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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: CAMBODIA

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**Cambodia**

(I) PROJECT TITLE	AGENCY
HCFC phase out plan	UNDP, UNEP (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2011	13.7(ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2012	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-142b									
HCFC-22					10.1				10.1

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	15.0	Starting point for sustained aggregate reductions:	15.0
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	15	Remaining:	0

(V) BUSINESS PLAN		2013	2014	2015	2016	2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)	1.73			0.86			1.29		3.88
	Funding (US \$)	215,000			107,500			161,250		483,750
UNEP	ODS phase-out (ODP tonnes)	0.86			1.29			0.86		3.01
	Funding (US \$)	113,000			169,500			113,000		904,000

(VI) PROJECT DATA			2010	2011-2012	2013	2014	2015	2016	2017-2018	2019	2020-2021	2022	2023-2024	2025	2026-2030	2031	Total	
Montreal Protocol consumption limits			n/a	n/a	15.0	15.0	13.5	13.5	13.5	13.5	9.75	9.75	9.75	4.88	4.88	0	n/a	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	15.0	15.0	12.75	12.75	12.75	12.75	9.0	9.0	9.0	3.75	3.75	0.38	n/a	
Agreed Funding (US\$)	UNEP	Project costs	150,000	0	100,000	0	0	150,000	0	100,000	0	200,000	0	200,000	0	50,000	950,000	
		Support costs	19,500	0	13,000	0	0	19,500	0	13,000	0	26,000	0	26,000	0	6,500	123,500	
	UNDP	Project costs	200,000	0	200,000	0	0	100,000	0	150,000	0	0	0	0	0	0	0	650,000
		Support costs	15,000	0	15,000	0	0	7,500	0	11,250	0	0	0	0	0	0	0	48,750
Funds approved by ExCom (US\$)		Project costs	350,000	0	300,000	0	0	250,000	0	250,000	0	200,000	0	200,000	0	50,000	1,600,000	
		Support costs	34,500	0	28,000	0	0	27,000	0	24,250	0	26,000	0	26,000	0	6,500	172,250	
Total funds requested for approval at this meeting (US\$)		Project costs	0	0	300,000	0	0	0	0	0	0	0	0	0	0	0	300,000	
		Support costs	0	0	28,000	0	0	0	0	0	0	0	0	0	0	0	0	28,000

Secretariat's recommendation:

Blanket approval

PROJECT DESCRIPTION

1. On behalf of the Government of Cambodia 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 \$328,000, consisting of US \$100,000 plus agency support costs of US \$13,000 for UNEP, and US \$200,000 plus agency support costs of US \$15,000 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 Cambodia was approved by the Executive Committee at its 61st meeting for a total phase-out of HCFC consumption by 2030, with a 2.5 per cent servicing tail until end of 2034. The total funding approved in principle was US \$1,600,000, plus agency support costs of US \$172,250. At the same meeting, the Executive Committee approved the first tranche of the HPMP at a total amount of US \$ 384,500, comprising US \$150,000 plus agency support costs of US \$19,500 for UNEP, and US \$200,000 plus agency support costs of US \$15,000 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. During the first tranche of the HPMP, the country started the enforcement of the HCFC quota system linked to its licensing system from January 2013. It completed the train-the-trainers courses for enforcement and customs officers as well as for refrigeration service technicians, and finalized training materials for both programmes. Equipment in the form of refrigerant identifiers and other basic tool kits for service technicians was procured and distributed. The Government also put emphasis on the potential energy savings gained from using proper servicing practices and maintaining refrigeration and air-conditioning (RAC) equipment in good condition during the service technicians training, and to ensure that climate benefits of ozone protection were discussed where possible.

4. The component on the certification of service technicians was also initiated, with the curriculum for standard examination and the certification procedure already put in place. This will support the testing and certification programme that will enable the Ministry of the Environment (MOE) to enforce the requirement that refrigeration service technicians be certified. Further activities to fully implement the programme will be done during the second tranche of the HPMP.

5. A number of awareness and outreach activities as well as the dissemination of awareness materials were also launched during this period.

6. With regard to the components being implemented by UNDP, the bidding process for the recovery equipment has been completed. The equipment is expected to be delivered in May 2013, and the training is due to commence in June 2013. The report also indicated that the bidding process for the mini reclamation machines will be redone as no supplier has complied with the requirements of the agreed specifications at the first bidding. As there are limited retrofit technology options for residential and commercial air-conditioning equipment in Cambodia, the implementation of the incentive programme for retrofitting is postponed to the latter part of 2013. One awareness workshop has been conducted to support this component and is aimed at increasing awareness of the users to adopt non-ODS and climate friendly refrigerants and to disseminate information on the availability of incentive funding for the retrofit of equipment.

