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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-ninth Meeting  
Montreal, 15-19 April 2013

**PROJECT PROPOSAL: VENEZUELA (BOLIVARIAN REPUBLIC OF)**

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

Phase-out

- HCFC phase-out management plan (stage I, third tranche)

UNIDO and  
UNEP

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**  
**Venezuela (Bolivarian Republic of)**

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase out plan (Stage I)	UNEP, UNIDO (lead)

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2011	165.07 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2011</b>	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0.2				0.2
HCFC-124									
HCFC-141b		19.4							19.4
HCFC-141b in imported pre-blended polyol		0.5							0.5
HCFC-142b									
HCFC-22				1.1	151.0				152.1

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline:	207.0	Starting point for sustained aggregate reductions:	208.91
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	23.16	Remaining:	185.75

<b>(V) BUSINESS PLAN</b>		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
UNEP	ODS phase-out (ODP tonnes)	0.6	0.3		0.2	1.1
	Funding (US \$)	52,727	28,391		15,332	96,450
UNIDO	ODS phase-out (ODP tonnes)	7.4	4.0		2.1	13.5
	Funding (US \$)	648,589	349,241		188,590	1,186,420

<b>(VI) PROJECT DATA</b>			<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
Montreal Protocol consumption limits			n/a	n/a	207.0	207.0	186.3	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	207.0	207.0	186.3	n/a
Agreed funding (US \$)	UNEP	Project costs	50,646	46,661	25,125		13,568	136,000
		Support costs	6,584	6,066	3,266		1,764	17,680
	UNIDO	Project costs	654,854	603,339	324,875		175,432	1,758,500
		Support costs	49,114	45,250	24,366		13,158	131,888
Funds approved by ExCom (US \$)		Project costs	705,500	650,000	0	0	0	1,355,500
		Support costs	55,698	51,316	0	0	0	107,014
Total funds requested for approval at this meeting (US \$)		Project costs	0	0	350,000	0	0	350,000
		Support costs	0	0	27,632	0	0	27,632

<b>Secretariat's recommendation:</b>	For individual consideration
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## PROJECT DESCRIPTION

1. On behalf of the Government of the Bolivarian Republic of Venezuela UNIDO, as the lead implementing agency, has submitted to the 69<sup>th</sup> meeting of the Executive Committee a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$377,632, consisting of US \$324,875 plus agency support costs of US \$24,366 for UNIDO, and US \$25,125 plus agency support costs of US \$3,266 for UNEP. The submission includes a progress report on the implementation of the first two years of the HPMP and annual implementation plans for 2014 and 2015.

### Background

2. The HPMP for the Bolivarian Republic of Venezuela was approved by the Executive Committee at its 63<sup>rd</sup> meeting, to reduce HCFC consumption by 10 per cent of the baseline by the end of 2014, at a total funding level in principle of US \$1,894,500, plus agency support costs of US \$149,568. At the 63<sup>rd</sup> and 67<sup>th</sup> meetings, the Executive Committee approved US \$1,258,193 plus agency support costs of US \$94,364 for UNIDO and US \$97,307 plus agency support costs of US \$12,650 for UNEP for implementation of the first two years of the HPMP.

### Progress report on the implementation of the second tranche of the HPMP

3. In 2012 planning meetings were held among representatives from customs, Ministry of Environment and FONDOIN, which is the government body responsible for technical and operational issues. FONDOIN is also the national executing agency for the HPMP, having been established for the implementation of Multilateral Fund projects and reporting to the Ministry of Popular Power for Science, Technology and Intermediate Industries. Legislation for a license and quota system for production and consumption as well as an interim decree for the same purpose were prepared to bridge the time until the legislation could enter into force.

4. The UNIDO component focusses mainly on support for the refrigeration service sector, including training and equipment. In 2012, 68 trainers for refrigeration technicians were trained, and 36 sets of tools for training centres were purchased. 447 technicians were trained in good practices, which is almost twice the target value. 417 of those technicians have passed certification. The use of hydrocarbon refrigerants has been demonstrated, and manuals for refrigeration technicians informing about the service of alternative technologies including hydrocarbons are under preparation, with completion by May 2013. UNEP, which is specifically tasked with addressing the national legal and institutional framework, has completed the draft of the legislation for an HCFC quota system, and co-ordinated future training sessions on the new legal framework with customs and the Ministry of Environment.

