



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/79/38
5 June 2017

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-ninth Meeting
Bangkok, 3-7 July 2017

PROJECT PROPOSAL: PERU

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)

UNDP and
UN Environment

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Peru

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UN Environment, UNDP (lead)	68 th	10% by 2016

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2016	22.21 (ODP tonnes)
---	-------------------	--------------------

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2016	
Chemical	Aero sol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123	0	0	0	0	0.03	0	0	0	0.03
HCFC-124	0	0	0	0	0.01	0	0	0	0.01
HCFC-141b	0	0	0	0	1.44	0	0	0	1.44
HCFC-141b in imported pre-blended polyol	0	23.94	0	0		0	0	0	23.94
HCFC-142b	0	0	0	0	0.39	0	0	0	0.39
HCFC-22	0	0	0	0	20.35	0	0	0	20.35

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	26.88	Starting point for sustained aggregate reductions:	26.88
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	3.74	Remaining:	23.14

(V) BUSINESS PLAN		2017	Total
UN ENVIRONMENT	ODS phase-out (ODP tonnes)	0.07	0.07
	Funding (US \$)	6,000	6,000
UNDP	ODS phase-out (ODP tonnes)	0.33	0.33
	Funding (US \$)	27,000	27,000

(VI) PROJECT DATA			2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits			n/a	26.9	26.9	24.2	24.2	24.2	n/a
Maximum allowable consumption (ODP tonnes)			n/a	26.9	26.9	24.2	24.2	24.2	n/a
Agreed funding (US\$)	UNDP	Project costs	108,000	0	0	100,000	24,671	0	232,671
		Support costs	9,720	0	0	9,000	2,220	0	20,940
	UN Environment	Project costs	25,000	0	0	20,000	5,000	0	50,000
		Support costs	3,250	0	0	2,600	650	0	6,500
Funds approved by ExCom (US\$)		Project costs	133,000	0	0	120,000	0	0	253,000
		Support costs	12,970	0	0	11,600	0	0	24,570
Total funds requested for approval at this meeting (US\$)		Project costs	0	0	0	0	0	29,671*	29,671
		Support costs	0	0	0	0	0	2,870*	2,870

* The third and final tranche should have been submitted in 2016.

Secretariat's recommendation:	Blanket approval
--------------------------------------	------------------

PROJECT DESCRIPTION

1. On behalf of the Government of Peru, UNDP as the lead implementing agency, has submitted to the 79th meeting a request for funding for the third and final tranche of stage I of the HCFC phase-out management plan (HPMP), at a total cost of US \$32,541, consisting of US \$24,671, plus agency support costs of US \$2,220 for UNDP, and US \$5,000, plus agency support costs of US \$650 for United Nations Environment Programme (UN Environment)¹. 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 July to December 2017.

Report on HCFC consumption

HCFC consumption

2. The Government of Peru reported a consumption of 22.21 ODP tonnes of HCFC in 2016, which was eight per cent below the maximum allowable consumption for that year in the Agreement with the Executive Committee. The 2012-2016 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Peru (2012-2016 Article 7 data)

HCFC	2012	2013	2014	2015	2016	Baseline
Metric tonnes (mt)						
HCFC-22	451.50	434.84	359.69	374.91	369.91	433.29
HCFC-123*	0	0	0	2.98	1.29	0
HCFC-124	1.97	2.14	1.02	0.28	0.27	2.77
HCFC-141b	13.16	9.95	17.53	17.62	13.13	16.25
HCFC-142b	10.15	11.57	4.31	2.00	6.03	18.15
Total (mt)	476.78	458.5	382.55	397.79	390.63	470.46
HCFC-141b in imported pre-blended polyols**	98.04	842.78	230.37	295.58	217.67	n.a.
ODP tonnes						
HCFC-22	24.83	23.92	19.78	20.62	20.35	23.85
HCFC-123*	0	0	0	0.06	0.03	
HCFC-124	0.04	0.05	0.02	0.01	0.01	0.06
HCFC-141b	1.45	1.09	1.93	1.94	1.44	1.79
HCFC-142b	0.66	0.75	0.28	0.19	0.39	1.18
Total (ODP tonnes)	26.98	25.81	22.01	22.82	22.21	26.88
HCFC-141b in imported pre-blended polyols**	10.78	92.71	25.34	32.51	23.94	n.a.

*HCFC-123 was not consumed before 2015 and therefore, it is not included in the HCFC baseline or in the starting point for aggregated reductions on HCFC consumption.

**Country programme implementation reports.

3. For the last three years the consumption of HCFCs has been maintained at around 17 per cent below the HCFC consumption baseline. In 2013, consumption of HCFC-141b contained in imported pre-blended polyols increased due to a greater demand for polyurethane foam to build structures to host the 20th session of the Conference of the Parties of the United Nations Framework Convention on Climate Change, held in Lima in December 2014.

