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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-sixth Meeting
Montreal, 9-13 May 2016

PROJECT PROPOSAL: HONDURAS

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 tranche) UNIDO/UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Honduras

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNEP, UNIDO (lead)	63 rd	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2014	13.18 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2014	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b					1.73				1.73
HCFC-141b in Imported Pre-blended Polyol		0.89							0.89
HCFC-142b									
HCFC-22					11.44				11.44

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	19.9	Starting point for sustained aggregate reductions:	20.70
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	6.97	Remaining:	13.73

(V) BUSINESS PLAN		2016	2017	2018	2019	2020	Total
UNIDO	ODS phase-out (ODP tonnes)	1.0	0.0	0.7	0.0	0.4	2.1
	Funding (US \$)	96,750	0	64,500	0	43,000	204,250
UNEP	ODS phase-out (ODP tonnes)	0.6		0.6		0.3	1.5
	Funding (US \$)	56,500		56,500		28,250	141,250

(VI) PROJECT DATA			2010	2011	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	19.91	19.91	17.92	17.92	17.92	17.92	17.92	12.94	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	19.91	19.91	17.92	17.92	17.92	17.92	17.92	12.94	n/a
Agreed funding (US\$)	UNIDO	Project costs	100,000	0	90,000	0	0	90,000	0	60,000	0	40,000	380,000
		Support costs	7,500	0	6,750	0	0	6,750	0	4,500	0	3,000	28,500
	UNEP	Project costs	75,000	0	50,000	0	0	50,000	0	50,000	0	25,000	250,000
		Support costs	9,750	0	6,500	0	0	6,500	0	6,500	0	3,250	32,500
Funds approved by ExCom (US\$)	Project costs		175,000	0	140,000	0	0	0	0	0	0	0	315,000
	Support costs		17,250	0	13,250	0	0	0	0	0	0	0	30,500
Total funds requested for approval at this meeting (US\$)	Project costs		0	0	0	0	0	140,000	0	0	0	0	140,000
	Support costs		0	0	0	0	0	13,250	0	0	0	0	13,250

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Honduras, UNIDO as the lead implementing agency, has submitted to the 76th meeting 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 \$153,250, consisting of US \$90,000, plus agency support costs of US \$6,750 for UNIDO, and US \$50,000, plus agency support costs of US \$6,500 for UNEP. The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption and the tranche implementation plan for 2016 to 2018.

Report on HCFC consumption

2. The Government of Honduras reported a consumption of 13.18 ODP tonnes of HCFC in 2014 and verified consumption of 11.19 ODP tonnes for 2015. The 2011-2015 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Honduras (2011-2014 Article 7 data, 2015 verified)

HCFC	2011	2012	2013	2014	2015	Baseline
Metric tonnes						
HCFC-22	372.00	381.48	291.46	208.08	184.01	327.4
HCFC-141b	19.10	28.45	26.41	15.75	9.72	17.3
(Sub-total / Total) (mt)	391.10	409.93	317.87	223.83	193.73	344.7
HCFC-141b in imported pre-blended polyols*	37.76	32.21	28.01	8.07	-	n/a
Total (mt)	428.86	442.14	345.88	231.90		344.7
ODP tonnes						
HCFC-22	20.46	20.98	16.03	11.44	10.12	18
HCFC-141b	2.10	3.13	2.91	1.73	1.07	1.9
(Sub-total / Total) (ODP tonnes)	22.56	24.11	18.94	13.18	11.19	19.9
HCFC-141b in imported pre-blended polyols*	4.15	3.54	3.08	0.89	-	n/a
Total (ODP tonnes)	26.71	27.65	22.02	14.06	-	19.9

* Data from country programme implementation report. 2015 data on HCFC-141b in imported pre-blended polyols not available yet.

3. HCFC consumption data shows a decreasing trend since 2011. The verified consumption in 2015 (11.19 ODP tonnes) was approximately 40 per cent below the HCFC baseline for compliance. HCFCs imported into the country are HCFC-22 used for servicing refrigeration and air-conditioning (RAC) systems, and HCFC-141b also used in the refrigeration sector as a cleaning agent. HCFC-141b is also imported in pre-blended polyol systems. The verification report revealed that HCFC-124 and HCFC-142b were also imported only in 2013 and 2014 in negligible quantities. In addition to HCFC-22, the most common alternative refrigerants currently available are HC-290, HFC-410A and R-600A. The other alternatives are R-404A, HFC-407C, R-417A and R-507A.

