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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventieth Meeting
Bangkok, 1-5 July 2013

PROJECT PROPOSAL: BHUTAN

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

Phase-out

- HCFC phase-out management plan (second tranche)

UNEP/UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**Bhutan**

(I) PROJECT TITLE	AGENCY
HCFC Phase Out Management Plan	UNDP, UNEP (lead)

(II) LATEST ARTICLE 7 DATA	Year: 2011	0.28 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2011			
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption		
				Manufacturing	Servicing						
HCFC123											
HCFC124											
HCFC141b											
HCFC142b											
HCFC22					0.3					0.3	

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.3	Starting point for sustained aggregate reductions:	0.3
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.3	Remaining:	0

(V) BUSINESS PLAN		2013	2014	2015	2016	2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)	0.03			0.04				0.01	0.08
	Funding (US \$)	45,780			62,130				20,710	128,620
UNEP	ODS phase-out (ODP tonnes)	0.05			0.05				0.02	0.12
	Funding (US \$)	79,100			94,920				31,640	205,660

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 2024	2025	Total
Montreal Protocol consumption limits			n/a	n/a	0.3	0.3	0.27	0.27	0.27	0.27	0.27	0.2	0.1	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	0.28	0.28	0.25	0.25	0.2	0.2	0.1	0.1	0	n/a
Agreed Funding (US\$)	UNEP	Project costs	100,000	0	70,000	0	0	84,000	0	0	0	0	28,000	282,000
		Support costs	13,000	0	9,100	0	0	10,920	0	0	0	0	3,640	36,660
	UNDP	Project costs	70,000	0	42,000	0	0	57,000	0	0	0	0	19,000	188,000
		Support costs	6,300	0	3,780	0	0	5,130	0	0	0	0	1,710	16,920
Funds approved by ExCom (US\$)	Project Costs	170,000	0	0	0	0	0	0	0	0	0	0	0	170,000
	Support Costs	19,300	0	0	0	0	0	0	0	0	0	0	0	19,300
Total funds requested for approval at this meeting (US\$)	Project Costs	0	0	112,000	0	0	0	0	0	0	0	0	0	112,000
	Support Costs	0	0	12,880	0	0	0	0	0	0	0	0	0	12,880

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Bhutan UNEP, as the lead implementing agency, has submitted to the 70th meeting of the Executive Committee a request for funding for the second tranche of the HCFC phase-out management plan (HPMP) at a total cost of US \$124,800, consisting of US \$70,000 plus agency support costs of US \$9,100 for UNEP, and US \$42,000 plus agency support costs of US \$3,780 for UNDP. The submission includes a progress report on the implementation of the first tranche of the HPMP, and implementation plan for the period 2013-2016.

Background

2. The HPMP for Bhutan was approved by the Executive Committee at its 63rd meeting for a total phase-out of HCFC consumption by 2020, with a 2.5 per cent servicing tail until 2025. The total funding approved in principle was US \$470,000, plus agency support costs of US \$53,580. At the same meeting, the Executive Committee approved the first tranche of the HPMP at a total amount of US \$189,300 comprising US \$100,000 plus agency support costs of US \$13,000 for UNEP, and US \$70,000 plus agency support costs of US \$6,300 for UNDP for implementation of the first two years of the HPMP.

Progress report on the implementation of the first tranche of the HPMP

3. The following activities have been implemented during the first tranche of the HPMP under the UNEP component: enforced a ban on the import of HCFC-containing equipment from January 2013, developed tax incentives for those who use non-ODS based equipment, and established a quota system as part of the policy and enforcement component. With regard to training, the activities implemented during the first tranche included workshops for enforcement officers, train-the-trainers for service technicians on good servicing practice and recovery, initiation of a technician certification scheme and procurement of some units of refrigerant identifiers. A number of awareness and outreach activities, as well as the dissemination of posters and videos with ozone protection messages featuring the Queen of Bhutan and involvement of schools, were also launched during this period.

4. The activities planned for co-financing such as for standards and labelling had been developed, and a proposal submitted for the consideration of the South Asian Association for Regional Cooperation (SAARC) Development Fund (SDF). A positive response on the proposal is expected by mid-2013.

5. With regard to the component being implemented by UNDP, the activities undertaken included extensive consultations with national stakeholders to finalize specifications for the recovery and reclamation equipment required for the project. Some equipment along with other accessories to be used for the on-going training of service technicians were also provided to the vocational training institutes (VTIs). The report indicated that the implementation of the sub-component on the initiation of the retrofit incentive scheme was moved to the 2013-2014 period as proposed by the stakeholders.

Level of funding disbursement

6. As of March 2013, of the US \$170,000 in funds approved for the first tranche, US \$151,934 was reported to have been disbursed (89 per cent). Out of these, UNEP had disbursed US \$81,934 and UNDP had disbursed US \$70,000. The balance of US \$18,066 is mostly obligated, and will be disbursed in 2013.

Annual plans for the second tranche of the HPMP

7. The main activities to be implemented between 2013 and 2016 are listed below:

- (a) The HCFC phase-out policies and enforcement component will undertake the following:

- (i) Continue to enforce the ban on imports of HCFC-based equipment which started at the beginning of this year, as well as strictly implementation of the quota system;
 - (ii) Finalize the tax incentive scheme for the use of non-HCFC based equipment, and implement it as soon as possible;
 - (iii) Continue capacity building workshops for enforcement officers particularly on new regulations.
- (b) The information exchange and advocacy programmes will focus on stakeholder consultations in order to design the most relevant communication tools to complement the other activities in the HPMP. It will continue to develop awareness materials through print and video, and disseminate them in the country to build capacity.
 - (c) Training of service technicians will continue, and the development of standards and a procedure for the formal certification of service technicians will be finalized;
 - (d) Implementation of the recovery and reclamation programme as well as the incentive scheme for the servicing sector will continue, as the equipment is now available for use by stakeholders; and
 - (e) The approval and potential implementation of the activities proposed for co-financing with the SDF is also expected during this period as well, thereby promoting the climate co-benefits of the HPMP.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Operational licensing system

8. In line with decision 63/17 and as required under the Agreement between the Government of Bhutan and the Executive Committee, the Government of Bhutan through an official communication received by the Secretariat confirmed that an enforceable system of licensing and quotas for HCFC imports and exports is in place and the system is capable of ensuring the country's compliance with the HCFC phase-out schedule.