Level of funding disbursement

7. As of March 2013, of the US \$350,000 in funds approved for the first tranche, around 65 per cent (US \$228,315) had been reported as disbursed. Out of these, UNEP had disbursed US \$128,315 and UNDP had disbursed US \$100,000. The balance of US \$121,685 has been indicated as committed, and will be disbursed in 2013.

Annual plans for the second tranche of the HPMP

8. The main activities to be implemented between 2013 and 2016 include:
- (a) Continuation of training of enforcement officers as well as the completion of a local customs handbook highlighting the ODS licensing system of the country and other new regulations;
 - (b) Finalization of training of service technicians will continue, and the standards and certification procedure for the formal certification of service technicians;
 - (c) Implementation of the refrigerant recovery and reuse programme through the continued provision of tools and equipment and the establishment of the mini-reclaim centres;
 - (d) Completion of the strategy for the implementation of the pilot incentive programme as well as its implementation;
 - (e) The information exchange and advocacy programmes to design and produce information materials as well as organize workshops for media professionals;
 - (f) Continuation of monitoring progress by the project management unit (PMU) to ensure the cost-effective implementation of the components of the HPMP. The PMU will also be responsible for coordination between stakeholders for HCFC phase-out.

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**Operational licensing system

9. In line with decision 63/17, the Government of the Cambodia 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

10. The HCFC baseline for compliance has been established at 15 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. The established baseline is 1.2 ODP tonnes higher than that of 13.8 ODP tonnes estimated at the time when the HPMP for Cambodia was approved. The starting point will therefore be adjusted based on the established baseline, without any funding implications to the Multilateral Fund.

Table 1: HCFC consumption from 2008 to 2012 as reported under Article 7

HCFCs	2008		2009		2010		2011		2012*	
	ODP	MT	ODP	MT	ODP	MT	ODP	MT	ODP	MT
HCFC-22	7.9	143.27	17.1	311.17	12.8	233.24	13.7	249.29	10.1	183.96

*estimate, not yet officially submitted to the Ozone Secretariat

Review of the 2011-2012 progress report

11. The Secretariat noted that the implementation of the first tranche was progressing quite well, and that a number of activities were completed during this period especially for the UNEP component. It asked UNEP for clarification on the quota system, how it had been established and what penalties were in place. The Secretariat also sought additional information on some of the reported accomplishments, in particular, confirming the number and type of equipment purchased for the project, identification of training/vocational partner schools for the refrigeration servicing training and how this would be done; and on the progress of the formal technician certification scheme.

12. UNEP clarified that the quota system is based on the HCFC consumption limits allowed under the Montreal Protocol, and is consistent with the Agreement of Cambodia with the Executive Committee at the time of the approval of the HPMP. For instance, the quota set for 2013 is 13.8 ODP tonnes as this was the starting point agreed. UNEP further explained that this quota is divided among the licensed importers and follows the approach required in the country's ODS licensing system.

13. UNEP replied with regard to the other issues raised, and provided clarification on the equipment distributed. It explained that the remaining training activities will be implemented done as soon as possible, and that it has identified three vocational schools, two of which have already been provided with a set of training equipment. These institutes are the country's partners in implementing the training courses for refrigeration service technicians.

14. The Secretariat also drew UNEP's attention to the investment component being implemented by UNDP. It inquired why there was a delay in the provision of equipment, and how this delay affected the completion of the planned activities in the first tranche. Further details were requested on the progress of the retrofit incentive programme, especially the planned provision of retrofit kits to stakeholders, as there was very little mention about this in the progress report.

15. UNDP through UNEP explained that the technical specifications of the equipment were finalized in consultation with the Government of Cambodia in June 2012 after signing the formal agreement with the Government on project implementation. The equipment had been received in Cambodia and would be handed over to the national ozone unit (NOU) in May 2013. The subsequent training after the delivery of the equipment would then follow during the last two quarters of 2013.

16. On the other hand, the retrofit incentive scheme is proposed to be initiated by the third quarter of 2013. Given the HCFC consumption pattern in the country, the primary focus of this activity would be on air-conditioning and commercial refrigeration applications. Details of the full process for the implementation of retrofit incentive scheme are being finalised in consultation with the NOU and national stakeholders, and the technology options available for the retrofit programme are being identified.