5. Table 1 below shows the status of advances and disbursements. UNIDO advances funds to FONDOIN, and replenishes those funds depending on the disbursements undertaken and reported by FONDOIN.

Table 1: Status of expenditures and obligations

Tranche			First tranche	Second tranche	Sum
UNIDO	Approved	US \$	654,854	603,339	1,258,193
	Advanced to FONDOIN	US \$	504,394	250,000	754,394
		Per cent	77.0%	41.4%	60.0%
	Disbursed by FONDOIN	US \$	504,394	10,000	514,394
		Per cent	77.0%	1.7%	40.9%

Tranche			First tranche	Second tranche	Sum
UNEP	Approved	US \$	50,646	46,661	97,307
	Disbursed	US \$	4,675	-	4,675
		Per cent		9.2%	0.0%
Total	Approved	US \$	705,500	650,000	1,355,500
	Advanced	US \$	504,394	250,000	754,394
		Per cent		71.5%	38.5%
	Disbursed	US \$	509,069	10,000	519,069
		Per cent		72.2%	1.5%

6. Of the US \$1,355,500 approved for the combination of the previous tranches, US \$519,069 (38.3 per cent) had been disbursed.

#### Annual plans until 2015

7. The main activities to be implemented in the years until 2015 are the training of 3,500 refrigeration technicians, provision of good practices and alternative technologies information. For demonstration purposes, chillers and air conditioners for hotels will be converted to hydrocarbon technology. Regulatory and enforcement activities will continue. UNIDO advised that US \$325,000 would be disbursed in 2013 and another US \$470,000 in 2014.

### SECRETARIAT'S COMMENTS AND RECOMMENDATION

#### COMMENTS

##### Status of license and quota system

8. The Agreement between the Government of the Bolivarian Republic of Venezuela and the Executive Committee of the Multilateral Fund specifies in its paragraph 5(e) that, for all submissions from the 68<sup>th</sup> meeting onwards, confirmation needs to be received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this Agreement.

9. The Government of the Bolivarian Republic of Venezuela has prepared, with support from UNEP, legislation to fulfil that requirement; however, the legislation has to be signed by the President to come into effect, which was not possible since the President of the Bolivarian Republic of Venezuela was unable to attend the office for a number of months. Foreseeing the related difficulties, the Ministry of the Environment established instead a decree, to be valid until the prepared licensing and quota legislation can come into effect. The decree uses as a legal basis the act of ratification of the Beijing Amendment by the Bolivarian Republic of Venezuela. The decree assigns a quota for the production of HCFCs for 2013 and 2014 equal to the production baseline level, and for imports a quota calculated by using the consumption baseline minus the production quota. For 2015 both figures will be reduced by 10 per cent. Excerpts of the decree were sent to the Secretariat, accompanied by a statement from FONDOIN declaring the decree as sufficient to establish an enforceable national system of licensing and quotas for HCFC imports and production. The Secretariat concurs with FONDOIN's assessment and notes that the relatively restrictive calculation basis for the decree ensures that any delayed exports of HCFCs produced in the Bolivarian Republic of Venezuela in a given year cannot have a negative influence on compliance in that year.

### Expenditures and disbursement

10. The Agreement between the Government of the Bolivarian Republic of Venezuela and the Executive Committee of the Multilateral Fund specifies in its paragraph 5(c), “...and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent.” A recent discussion during the 68<sup>th</sup> meeting of the Executive Committee informed that the use of the term “disbursement” might be frequently less exact than previously assumed. Originally, the submission had reported payments to FONDOIN as expenditures, which would result in a disbursement level of 38.5 per cent. Upon request, UNIDO provided the status of disbursements by FONDOIN to the final beneficiaries, which is, for the second tranche, marginal (1.5 per cent), while substantive for the first (72.2 per cent). The Secretariat took these disbursement figures as a basis to assess compliance with paragraph 5(c). Since the Agreement foresees a disbursement level of 20 per cent of the previous tranche (singular), i.e. in the case of this submission the requirement would be 20 per cent of the second tranche; this condition does not seem to have been fulfilled. However, the intention of the clause in paragraph 5(c) is clearly not to suggest to implementing agencies to optimise reporting of disbursement by tranche (as could have been done here by moving expenditures from the first to the second tranche). Instead, it appears the intention might be to provide an indication of progress, and to limit the funding advances to agencies in cases where the implementation is not progressing. The HPMP for the Bolivarian Republic of Venezuela has clear indications of sufficient progress, among them the overall level of disbursement. The Secretariat would therefore suggest to the Executive Committee to consider the condition under paragraph 5(c) of the Agreement as fulfilled.