Verification report

4. The verification 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 2015 was 11.19 ODP tonnes (i.e., below the allowable level for that year).

Country programme (CP) implementation report

5. The Government of Honduras reported HCFC sector consumption data under the 2014 country programme implementation report which is consistent with the data reported under Article 7. The 2015 country programme report will be submitted by 30 April 2016.

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

Legal framework

6. The Government of Honduras, through the Ministry of Natural Resources and the Environment, has adopted regulations for the monitoring and control of ODS. The country has an operational ODS licensing and quota system since May 2003. The Government has issued a Decree of 18 July 2012, which bans the import of used equipment with HCFC; establishes HCFC quotas; regulates registration and quota allocation among ODS importing companies; and includes other improvements to the enforcement mechanism for the phase-out of ODS.

Refrigeration servicing sector

7. The main activities implemented during the second tranche include:

- (a) Strengthening the Government's capability to control ODS and ODS-based equipment;
- (b) Ten Customs training workshops for 360 customs officers on procedures, controls/identification of refrigerants and ODS-based equipment, and the use of portable gas identifiers;
- (c) Training of 190 technicians on good refrigeration practices including the recovery and recycling of refrigerants, cleaning refrigeration systems using different alternatives, and information on low-global warming potential (GWP) refrigerants such as hydrocarbons;
- (d) Certification of 820 RAC technicians in good service practices through the Vocational Training Institution of Honduras (INFOP).
- (e) Strengthening of the training and recovery and recycling centres through the provision of equipment and tools (e-g., hand-held electronic leak detectors, electronic vacuum gauges, cylinders to store recovered refrigerants, nitrogen kits, flushing systems, and refrigerants).
- (f) Study tours for two experts from the UTOH on different refrigeration programmes and certification schemes; reclaiming facilities and their operation; and operations of refrigeration workshops;
- (g) Training on safe use of hydrocarbon as refrigerants, issuance of a guide on the use of hydrocarbon refrigerants and conversion of more than 30 air-conditioning equipment to HC-290 (implemented during the first tranche). During the second implementation period, the Government adopted a policy to avoid the drop-in with hydrocarbon and focused on awareness activities to sensitize technicians on the risks associated with the use of hydrocarbons refrigerants;
- (h) Awareness activities, *inter alia*, consumers, technicians, suppliers of RAC equipment, refrigerant importers and retailers, and spare parts stores for non-ODS and low-GWP alternative technologies; and
- (i) With remaining funding from the terminal phase-out management plan, the Technical Ozone Unit of Honduras (UTOH) organized conferences for 455 students from RAC technical schools on ODS alternatives and distributed 350 technician manuals regarding the use of hydrocarbons as refrigerants.

Project monitoring and evaluation

8. The UTOH was responsible for the implementation and monitoring of all the activities under the HPMP.

Level of fund disbursement

9. As of February 2016, of the US \$315,000 so far approved, US \$197,047 had been disbursed (US \$190,000 for UNIDO and US \$7,047 for UNEP) as shown in Table 2. The balance of US \$117,953 will be disbursed in 2016.

Table 2. Financial report of stage I of the HPMP for Honduras (US \$)

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNIDO	100,000	100,000	90,000	90,000	190,000	190,000
UNEP	75,000	7,047	50,000	0	125,000	7,047
Total	175,000	107,047	140,000	90,000	315,000	197,047
Disbursement rate (%)	61		64		62	

Implementation plan for the third tranche of the HPMP

10. The following activities will be implemented:

- (a) Training of additional 500 customs and enforcement officers covering 31 customs entry points resulting from the restructuring of the customs directorate and staff turnover and finalization of the electronic system for registration of importers, suppliers and end users (UNEP) (US \$25,000, plus balance from previous tranches);
- (b) Revision of the technical standards, including safety measures for flammable refrigerants, and updating the technical and public awareness information material (UNEP) (balance from previous tranches);
- (c) Training workshops for 400 refrigeration technicians and 1,800 RAC students in good practices and ODS alternatives (UNEP) (US \$2,000 plus balance from previous tranches);
- (d) Trainers' training workshops for 100 participants in flushing, flammable alternatives, safety procedures and HFC alternatives (UNEP) (US \$23,000);
- (e) Purchase and distribution of equipment and tools, spare parts for recovery and recycling centres, cleaning kit, and ODS identifiers; (UNIDO) (US \$55,000); and
- (f) Coordination and management of the HPMP. (UNIDO) (US \$35,000);