Verification report

4. The verification report confirmed that: the Government updated its legal framework to improve the implementation of the licensing and quota system for HCFC imports and exports; the total

¹ As per the letter of 4 May 2017 from the Ministry of Production, Department of Environment Issues of Peru to UNDP.

consumption of HCFCs for 2016 was 22.21 ODP tonnes; and that no import quota was issued for HCFC-141b for 2017 as per the Government's commitment (decision 75/63(a)(iii)). The verification concluded that the data in the annual report of national consumption for 2016 is reliable and Peru continues to fulfill its commitment to reduce consumption by 10 per cent of the baseline.

Country programme (CP) implementation report

5. The Government of Peru reported HCFC sector consumption data under the 2016 CP implementation report that is consistent with the data reported under Article 7.

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

6. At the 75th meeting, the Executive Committee expressed its concern regarding major implementation delays² in Peru. UNDP explained that the issues causing the delays had been resolved³ and, therefore, submitted a revised plan of action for the implementation of the second tranche. Accordingly, the Executive Committee approved⁴ funding for the second tranche on the understanding that no further funding would be approved for subsequent tranches of stage I or stage II of the HPMP for Peru until the Government of Peru had reported, through UNDP, that all the outputs agreed in the revised plan of action for the second tranche as reflected in Appendix-8A of the Agreement had been completed, and assurances had been provided by the Government of Peru that imports of HCFC-141b in bulk would be banned from 1 January 2017.

7. The activities implemented under the second tranche according to the revised plan of action are reflected in Table 2 below.

Table 2: Progress on the implementation of the plan of action agreed at the 75th meeting

Component	Outputs	Status of Implementation
Policy, legal and institutional framework (UN Environment)	2 multi-refrigerant identifiers procured 4 training classes delivered 50 officials trained 40 customs brokers trained	3 multi-refrigerant identifiers being procured (delivery expected second half of 2017) 56 customs officers trained 25 customs brokers sensitized. Training to be delivered in 2017
Refrigeration Air-conditioning (AC) servicing sector (UNDP)	2 sets of flushing laboratory equipment installed 2 sets of training equipment and tools established 2 training centers equipped 20 trainers capacitated 100 technicians trained	4 sets of refrigeration servicing equipment and tools procured and distributed to refrigeration training centres 125 trainers and 465 technicians were trained in good practices in refrigeration and handling of natural refrigerants; alternatives for the replacement of HCFC-141b, and techniques for the use of alternatives to HCFC-141b with non-solvent cleaning methods

² Delays in the finalization of the first (and only) tranche of the terminal phase-out management plan (TPMP) approved in November 2011 and the implementation of the first tranche of the HPMP approved in December 2012. Major delays were noted with regard to signing the implementation agreements between the Government of Peru and the implementing agencies, and issuing the ban on imports of pure HCFC-141b by 1 January 2015. There was also a lack of implementation of the majority of the planned phase-out activities, resulting in deferral of the submission of the second tranche for two years.

³ The delays were caused by internal restructuring of the Ministry of Production (PRODUCE), revisions of legal procedures, and internal changes to the national executing agencies of the HPMP.

⁴ Decision 75/63(b).

Component	Outputs	Status of Implementation
Monitoring, evaluation and reporting (UNDP)	Draft ban on imports of pure HCFC-141b (enforcement from 1 January 2017) 1 progress report prepared 2 consultation meetings held 1 independent verification report delivered Project monitored and completed	In 2016, a resolution was drafted to establish a zero quota for bulk imports of HCFC-141b from 1 January 2017. The verification report has confirmed that no quotas were issued In 2017 a draft ministerial resolution was prepared and is currently being signed to establish a permanent ban on imports of HCFC-141b (bulk) 1 progress report prepared Regular consultation meetings held with training centres, refrigeration association, custom department and others 2 independent verifications of HCFC consumption in 2015 and 2016 completed and submitted

Level of fund disbursement

8. As of May 2017, of the US \$253,000 approved so far, US \$192,921 had been disbursed (US \$167,252 for UNDP and US \$25,669 for UN Environment) as shown in Table 3. The balance of US \$60,079 will be disbursed during 2017.

Table 3. Financial report of stage I of the HPMP for Peru (US \$)

Agency	First tranche		Second tranche		Total	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNDP	108,000	108,000	100,000	59,252	208,000	167,252
UN Environment	25,000	9,466	20,000	16,203	45,000	25,669
Total	133,000	117,466	120,000	75,455	253,000	192,921
Disbursement rate (%)	88		63		76	