### Progress reported and plans until 2015

11. The HPMP for the Bolivarian Republic of Venezuela had been originally submitted as a combination of activities in the foam sector and the servicing sector, as well as regulatory, enforcement and co-ordinating activities. In order to avoid potentially unsustainable technology choices, the HPMP had been refocused towards the servicing sector by rescheduling the foam activities and replacing them with more activity in the servicing sector.

12. The implementation of stage I of the HPMP commenced in due time, despite a change in the National Ozone Unit, which led to a somewhat slower start-up than originally foreseen. The servicing sector activities progressed ahead of plan during 2012, and continued fast implementation is foreseen for the years until 2015. Customs training was scheduled to start at the end of 2012, but was delayed. Only an interim decree on the licensing and quota system has been enacted, with the president’s signature for the final legislation still outstanding. The current status of the legislation leads inevitably to delays in UNEP’s implementation, which is through, in particular, customs training that is strongly linked to the enactment of the legislation. Such a delay is unfortunate, but when compared to other countries, is minor, and does not appear to threaten the implementation of the HPMP or the country’s compliance.

13. The Secretariat noted that as of 2009 consumption in the country decreased consistently, to 4.5 per cent below the baseline in 2010 and 20.03 per cent below in 2011; preliminary figures for 2012 had been requested by the Secretariat but are not yet available. The country had four HCFCs in their baseline, HCFC-22, HCFC-141b, HCFC-142b and a marginal amount of HCFC-123. The HPMP addresses only HCFC-22 consumption through servicing; the HCFC-22 consumption has decreased in 2011 to 89.9 per cent of the baseline. The baseline consumption of HCFC-123 (0.1 ODP tonnes) and HCFC-142b (5.7 ODP tonnes) has vanished completely in 2011, while the HCFC-141b baseline (39.6 ODP tonnes) experienced a reduction in consumption by 51 per cent in 2011. The reductions in the consumption of HCFC-141b and HCFC-142b might not represent a sustained phase-out. Table 2 shows the HCFC consumption from 2006 to 2011.

Table 2: HCFC consumption from 2006 to 2011

Substance	HCFC-22	HCFC-123	HCFC-141b	HCFC-142b	HCFC
	MT	MT	MT	MT	ODP t
2007	3,693.2	4.0	417.5	148.5	258.78
2008	2,154.6	10.1	186.0	139.0	148.20
2009	3,107.8	5.0	342.8	115.2	216.23
2010	2,769.7	1.6	376.4	59.7	197.65
Change 2009/2010	-11%	-67%	10%	-48%	-9%
Baseline	2,938.7	3.3	359.6	87.4	206.94
Change baseline/2010	-6%	-51%	5%	-32%	-4%
2011	2,643.3	12.0	176.8	0.0	165.07
Change 2010/2011	-5%	638%	-53%	-100%	-16%
Change baseline/2011	-10%	263%	-51%	-100%	-20%

14. The Secretariat believes that, overall, the progress on implementation of the HPMP is satisfactory, and the plan appears to sufficiently address the challenges in the country to meet the 2013 and 2015 compliance targets as well as the targets in the Agreement, even should the reduction in consumption of, in particular, HCFC-141b and HCFC-142b in 2011 not represent a sustainable phase-out.

## RECOMMENDATION

15. In light of the above comments on the status of the licence and quota system, the level of disbursement, and progress on the implementation, the Executive Committee may wish to consider:

- (a) Noting the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan of (HPMP) in the Bolivarian Republic of Venezuela; and
- (b) Approving the third tranche of stage I of the HPMP for the Bolivarian Republic of Venezuela, and the corresponding 2014 and 2015 tranche implementation plans, at the amount of US \$377,632, consisting of US \$324,875, plus agency support costs of US \$24,366 for UNIDO, and US \$25,125, plus agency support costs of US \$3,266 for UNEP.

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