have been found ineligible for funding since they closed down their operations or switched to non-CFC alternatives on their own. The resources available have been diverted to other activities. In the foam sector three eligible manufacturing companies were converted to CFC-free technologies in 2006;
- (c) One hundred and thirty recovery and recycling (R&R) machines foreseen under the plan were purchased and delivered by the end of 2008. A train-the-trainers programme in good practices for 15 trainers was implemented in 2004. It was planned to train 1,008 refrigeration technicians under the NPP: 590 were trained during the years

2006 and 2007 and 418 were trained in 2008, so reaching the overall target;

(d) Six portable identifiers were delivered to the national customs offices in 2005. Customs training took place and 50 officers were trained. A gas chromatograph for the customs office in Guyaquil was purchased in 2007 and the relevant laboratory was constructed and equipped; and

(e) A number of public awareness activities also took place.

5. No activities took place between the end of 2008 and today.

2010 implementation programme

6. The new lead agency, UNEP, and UNIDO as co-operating agency are planning to implement a number of activities in the year 2010. These include the upgrade of ODS legislation, two training sessions for 40 customs officers; the training of 200 refrigeration technicians in good practices; training of MAC technicians and purchase of tools for MAC workshops; establishment of a CFC reclamation centre by providing the necessary equipment and related training; the implementation of a CFC end user programme, which also includes chillers; and the creation of a CFC destruction facility as well as the implementation of project monitoring and awareness activities.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

7. The three tranches requested by UNEP have been approved in the past. Consequently, the Executive Committee has already considered whether the country fulfilled the conditions for the tranche request. A renewed tranche review has been carried out to ensure coverage of the implementation already carried out, and to assess the annual plan and inform the Executive Committee accordingly.

8. The Secretariat raised a number of issues with UNEP, inter alia related to the destruction activities planned, the end user sector which will be related to domestic refrigeration, the planned equipment supply to refrigeration technicians, and the need for activities in the MAC service sector. UNEP also informed the Secretariat about their intention to ensure that remaining work on the legislation will cover the accelerated HCFC phase-out, and that the activities in the end-user sector will ensure that no HCFC is being phased in.

9. As of the writing of this document, the Secretariat has not yet received a letter of endorsement from the Government of Ecuador for the transfer. The Secretariat will inform the Executive Committee during the 61st Meeting whether this letter has been received. Without it, the transfer cannot be completed.

RECOMMENDATION

10. The Fund Secretariat recommends that the Executive Committee considers, based on the information to be provided by the Secretariat at the meeting, to:

(a) Take note of the progress report on the implementation of the first and second tranches of the national CFC phase-out plan (NPP) in Ecuador;

- (b) Approve the transfer of the third, fourth and fifth tranches of the NPP for Ecuador from the World Bank to UNEP as lead implementing agency, and UNIDO as co-operating implementing agency;
- (c) Approve the new Draft Agreement attached as Annex I to this document, reflecting the related changes;
- (d) Request the World Bank to return the funding associated with the third, fourth and fifth tranches accordingly;
- (e) Approve the 2010 annual implementation programme associated with the third, fourth and fifth tranches; and
- (f) Request the Government of Ecuador, with the assistance from UNEP and UNIDO, to submit a progress report on the implementation of the work programme associated with the third, fourth, as well as the fifth and final tranche of the NPP no later than the 64th Meeting of the Executive Committee.

2. The Secretariat further recommends approval of the 2010 plan associated with the third, fourth as well as the fifth and final tranche of the NPP for Ecuador, with associated support costs at the funding level shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	National CFC phase-out plan, third tranche	92,835	12,069	UNEP
(b)	National CFC phase-out plan, third tranche	134,575	10,093	UNIDO
(c)	National CFC phase-out plan, fourth tranche	92,835	12,069	UNEP
(d)	National CFC phase-out plan, fourth tranche	134,576	10,093	UNIDO
(e)	National CFC phase-out plan, fifth tranche	7,485	973	UNEP
(f)	National CFC phase-out plan, fifth tranche	10,849	814	UNIDO

Annex I

DRAFT
AGREEMENT BETWEEN ECUADOR AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF CFCs

1. This Agreement represents the understanding of Ecuador (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances set out in Appendix 1-A (the “Substances”) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances in all Sectors in accordance with the annual phase-out targets set out in row 2 of Appendix 2-A (the “Targets”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 7 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in row 2 in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of these Targets has been independently verified as described in paragraph 9;
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme; and
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.
6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.
7. 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 have the flexibility to reallocate the approved funds, or part of the funds according to the evolving circumstances

to achieve the goals prescribed under this Agreement. Reallocations which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.

8. Specific attention will be paid to the execution of the activities in the servicing sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The recovery and recycling programme for the refrigeration service sector would be implemented in stages so that resources can be diverted to other activities, such as additional training or procurement of service tools, if the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfill the obligations under this Agreement. UNEP has agreed to be the lead implementing agency (the "Lead IA") and UNIDO has agreed to be cooperating implementing agency (the "Cooperating IA") under the lead of the Lead IA in respect of the Country's activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification as per sub-paragraph 5(b). The Country also agrees to periodic evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Cooperating IA will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 8 and 9 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances in all Sectors or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Disbursement Schedule. At the discretion of the Executive Committee, Funding will be reinstated according to a revised Funding Disbursement Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under the Funding Disbursement Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

11. The Funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the Funding of any other consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA and the Cooperating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IA with access to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendices

Appendix 1-A: The Substances

Annex A:	Group I	CFC-11, CFC-12, CFC-113 CFC 114 and CFC-115
Annex B:	Group I	CFC-13

Appendix 2-A: The Targets, and Funding

		2003*	2004	2005	2006	2007	2008	2009	2010
1	Montreal Protocol Reduction Schedules	301.4	301.4	150.7	150.7	45.2	45.2	45.2	0
2	Max allowable total consumption of Annex A, Group I substances (ODP tonnes)	246	235	150	80	42	21	21	0**
3	Reduction from ongoing projects	0	0	0	0	0	0	0	0
4	Total annual reduction of Annex A, Group I substances (ODP tonnes)	0	11	85	70	38	21	21	0
5	Lead IA agreed funding (US \$)***	777,326	-	439,319	92,835	92,835	7,485	-	-
6	Cooperating agreed funding (US \$)	-	-	-	134,575	134,576	10,849	-	-
7	Total agreed funding (US \$)	777,326	-	439,319	227,410	227,411	18,334	-	-
8	Lead IA support costs (US \$)	58,300	-	32,349	12,069	12,069	973	-	-
9	Cooperating IA support costs (US \$)	-	-	-	10,093	10,093	814	-	-
10	Total agreed support costs (US \$)	58,300	-	32,349	22,162	22,162	1,787	-	-
11	Grand total agreed funding (US \$)	835,626	-	471,668	249,572	249,573	20,121	-	-

* 2003 is not a control year.

** Except essential uses agreed upon by the Parties.

*** Lead IA 1st and 2nd tranche (2003 and 2005) World Bank, Lead IA for remaining tranches UNEP

Appendix 3-A: Funding Approval Schedule

1. Funding will be considered for approval at the first meeting of the year of the annual implementation programme, except for the 2004 annual implementation programme which is submitted to be considered for approval at the last meeting of the year preceding the annual programme (at the 41st Meeting).

Appendix 4-A: Format of Annual Implementation Programme

1. **Data**

- Country _____
- Year of plan _____
- # of years completed _____
- # of years remaining under the plan _____
- Target ODS consumption of the preceding year _____
- Target ODS consumption of the year of plan _____
- Level of funding requested _____
- Lead implementing agency _____
- Cooperating agency(ies) _____

2. **Targets**

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

3. **Industry Action**

Sector	Consumption preceding year (1)	Consumption year of plan (2)	Reduction within year of plan (1)-(2)	Number of projects completed	Number of servicing related activities	ODS phase-out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
Grand total						

4. **Technical Assistance**

Proposed Activity: _____
Objective: _____
Target Group: _____
Impact: _____

5. **Government Action**

Policy/Activity Planned	Schedule of Implementation
Type of policy control on ODS import: servicing, etc	
Public awareness	
Others	

6. **Annual Budget**

Activity	Planned Expenditures (US \$)
Total	

7. **Administrative Fees**

Appendix 5-A: Monitoring Institutions and Roles

1. The project management team will assist the Ministry of External Trade, Industrialization, Fish and Competitiveness (MICIP) to carry out the following tasks:

- (a) Set up a web site with a list of importers, their annual quotas, and the actual amount already imported within the current calendar year;
- (b) Update the information on the actual amount of imported CFCs with the Custom Department on a quarterly basis;
- (c) Monitor import of HFC-134a, HCFC-22, and HCFC-141b;
- (d) Train MICIP state officers to identify and monitor CFC use at the enterprise level;
- (e) Inspect warehouse of importers of CFCs, HCFCs, and HFC-134a;
- (f) Report any incidents of illegal import of CFCs;
- (g) Carry out safety and technical audits of all projects undertaken under this plan;
- (h) Update the consumption data at the end-user level once every two years and prepare a revised strategy, if necessary, for MICIP;
- (i) Prepare progress reports and annual work plans for submission to the Executive Committee;
- (j) Maintain good account of all the expenditures incurred by this project.

Appendix 6-A: Role of the Lead IA

1. The World Bank is the Lead IA for the activities under the first two tranches of the NPP. UNEP is the Lead IA for the remainder of the NPP. The World Bank agrees to transfer all necessary information to UNEP in regards to the implementation of the NPP activities and its role as Lead IA. UNEP agrees to take over from the World Bank as Lead IA effective 9 July 2010. UNEP will notify the World Bank not later than 30 September 2010, of any outstanding information or implementation activities.
2. The Lead IA will be responsible for the following:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
 - (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;
 - (c) Assisting the Country in preparation of the Annual Implementation Programme;
 - (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
 - (e) Reporting on the implementation of the Annual Implementation Programme commencing with the Annual Implementation Programme for the 2004 year to be prepared and submitted in 2005;
 - (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate independent technical experts;
 - (g) Carrying out required supervision missions;
 - (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
 - (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets;
 - (j) Coordinating the activities of the Cooperating IA;
 - (k) Ensuring that disbursements made to the Country are based on the use of the Indicators; and
 - (l) Providing assistance with policy, management and technical support when required.

Appendix 6-B: Role of Cooperating Implementing Agency

1. The Cooperating IA will:
 - (a) Provide policy development assistance when required;

- (b) Assist Ecuador in the implementation and assessment of the activities funded for by the Cooperating IA; and
- (c) Provide reports to the Lead IA on these activities, for inclusion in the consolidated reports.

Appendix 7-A: Reductions in Funding for Failure to Comply

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$6,950 per ODP tonne of reductions in consumption not achieved in the year.
