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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-first Meeting
Montreal, 18-22 June 2018

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, fourth tranche) UNIDO and 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: 2016	13.44 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2017	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-141b in Imported Pre-blended Polyol									
HCFC-142b									
HCFC-22					10.81				10.81

(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		2018	2019	2020	Total
UNIDO	ODS phase-out (ODP tonnes)	0.66	0.0	0.44	1.10
	Funding (US \$)	64,500	0	43,000	107,500
UNEP	ODS phase-out (ODP tonnes)	0.55		0.28	0.83
	Funding (US \$)	56,500		28,250	84,750

(VI) PROJECT DATA			2011-2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			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	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	90,000	0	0	90,000	0	60,000	0	40,000	380,000
		Support costs	7,500	6,750	0	0	6,750	0	4,500	0	3,000	28,500
	UNEP	Project costs	75,000	50,000	0	0	50,000	0	50,000	0	25,000	250,000
		Support costs	9,750	6,500	0	0	6,500	0	6,500	0	3,250	32,500
Funds approved by ExCom (US\$)	Project costs		175,000	140,000	0	0	140,000	0	0	0	0	455,000
	Support costs		17,250	13,250	0	0	13,250	0	0	0	0	43,750
Total funds requested for approval at this meeting (US\$)	Project costs		0	0	0	0		0	110,000	0	0	110,000
	Support costs		0	0	0	0		0	11,000	0	0	11,000

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 a request for funding for the fourth tranche of stage I of the HCFC phase-out management plan (HPMP), at a total cost of US \$121,000, consisting of US \$60,000, plus agency support costs of US \$4,500 for UNIDO, and US \$50,000, plus agency support costs of US \$6,500 for UNEP.¹ The submission includes a progress report on the implementation of the third tranche and the tranche implementation plan for 2016 to 2018.

Report on HCFC consumption

2. The Government of Honduras reported a consumption of 13.44 ODP tonnes of HCFC in 2016 and estimated a consumption of 10.81 ODP tonnes for 2017, which are 33 and 40 per cent below the HCFC baseline for compliance, respectively. The 2013-2017 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Honduras (2013-2017 Article 7 data)

HCFC	2013	2014	2015	2016	2017*	Baseline
Metric tonnes						
HCFC-22	291.46	208.08	184.01	225.50	196.45	327.4
HCFC-141b	26.41	15.75	6.64	9.40	0	17.3
(Sub-total / Total) (mt)	317.87	223.83	190.66	234.9	196.45	344.7
HCFC-141b in imported pre-blended polyols*	28.01	8.07	3.08	10.1	0	n/a
Total (mt)	345.88	231.90	193.74	245		344.7
ODP tonnes						
HCFC-22	16.03	11.44	10.12	12.40	10.81	18
HCFC-141b	2.91	1.73	0.73	1.03	0	1.9
(Sub-total / Total) (ODP tonnes)	18.94	13.18	10.85	13.44	10.81	19.9
HCFC-141b in imported pre-blended polyols**	3.08	0.89	0.34	1.11	0	n/a
Total (ODP tonnes)	22.02	14.06	11.19	14.55	10.81	19.9

*Country programme data received.

** Data from country programme implementation report.

3. The country uses HCFC-22 for needs in the servicing and maintenance of refrigeration and air-conditioning sector. There was an increase in HCFC consumption from 10.85 ODP tonnes in 2015 to 13.44 ODP tonnes in 2016, excluding HCFC-141b contained in pre-blended polyols, as the HCFC quota for 2016 was set according to market needs. In anticipation of the ban on the import of HCFC-141b effective from 2017, the consumption of HCFC-141b contained in pre-blended polyols increased from 0.34 ODP tonnes in 2015 to 1.11 ODP tonnes in 2016. Only HCFC-22 consumption was reported in 2017.

Country programme (CP) implementation report

4. The Government of Honduras reported HCFC sector consumption data under the 2016 CP implementation report, which is consistent with the data reported under Article 7 of the Montreal Protocol.