Implementation plan for the third tranche of the HPMP

9. The following activities will be implemented during the second half of 2017:

- (a) *Policy, legal and institutional framework (UN Environment) (US \$5,000):* Training of 25 additional customs officers and 25 customs brokers sensitized on trade issues and requirements for the proper use of harmonized system codes for refrigerant blends;
- (b) *Technical support to the RAC service sector (UNDP) (US \$20,000):* Procurement of six refrigeration training modules (comprising compressor, evaporator, control panel and condenser) for a Good Practices Center; procurement of laboratory tools (e.g., refrigerant identifiers, refrigerant samples, welding equipment, cylinders) for training in education institutes and the refrigeration association; and training and awareness raising to technicians and distributors on replacing the use of HCFC-141b for flushing refrigeration equipment by alternatives and solvent-free flushing techniques; and
- (c) *Monitoring, evaluation and reporting (UNDP) (US \$4,671):* Continue the preparation of progress reports, consultation meetings with stakeholders and monitoring and completion of stage I.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Legal framework

10. The Government of Peru has already issued HCFC import quotas for 2017 in accordance with the Montreal Protocol control targets. No quota was issued for HCFC-141b in bulk.

Status of the equipment provided under the TPMP

11. At the 75th meeting, the Secretariat noted with concern that equipment for refrigeration training procured by UNIDO (at a total cost of US \$115,254) under the TPMP had not been delivered to the training centres as it could not be released by customs. Accordingly, the Executive Committee encouraged the Government of Peru and the relevant implementing agencies to facilitate the clearance of that equipment from customs and its distribution to the training centres, recalling that if customs duties were required to release the equipment, such duties would be covered by the beneficiary or the Government, in line with decision 26/3.⁵ In August 2016, UNIDO reported that the TPMP equipment had been cleared and distributed to the Mayor de San Marcos University to be used in refrigeration training.

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

12. The Secretariat requested clarification regarding the reason for the delay in implementing the second tranche and submitting their third tranche (due in 2016), noting that the causes of the delay of the previous tranche were all resolved. UNDP explained that initial delays were due to turnover of relevant staff at the Government; however, all planned activities had been carried out in a satisfactory manner, allowing the country to meet its reduction targets, compliance objectives, and agreed outputs under UNDP implementation as reported in Table 2 above.

13. With regard to the UN Environment component, the Secretariat noted with concern that the number of customs officers and brokers trained was lower than the agreed output, and the two refrigerant identifiers had not been procured. UN Environment explained that the number of customs brokers trained represents all those identified in the country; and with regard to training of additional custom officers and delivery of refrigerant identifiers, both are expected during the second half of 2017. The Secretariat considers it important to expedite and strengthen the customs training in Peru, given the recommendation from the independent verification report to include in the training a session on proper distinction and classification of refrigerants, in light of incorrect or incomplete classification identified in the customs reports⁶.

14. The Secretariat had also a discussion with the agencies regarding the actions being carried out to ensure self-sustained training programmes for refrigeration technicians and customs officers. UNDP indicated that manuals on ODS control and the usage of the licensing and quota system are being prepared under stage I, and additional activities will be implemented during stage II, which will be submitted to the 80th meeting. In addition, the Government is envisaging updates to the customs training to address new challenges arising from the future ratification of the Kigali Amendment (i.e., extending import controls to HFCs).

⁵ Decision 75/63(a)(iv).

⁶ The verification report indicated difficulties encountered to work with current customs reports due to incorrect or incomplete definitions in columns for: substance, commercial description and tariff code.

15. With regard to the current availability of alternative refrigerants in Peru, HFCs continue to be the dominant alternative to HCFCs in most applications (the ODS alternatives survey is expected to be completed by September 2017).

Conclusion

16. Since 2014 HCFC consumption in Peru has been maintained at around 17 per cent below the baseline. Peru continues to implement its import licensing and quota system to ensure HCFC consumption in line with the Montreal Protocol's phase-out schedule, and the draft ban on imports of pure HCFC-141b is in the approval process.

17. The Secretariat noted that the long standing issues present in the implementation of the TPMP and the first tranche of the HPMP have been resolved. The level of implementation of activities increased with the procurement of equipment to training centers and the training of more than 500 technicians. Although some of the implementation outputs agreed in decision 75/63 have been partially achieved, the great majority were accomplished or surpassed and the Secretariat considers that it would be detrimental to Peru if the third tranche is not approved at the 79th meeting, as it would slow the implementation of phase-out activities. Moreover the completion date of stage I is December 2017 as per the Agreement revised at the 75th meeting. Budgets are already allocated and an ambitious training schedule has been developed and is being performed throughout the year. In view of this, the Secretariat recommends approval of the tranche.

RECOMMENDATION

18. 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 Peru; and
- (b) Requests the Government of Peru, UNDP and UN Environment to submit the project completion report to the second meeting of the Executive Committee in 2018.

19. The Fund Secretariat further recommends blanket approval of the third and final tranche of stage I of the HPMP for Peru, and the corresponding July-December 2017 tranche implementation plan at the funding levels shown in the table below:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, third and final tranche)	24,671	2,220	UNDP
(b)	HCFC phase-out management plan (stage I, third and final tranche)	5,000	650	UN Environment