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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-third Meeting
Paris, 9-13 November 2014

PROJECT PROPOSAL: PAKISTAN

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

Phase-out

- HCFC phase-out management plan (stage I, third and final tranche) UNIDO and UNEP

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

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

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	247.02 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0.02				0.02
HCFC-124									
HCFC-141b					92.95				92.95
HCFC-142b					3.84				3.84
HCFC-22					150.21				150.21

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	247.4	Starting point for sustained aggregate reductions:	247.4
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	79.1	Remaining:	168.3

(V) BUSINESS PLAN		2014	Total
UNEP	ODS phase-out (ODP tonnes)	0.5	0.5
	Funding (US \$)	45,200	45,200
UNIDO	ODS phase-out (ODP tonnes)	0.2	0.2
	Funding (US \$)	21,500	21,500

(VI) PROJECT DATA			2010	2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits			n/a	n/a	n/a	247.4	247.4	222.66	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	n/a	247.4	247.4	222.66	n/a
Agreed Funding (US\$)	UNIDO (lead)	Project costs	4,908,849	0	0	80,000	20,000	0	5,008,849
		Support costs	368,164	0	0	6,000	1,500	0	375,664
	UNEP	Project costs	200,000	0	0	200,000	40,000	0	440,000
		Support costs	26,000	0	0	26,000	5,200	0	57,200
Funds approved by ExCom (US\$)		Project Costs	5,108,849	0	0	280,000	0	0	5,388,849
		Support Costs	394,164	0	0	32,000	0	0	426,164
Total funds requested for approval at this meeting (US\$)		Project Costs	0	0	0	0	60,000	0	60,000
		Support Costs	0	0	0	0	6,700	0	6,700

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Pakistan, UNIDO as the lead implementing agency, has submitted to the 73rd meeting a request for funding for the third and final tranche of stage I of the HCFC phase-out management plan (HPMP)¹ at a total cost of US \$66,700, consisting of US \$20,000, plus agency support costs of US \$1,500 for UNIDO, and US \$40,000, plus agency support costs of US \$5,200 for UNEP. The submission includes a progress report on the implementation of the second tranche of the HPMP and the tranche implementation plan for 2015.

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

2. The Government continued the enforcement of the national ODS phase out policy and enforced the licensing and quota system controlling the imports and exports of HCFC.

3. The conversions of four (URIL Hyderabad, Dawlance Karachi, HNR (Haier) Lahore, Varioline Lahore) out of the five enterprises manufacturing domestic and commercial refrigerators, approved at the 60th meeting have been completed, while the fifth enterprise (Shadman Karachi, which was expected to be completed in September 2013) will be converted by the end of October 2014. Due to increased production at the enterprise level, the conversion of these enterprises would result in a phase out of 89.4 ODP tonnes of HCFC-141b (i.e., 36.2 per cent of the total HCFC consumption for 2013). This amount is 17.7 ODP tonnes above the amount used by the enterprises when the project was approved at the 60th meeting (i.e., 71.7 ODP tonnes). The status of the five enterprises is summarized in Table 1 below:

Table 1: Status of the five manufacturing enterprises

Activities	Dawlance	URIL	Haier	Varioline	Shadman
Delivery of equipment	June 2013	June 2013	Nov 2012	Nov 2012	June 2013
Delivery of local supplies	Feb 2013	March 2013	Feb 2013	Feb 2013	Jul 2013
Installation and commissioning	Dec 2013	Dec 2013	Dec 2013	Dec 2013	Sep 2014
Commercial production	Jan 2014	Jan 2014	Jan 2014	Jan 2014	Oct 2014
Third party safety certification	Sept 2014	Sept 2014	Jul 2014	Jul 2014	Nov 2014
Destruction of equipment	End 2014	End 2014	End 2014	End 2014	End 2014

4. The following non-investment activities have been implemented in the refrigeration and air-conditioning servicing sector: six training workshops for refrigeration service technicians were held resulting in 175 trained technicians; training of 75 customs and enforcement officers through three workshops; three units of portable refrigerant identifiers and four sets of servicing tools (e.g., pumps, manifold gauges, etc.) were procured and distributed; and awareness activities.

5. The National Ozone Cell headed by the National Program Manager reporting to the Ministry of Climate Change continued monitoring, coordination, and assessment of the project through regular missions to the project site, continuous communication with stakeholders for the resolution of day-to-day problems, including equipment suppliers and enterprises.

¹ The HPMP for Pakistan was approved by the Executive Committee at its 62nd meeting to reduce HCFC consumption by 10 per cent of the baseline by 1 January 2015.

Verification report of national HCFC consumption targets

6. A verification report for the year 2013 has been submitted along with the tranche request. The report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs for 2013 was 247.02 ODP tonnes, below the country's baseline consumption.

Level of fund disbursement

7. As of 2013, of the US \$5,388,849 was approved for the first and second tranche, US \$4,942,105 has been disbursed for UNIDO and US \$370,000 for UNEP. The balance of US \$76,744 will be disbursed in 2015. Table 1 shows the financial report of the total funding approved for Pakistan.