17. The Secretariat noted the information on the increase in imports of R-410A-based air-conditioning equipment into Cambodia, and asked for further data related to imports in 2011 and 2012, and how this compared with HCFC-22-based imports. UNEP clarified that the import of HCFC-based equipment requires a license from the MOE, while the import of R-410A-based equipment

does not. In 2011 and 2012, there was a total import of 1,246 units of R-410A-based equipment as compared to 34,031 units of HCFC-based equipment imported during the same period.

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

Work plan 2013-2016

19. 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 the current work plan as they will be implemented at the same time. The work plan was subsequently revised and provided to the Secretariat.

Revision to the Agreement of the HPMP

20. The HPMP for Cambodia was approved prior to the establishment of the HCFC baseline for compliance. Accordingly, in approving the HPMP the Executive Committee requested the Secretariat to, *inter alia*, update Appendix 2-A (“The targets, and funding”) to the Agreement with the figures for the maximum allowable consumption, and to notify the Committee of the resulting levels accordingly (decision 61/40(e)). Based on the data reported by the Government of Cambodia under Article 7 and its revised phase-out schedule, the relevant paragraphs of the Agreement have been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 61st meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 70th meeting.

RECOMMENDATION

21. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the first tranche of the HCFC phase-out management plan (HPMP) for Cambodia;
- (b) Notes that the Fund Secretariat had updated Appendices 1-A and 2-A of the Agreement between the Government of Cambodia and the Executive Committee, based on the established HCFC baseline for compliance, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded the Agreement reached at the 61st meeting, as contained in Annex I to the present document; and
- (c) Further notes that the revised starting point for sustained aggregate reduction in HCFC consumption was 15 ODP tonnes, calculated using consumption of 17.1 ODP tonnes and 12.8 ODP tonne reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol.

22. The Fund Secretariat further recommends blanket approval of the second tranche of the HPMP for Cambodia, and the corresponding 2013 to 2016 tranche implementation plans, with associated support costs at the funding level as shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (second tranche)	100,000	13,000	UNEP
(b)	HCFC phase-out management plan (second tranche)	200,000	15,000	UNDP

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF CAMBODIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

16. This updated Agreement supersedes the Agreement reached between the Government of Cambodia and the Executive Committee at the 61st meeting of the Executive Committee.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reduction in consumption (ODP tonnes)
HCFC-22 and HCFC-123	C	I	15.0

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2010	2011-2012	2013	2014	2015	2016	2017-2018	2019	2020-2021	2022	2023-2024	2025	2026-2030	2031	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	15.0	15.0	13.5	13.5	13.5	13.5	9.75	9.75	9.75	4.88	4.88	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	15.0	15.0	12.75	12.75	12.75	12.75	9.0	9.0	9.0	3.75	3.75	0.38	n/a
2.1	Lead IA [UNEP] agreed funding (US \$)	150,000	0	100,000	0	0	150,000	0	100,000	0	200,000	0	200,000	0	50,000	950,000
2.2	Support cost for Lead IA (US \$)	19,500	0	13,000	0	0	19,500	0	13,000	0	26,000	0	26,000	0	6,500	123,500
2.3	Cooperating IA [UNDP] agreed funding (US \$)	200,000	0	200,000	0	0	100,000	0	150,000	0	0	0	0	0	0	650,000
2.4	Support cost for Cooperating IA (US \$)	15,000	0	15,000	0	0	7,500	0	11,250	0	0	0	0	0	0	48,750
3.1	Total agreed funding (US \$)	350,000	0	300,000	0	0	250,000	0	250,000	0	200,000	0	200,000	0	50,000	1,600,000
3.2	Total support cost (US \$)	34,500	0	28,000	0	0	27,000	0	24,250	0	26,000	0	26,000	0	6,500	172,250
3.3	Total agreed costs (US \$)	384,500	0	328,000	0	0	277,000	0	274,250	0	226,000	0	226,000	0	56,500	1,772,250
4.1.1	Total phase-out of HCFCs agreed to be achieved under this agreement (ODP tonnes)															15.0
4.1.2	Phase-out of HCFCs to be achieved in previously approved projects (ODP tonnes)															0
4.1.3	Remaining eligible consumption for HCFCs (ODP tonnes)															0