HCFC consumption

9. HCFC consumption in Bhutan was constant between 2008-2011. The latest reported consumption (2011) is at the same level as the baseline. Considering this consumption trend, Bhutan is on its way to meet its target in 2013. The established baseline is equal to that in the Agreement between the Government of Bhutan and the Executive Committee. Therefore, no adjustments to the Agreement are required.

Review of the 2011-2012 progress report submitted by UNEP

10. The Secretariat asked UNEP to provide some details and clarification on the activities initiated under HCFC policy, and enhanced awareness raising, etc, implemented during the first tranche. In particular, it requested details on the proposal to provide tax incentives for the use of non-HCFC equipment, the ban on import of HCFC-using equipment that had been enforced since the

beginning of 2013, how these measures would be implemented and who would benefit. The Secretariat also observed that there were a number of planned activities under the awareness component such as the research and analysis of the needs of Bhutan for information and advocacy that were not reported. The Secretariat asked how these had been completed and what were the results. Clarifications were also sought with regard to the training activities, as the report seemed to indicate that while equipment had been delivered, only preparatory work had been done. Overall, the Secretariat wanted to know how these activities would contribute to meeting the country's obligations under the Montreal Protocol.

11. UNEP reported that guidelines for the ban on import of HCFC-using equipment had been promulgated. While the ban does not completely disallow the entry of HCFC-using equipment, it requires importers of such equipment to provide a justification that there is no commercially available non-HCFC alternative for that product for which where a permit is being applied. This justification is closely monitored, checked and strictly enforced. With regard to the tax incentives, the proposal in place is for a reduction of the customs tax for those who wish to import HCFC alternatives. This is currently under review. UNEP also indicated that the communication strategy supporting the HPMP implementation is being finalized and consulted with stakeholders.

12. UNEP provided additional information with regard to the training courses, and clarified that the training materials is currently under preparation and will be finalized soon. It also reiterated that as the training is to be conducted by VTIs and the agreement with the institutes has only been recently finalized, the NOU decided that the training workshops planned for the first tranche will be implemented immediately during the beginning of the second tranche.

13. With regard to the investment component, the Secretariat drew UNDP's attention to the fact that a total of US \$70,000 was approved for the implementation of the recovery and reclamation (R&R) programme as well as retrofit programmes under the first tranche of the HPMP. It noted that while the financial report showed a disbursement of 100 per cent, only some progress in implementation of the R&R programme was identified. It further noted that the implementation of the incentive programme was moved to a later date than planned. It asked UNDP for an explanation of this postponement, a description of the design of the R&R programme and a brief update on the establishment of mini-reclaim centres, which was an important activity in this sub-component. The Secretariat also asked for details on the equipment purchased and how it was distributed.

14. UNDP, through UNEP, provided details about the sets of equipment procured and supplied, which were delivered to VTIs for use in sustained training activities for technicians on R&R and retrofit components. It further confirmed that these sets of equipment were not the same as those provided under the UNEP component. UNDP clarified that the mini-reclaim centres would be fully installed within two years, and should be completed by 2014. Stakeholder workshops have also been completed, and the activities proposed for the first tranche under the UNDP component were proceeding as planned.

15. With regard to the financial plan and the manner by which funds had been transferred to the country to support the disbursement percentage reported by UNEP, both agencies indicated that the transfers were done through signed agreements with the country which is the final beneficiary of these funds.

16. The Secretariat appreciated UNEP's report on the activities proposed for co-financing, and noted that while they were not funded under the HPMP, the concept was designed to be complementary with the overall HPMP implementation. It requested UNEP to provide details on the proposal that had been submitted for funding through the SAARC, and inquired whether the other activities that could be implemented without funding (i.e. development of guidelines for energy efficient procurement, stakeholder consultation etc.) had shown some progress.

17. UNEP explained that the proposal submitted to the SDF was for a project called “Implementation of Climate and Energy Use Component of HPMP in Afghanistan, Bangladesh, Bhutan, Nepal and Sri Lanka”. The SDF Governing Council is scheduled to meet in June 2013 to decide on the funding to be requested. The proposed project will enhance awareness of the countries in the SAARC region about the opportunity and need to calibrate appropriate policy and regulatory measures with the implementation of HPMP and make technology choices that lead to adoption of low-global warming potential HCFC alternatives that would ultimately result in improved energy efficiency.

Work plan 2013-2016

18. After reviewing the work plan submitted jointly by UNEP and UNDP, the Secretariat requested UNEP to provide quantitative targets for the activities proposed (i.e. number of trainings to be held, number of trainees, etc). It also asked UNEP to ensure that those activities from the previous tranche as well as the remaining balance are fully reflected in this work plan as they will be implemented at the same time. This work plan was subsequently revised and provided to the Secretariat.

RECOMMENDATION

19. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the first tranche of the HCFC phase-out management plan of (HPMP) in Bhutan, and further recommends blanket approval of the second tranche of the HPMP for Bhutan, and the corresponding tranche implementation plans, with associated support costs at the funding level shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (second tranche)	70,000	9,100	UNEP
(b)	HCFC phase-out management plan (second tranche)	42,000	3,780	UNDP