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Report on HCFC consumption

11. In 2013 and 2014, the verified HCFC consumption was lower than that reported under Article 7 by 4.3 ODP tonnes and 0.96 ODP tonnes, respectively. The Government of Honduras is reviewing the report by the verifier before submitting a request to the Ozone Secretariat to update the reported consumption data. The verification report identified issues related to the assessment of the net weight of each imported HCFC noting that in most cases, import customs records do not reflect the actual net weight value; the accuracy of customs declarations; the assignment of a number of custom codes to ODS blend and non-ODS blend; the establishment of individual import targets for each type of HCFC; and the monitoring of the changes in issued authorizations. UNIDO advised that the Government has addressed the issue on the net weight of each imported HCFC and gave due consideration to the establishment of individual import targets for each type of HCFC but considered irrelevant; and is currently addressing the other issues identified.

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

Legal framework

12. The Government of Honduras has already issued HCFC import quotas for 2016 at 12.82 ODP tonnes.

Refrigeration servicing sector

13. Overall, the HPMP implementation is progressing despite the low disbursement of approved funds under the UNEP component (only \$7,000 disbursed out of the US \$125,000 approved). UNEP advised that this situation results from the fact that it had been using the remaining funds of US \$60,000 under the TPMP to implement activities related to the first tranche implementation plan. As to its second tranche funding approved at the 70th meeting, UNEP reported that the agreement with the Government had not been signed yet; however, all administrative issues has been resolved and is expected to be signed by mid-June 2016. On this basis, it was recommended that funding for UNEP will not be disbursed until confirmation was received at the Secretariat that the agreement for second tranche of stage I is signed and implementation progress reported.

14. Upon a request for confirmation on whether retrofits to hydrocarbon are being promoted by the HPMP, UNIDO indicated the Government of Honduras is well aware of the relevant decisions of the Executive Committee on retrofit¹. It also reported the retrofitting of equipment is done only by experts and under the supervision of the UTOH; a manual for the use of hydrocarbon as refrigerants has been developed; the country is following the standards and protocols for all the activities implemented.

15. With regard to the long-term sustainability of the training programmes, UNIDO explained that the INFOP offered regular courses including ODS alternatives and good practices in refrigeration; and the mandatory certification of technicians will reduce the informality of the service sector. The World Customs Organization and UNEP developed courses for customs trainers and the development of an online learning module for front-line officers is being planned.

¹ Decisions 72/17 and 73/34

Conclusion

16. The country is in compliance with the Montreal protocol control targets. The implementation of the HPMP is progressing. Although UNEP disbursed less than six per cent of the funds approved so far, several activities related to the implementation plan of the first tranche have been implemented using the TPMP funds balance. Fund for the third tranche for UNEP will not be released until agreement signed. The activities planned under the UNIDO component have been implemented and funds approved have been fully disbursed. The overall disbursement reaches 63 per cent. The activities implemented to date and those planned under the third tranche of stage I of the HPMP including training and certification, technical assistance to training centres and awareness raising activities, will further strengthen the servicing sector and ensure the long term sustainability of the phase-out activities.

RECOMMENDATION

17. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan of (HPMP) for Honduras; and further recommends blanket approval of the third tranche of stage I of the HPMP for Honduras, and the corresponding 2016-2018 tranche implementation plan, at the funding levels shown in the table below, on the understanding that:

- (a) If Honduras were to decide to proceed with retrofits and associated servicing to flammable and toxic refrigerants in refrigeration and air-conditioning equipment originally designed for non-flammable substances, it would do so assuming all associated responsibilities and risks and only in accordance with the relevant standards and protocols;
- (b) The Treasurer will not disburse the funding for UNEP until confirmation was received at the Secretariat that the agreement between the Government of Honduras and UNEP related to the second tranche of stage I of the HPMP had been signed and implementation progress under the second tranche has been reported; and
- (c) UNIDO will assist the Government of Honduras to address the issues identified in the verification report and to report back to the Executive Committee when the fourth tranche of the HPMP is submitted:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, third tranche)	90,000	6,750	UNIDO
(b)	HCFC phase-out management plan (stage I, third tranche)	50,000	6,500	UNEP