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

Legal framework

5. 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

¹ As per the letter of 13 April 2018 from the Ministry of Natural Resources and Environment of Honduras to UNIDO.

licensing and quota system since May 2003. The Government issued a Decree of 18 July 2012, enacted in 2013, 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. The ban on the import of HCFC-141b pure and contained in pre-blended polyols entered into force on 1 January 2017.

Refrigeration servicing sector

6. The main activities implemented include:

- (a) A total of 337 customs officers in 31 customs entry points were trained on the effective control of imports of HCFC and HCFC-based equipment. In addition the national ozone unit (NOU) provided training and support to 662 front-line customs officers in eleven locations and also free zones on identification codes and physical inspection of ODS/ODS-based equipment;
- (b) Training of 109 trainers and technicians from 26 service workshops and vocational institutes on good refrigeration practices with an emphasis on the use of tools, refrigeration systems cleaning, introduction to hydrocarbons, and recovery and recycling practices;
- (c) Delivery of tools purchased to upgrade the training and recovery and recycling centres and training in the proper use of the tools, (e.g. hand-held electronic leak detectors, electronic vacuum gauges, cylinders to store recovered refrigerants, nitrogen kits, and flushing systems);
- (d) Establishment of a recovery and recycling centre in the capital city with equipment and tools (e.g. including cylinders, a reclaim unit, refrigerant recovery unit, and multi-refrigerant identifiers), training of technicians in the use of those tools, and a public awareness campaign to promote recovery and recycling targeting end-users with a large amounts of refrigerants;
- (e) Participation of the NOU and customs officers at a workshop on ODS identification and illegal trade in Mexico (August 2017) and the Central American dialogue on ODS illegal trade in Honduras; and
- (f) Awareness activities on HCFC phase-out, low-global-warming-potential (GWP) alternative technologies, recovery and storage of unwanted refrigerants targeting, *inter alia*, the public, consumers, technicians, suppliers of RAC equipment, universities, refrigerant importers and retailers, and update of technical and public outreach materials.

Project implementation and monitoring unit (PMU)

7. The Technical Ozone Unit of Honduras (UTOH) was responsible for the implementation and monitoring of all the activities under the HPMP.

Level of fund disbursement

8. As of April 2018, of the US \$455,000 approved so far, a total of US \$315,447 had been disbursed (US \$269,871 for UNIDO and US \$45,576 for UNEP) as shown in Table 2. The balance of US \$129,424 will be disbursed in 2018 and 2019.

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

Tranche		UNIDO	UNEP	Total	Overall disbursement rate (%)
First tranche	Approved	100,000	75,000	175,000	61
	Disbursed	100,000	7,047*	107,047	
Second tranche	Approved	90,000	50,000	140,000	88
	Disbursed	90,000	33,529	123,529	
Third tranche	Approved	90,000	50,000	140,000	68
	Disbursed	89,871	5,000*	94,871	
Total	Approved	280,000	175,000	455,000	69
	Disbursed	269,871	45,576	315,447	

*The disbursement rate for the UNEP component of the first tranche remained unchanged, i.e. 9 per cent, since the progress report presented at the time of the request for the third tranche at the 76th meeting, and for the third tranche at 10 per cent.

Implementation plan for the fourth tranche of the HPMP

9. The following activities will be implemented between July 2018 and December 2020:
- (a) Training of an additional 300 customs and enforcement officers covering 31 customs entry points on the effective control of the imports of HCFC and HCFC-based equipment, finalization of the electronic system for registration of importers, suppliers and end-users, development of online learning modules (UNEP) (US \$25,000 plus balance of US \$30,000 from previous tranches);
 - (b) Reformulation of the certification scheme for refrigeration technicians and promoting its application, revision of the technical standards, including safety measures for flammable refrigerants, and updating technical and public awareness information material (UNEP) (US \$25,000, plus balance of US \$30,000 from previous tranches);
 - (c) Training workshops for 400 refrigeration technicians, and 1800 RAC students in good practices and safe-handling of ODS alternatives (UNEP) (balance of US \$69,424 from previous tranches);
 - (d) Promotion of reclaiming of refrigerants, training in proper use of natural refrigerants, enhancing the certification programme for refrigeration technicians, establishing an end-user programme to promote refrigerant containment to reduce electricity consumption through leak reduction and good refrigeration practices, and providing technical updates to the recovery and recycling centre. (UNIDO) (US \$60,000 including costs for the PMU); and
 - (e) Coordination and management of the HPMP (UNIDO).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Verification report on HCFC consumption