Table 1. Financial report of the first and second tranche of the HPMP for Pakistan

TRANCHES	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNIDO	4,908,849	4,862,105	80,000	80,000	4,988,849	4,942,105
UNEP	200,000	170,000	200,000	200,000	400,000	370,000
Total	5,108,849	5,032,105	280,000	280,000	5,388,849	5,312,105
Disbursement rate (%)	98.5		100		98.6	

Implementation plan for the third and final tranche of the HPMP

8. The main activities to be implemented during the third and final tranche of the HPMP include:
- Procurement of refrigerant identifiers (UNIDO) (US \$9,000);
 - Policy and enforcement capacity building, specifically consultations on allocations for the quota system and improvements in the licensing system to support the recommendations resulting from the verification (UNEP) (US \$10,000);
 - Continued national training programme for 100 service technicians and 50 customs officers (UNEP) (US \$10,000);
 - Awareness programmes to target service technicians to promote HCFC phase-out in service shops, and preparing an awareness video in the local language (Urdu) for the general public (UNEP) (US \$20,000); and
 - Project management, monitoring and technical assistance (UNIDO) (US \$11,000);

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

9. As reported to the 70th meeting, Pakistan has an enforceable system of licensing and quotas for HCFCs. The HCFC import quotas issued for 2014 was 246.6 ODP tonnes equivalent to the starting point for aggregate reduction on HCFC consumption, and lower than the baseline of 247.4 ODP tonnes. Import quotas for future years will be based on the limits allowed under the Montreal Protocol.

HCFC consumption

10. The 2009-2013 HCFC consumption in Pakistan is shown in Table 3.

Table 3. HCFC consumption in Pakistan (2009-2013 Article 7 data)

HCFC	2009	2010	2011	2012	2013	Baseline
Metric tonnes						
HCFC-22	1,920.0	2,039.6	2,165.5	3,043.6	2,731.09	1,979.8
HCFC-141b	1,220.0	1,298.2	1,426.8	1,434.5	845.00	1,259.1
HCFC-142b	0.0	0.0	0.0	52.3	59.07	0.0
HCFC-123	0.0	0.0	0.0	0.0	1.0	0.0
Total (mt)	3,140.0	3,337.8	3,592.3	4,530.4	3,636.16	3,238.9
ODP tonnes						
HCFC-22	105.6	112.2	119.1	167.4	150.21	108.9
HCFC-141b	134.2	142.8	156.9	157.8	92.95	138.5
HCFC-142b	0.0	0.0	0.0	3.4	3.84	0.0
HCFC-123	0.0	0.0	0.0	0.0	0.02	0.0
Total (ODP tonnes)	239.8	255.0	276.1	328.6	247.02	247.4

11. The Secretariat noted the increase of imports of HCFC-22 in 2012 and its subsequent decrease in 2013. UNIDO explained that this was due to stockpiling to prepare for the freeze in consumption in 2013. With the strict quota system in place starting 2013, the consumption of HCFCs in the country will be better controlled in future years.

Technical issues

12. In providing clarification on the status of the conversion of the remaining enterprise, Shadman Karachi, UNIDO reported that while the main equipment and the local supplies were delivered in July 2013, the progress for the completion of the preparatory works at the site (civil construction adjustments and upgrades of local utilities etc.) was slower than originally committed by the beneficiary which has been the cause of the delay in project completion. UNIDO is continuously monitoring the completion of the remaining activities, and is confident that commercial production using the new technology will commence in the last quarter of 2014 for this remaining enterprise.

Verification report of national HCFC consumption targets

13. The verification of HCFC consumption during 2013 was carried out. The audit report highlighted the need for closer coordination between the existing databases in the country that record HCFC imports in order to reduce discrepancies between databases. Joint work between the National Ozone Unit and the customs authority, in particular, and additional training for customs and enforcement officers is required in order to enhance the accuracy in recording HCFC imports/exports and their intended use and destination.

14. The Secretariat and UNIDO discussed these issues and agreed that while the licensing and quota system are operational and have ensured compliance for 2013, it is urgent to continue addressing the issues identified in the verification report.

Conclusion

15. The Secretariat noted that the import licensing and quota systems are operational and will enable the Government to reduce its HCFC consumption by 10 per cent of its baseline by 2015. The conversion of the four out of the five enterprises manufacturing domestic and commercial refrigerators has already resulted in the total phase-out of 84.1 ODP tonnes of HCFC-141b; the phase-out activities in the servicing sector will allow for further reduction in the consumption of HCFC-22 through the implementation of

better service practices, including leakage controls; and the country has also reported a disbursement that is more than the 20 per cent threshold required in the agreement; and that the country undertakes to address issues raised in the independent verification report, the Secretariat recommends approval of the funding for the tranche.

RECOMMENDATION

16. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for Pakistan;
- (b) Requests UNIDO:
 - (i) To submit to the Executive Committee the project completion report (PCR) for stage I of the HPMP of Pakistan no later than the 75th Meeting;
 - (ii) To submit a verification report confirming that the country had met the Montreal Protocol targets for 2015 no later than the first meeting of 2016; and
 - (iii) To satisfactorily address the issues on the licensing and quota system identified in the verification report for Pakistan during the preparation of stage II of the HPMP.

17. The Fund Secretariat further recommends blanket approval of the third and final tranche of stage I of the HPMP for Pakistan, and the corresponding 2015 tranche implementation plan, 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 (stage I, third tranche)	20,000	1,500	UNIDO
(b)	HCFC phase-out management plan (stage I, third tranche)	40,000	5,200	UNEP