10. At the 76th meeting, it was reported that the verified HCFC consumption for 2013 and 2014 was lower than that reported under Article 7 by 4.3 ODP tonnes and 0.96 ODP tonnes, respectively.² UNIDO

² UNEP/OzL.Pro/ExCom/76/34

reported that the Government of Honduras has reviewed and accepted the verification report and sent a request the Ozone Secretariat to change the data accordingly in May 2018. UNIDO further reported that Honduras had addressed the issues identified in the verification report related to the format of authorizations; the accuracy of customs declarations; the adoption of the Sixth Amendment of the Harmonized Customs Codes; the establishment of individual import quotas for individual HCFCs; and revision of the procedure for numbering import authorizations.

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

Legal framework

11. The Government of Honduras issued the HCFC import quota for 2018 at 13.86 ODP tonnes (252 mt) of HCFC-22, which is lower than the Montreal Protocol target for that year.

Refrigeration servicing sector

12. In providing clarification on the progress achieved in their activities, UNEP advised that the UTOH and Customs trainers, with financial support from the Customs Directorate, trained approximately 100 persons per year in sub-regional Customs Department facilities during the implementation period of the third tranche. As a result of the co-funding from the Customs Directorate, the country exceeded its target for customs training.

13. The Secretariat noted with concern, however, that a number of activities under UNEP, which were included in the third tranche using balances from previous tranches, had not been implemented including: technicians' training, the revision of the technical standards, including safety measures for flammable refrigerants, and updates to the corresponding technical and public awareness information materials. UNEP reported that the implementation of the training workshops for 400 refrigeration technicians and 1,800 RAC students in good practices and ODS alternatives was postponed due to the need to revise the curricula to integrate global technological developments and new skills required by RAC technicians. The curricula would be revised in 2018 and after its approval, the country would restart the RAC servicing sector training. UNEP further reported that the UTOH decided to postpone also the revision on standards in view of the pending discussions on international standards for flammable low-global-GWP refrigerants, but that the country plans the revision of national safety standards and their formalization through a mandatory national code of good practices, plus country-wide discussions to enable the safe use and market penetration of low-GWP alternatives.

14. UNEP explained that delays in implementation were also due to administrative reasons and changes at the Ministry of Environment. UNEP is currently preparing a new agreement for funds remaining from the previous tranches for signature in mid-2018 with clear performance indicators. Furthermore, UNEP will also sign an agreement with the Vocational Training Institute of Honduras, which will facilitate the implementation of training activities. UNEP explained that the two agreements would allow intensified implementation of UNEP components and that it expects to complete the first and second tranches in July 2019 (versus the original completion dates of March 2014 and June 2016, respectively), and the third tranche in December 2019 (versus the original completion date of May 2018).

15. The Secretariat requested information on whether the UNIDO component under the fourth tranche to invest in building capacity of the the RAC servicing sector could proceed given the significant delays in activities under and low disbursement of the approved UNEP tranches. UNIDO advised it was able to proceed and explained that it would work in cooperation UNEP and the UTOH to advance project implementation under the fourth tranche.

Implementation plan for the fourth tranche

16. Following discussions between the Secretariat and the implementing agencies, UNIDO, as lead agency, obtained a strong commitment from the Government of Honduras to intensify efforts to move the UNEP components of the project forward. It was agreed to use the level of disbursement of the UNEP tranches as a performance indicator for the implementation of activities with the specific disbursement targets as follows: for the UNEP component of the first three tranches, 50 per cent by 30 September 2018, 80 per cent by 31 March 2019, and 100 per cent by December 2019; and for the UNEP component of the fourth tranche, 20 per cent disbursement by 31 March 2019 and 50 per cent disbursement by December 2019.

17. UNEP agreed to provide a progress report to each meeting of the Executive Committee on the activities in stage I of the HPMP under UNEP implementation, until the submission of the fifth and final tranche of stage I of the HPMP, due to the first meeting in 2020. The progress report would comprise: the status of disbursements and funds advanced/committed; the progress of planned activities and milestones achieved (e.g. the number of training courses implemented, number of participants); the activities planned for the remaining period of the fourth tranche indicating any adjustments; and challenges, if any, that could delay the implementation of the scheduled activities.

Introduction of low-GWP alternatives

18. Honduras is the lead country in Central America vis-à-vis the introduction of hydrocarbon refrigerants. UNIDO reported it was promoting hydrocarbon alternatives through its HPMP components, including some demonstration activities. Notwithstanding that the Government of Honduras is aware of decision 72/17, and that UNIDO opposes retrofitting HCFC-22-based equipment with hydrocarbons, the Secretariat expressed concerns that the country has carried out retrofits to hydrocarbons while the technicians' training courses under stage I of the HPMP had been severely delayed. UNIDO informed the Secretariat that each year a small number of units of confiscated equipment in good condition had been converted to hydrocarbon by experts under the supervision of the UTOH and following guidelines issued by the UTOH. Any converted equipment is clearly labelled as retrofitted and the label includes a notice that it should be serviced only by a qualified technician and to contact the UTOH in this regard.

Conclusion

19. The estimated HCFC consumption in 2017 of 10.81 ODP tonnes was about 40 per cent below HCFC baseline and the maximum allowable consumption under the Agreement with the Executive Committee for that year. The Government continues to implement licensing and quota systems for monitoring and controlling HCFCs, has banned imports of used HCFC-based equipment and both pure HCFC-141-b and HCFC-141b contained in pre-blended polyols, and is successfully operating recovery and recycling centres. Furthermore, the Government has addressed all the issues identified in the verification report on HCFC consumption and has submitted a request to the Ozone Secretariat to change its Article 7 data for 2013 and 2014 in accordance with the lower verified consumption levels. Despite the delays in the UNEP components, namely the training of refrigeration technicians and the revisions of standards, activities are progressing including training of law enforcement officers, and the establishment of recovery and recycling centres together with appropriate training and awareness raising. The overall disbursement rate stands at 69 per cent. The conditions in the country are favourable for intensifying implementation of the UNEP components of the HPMP in line with the agreed disbursement targets. The Government will continue to implement HPMP activities focusing on training of service technicians and revision of standards to build sustainability.

RECOMMENDATION

20. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the third tranche of stage I of the HCFC phase-out management plan of (HPMP) for Honduras; and further recommends blanket approval of the fourth tranche of stage I of the HPMP for Honduras, and the corresponding 2018-2020 tranche implementation plan, at the funding levels shown in the table below, on the understanding:

- (a) That UNEP and the Government of Honduras will intensify efforts to implement the training activities for refrigeration technicians associated with stage I of the HPMP;
- (b) That UNEP would submit a progress report to each meeting on the implementation of activities under UNEP’s components associated with stage I of the HPMP, including disbursements achieved, until the submission of the fifth and final tranche of stage I of the HPMP;
- (c) That the disbursement targets for the total amount of funds approved for the UNEP components of the first, second and third tranches of stage I of the HPMP for Honduras are 50 per cent by 30 September 2018, 80 per cent by 31 March 2019, and 100 per cent by December 2019, and for the UNEP component of the fourth tranche are 20 per cent disbursement by 31 March 2019 and 50 per cent disbursement by December 2019; and
- (d) 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.

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, fourth tranche)	60,000	4,500	UNIDO
(b)	HCFC phase-out management plan (stage I, fourth tranche)	50,000	6,500	UNEP