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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fourth Meeting
Montreal, 7-11 April 2008

PROJECT PROPOSAL: LAO PEOPLE'S DEMOCRATIC REPUBLIC

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

Phase-out

- Terminal phase-out management plan (first tranche) France

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
LAO PEOPLE’S DEMOCRATIC REPUBLIC**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

Terminal phase-out management plan	France
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SUB-PROJECT TITLES

(a)	Regulations enforcement and update, transit control and training of customs officers	France
(b)	Targeted support to outreach the refrigeration and MAC incentive programme	France
(c)	Training and certification programme for refrigeration technicians and start-up of a refrigeration association	France
(d)	Technical assistance to the refrigeration and MAC service sectors	France
(e)	Monitoring and management of the refrigeration sector terminal phase-out management plan	France

NATIONAL CO-ORDINATING AGENCY:

Ozone Protection Unit, Water Resources and Environment Administration (WREA), Prime Minister’s Office

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2006, AS OF FEBRUARY 2008)**

Annex A, Group I	17.8		

B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2006, AS OF FEBRUARY 2008)

ODS	Aerosol	Foam	Ref. Mfg.	Ref. Servicing	Solvents	Process agent	Fumigant
CFC-11				0.08			
CFC-12				17.68			

CFC consumption remaining eligible for funding (ODP tonnes)

6.5

CURRENT YEAR BUSINESS PLAN: Total funding US \$263,290: total phase-out 0 ODP tonnes.

PROJECT DATA		2008	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limit	6.5	6.5	0	n/a
	Annual consumption limit	6.5	6.5	0	n/a
	Annual phase-out from ongoing projects	0	0	0	0
	Annual phase-out newly addressed	0	6.5	0	6.5
	Annual unfunded phase-out	0	0	0	0
TOTAL ODS CONSUMPTION TO BE PHASED OUT		0	6.5	0	6.5
Total ODS consumption to be phased-in (HCFCs)		0	0	0	0
Final project costs (US \$):					
Funding for Lead IA: France		181,500	138,500	-	320,000
Final support costs (US \$):					
Support cost for Lead IA: France		23,595	18,005	-	41,600
TOTAL COST TO MULTILATERAL FUND (US \$)		205,095	156,505	-	361,600
Final project cost effectiveness (US \$/kg)					n/a

FUNDING REQUEST: Approval of funding for the first tranche (2008) as indicated above.

SECRETARIAT’S RECOMMENDATION

For blanket approval

PROJECT DESCRIPTION

1. On behalf of the Government of Lao People's Democratic Republic, France, as the bilateral implementing agency, has submitted a terminal CFC phase-out management plan (TPMP) for consideration by the Executive Committee at its 54th Meeting. The total cost of the Lao PDR TPMP as submitted is US \$345,000 plus agency support cost of US \$44,850. The project proposes the complete phase-out of CFCs by the end of 2009. The CFC baseline for compliance is 43.2 ODP tonnes.

Background

2. At its 34th Meeting, the Executive Committee approved a country programme/refrigerant management plan for Lao PDR to facilitate the phase-out of CFCs in the refrigeration servicing sector. It allocated US \$273,592 to France, Sweden and UNEP for the implementation of training programmes for refrigeration service technicians and customs officers, a recovery and recycling programme, and assistance for the establishment of ODS regulations to monitor and control CFCs. These projects were designed to allow the country to immediately meet its 50 per cent reduction in CFC consumption.

3. Implementation of the activities in the refrigeration servicing sector resulted in the training of over 20 refrigeration service technicians in good servicing practices including 35 customs officers. It also led to the distribution of 18 refrigeration identifiers to border control areas. Five training institutes were provided with a total of eight sets of recovery and recycling equipment. With the implementation of this project, some public awareness and information dissemination activities were also completed.

Policy and legislation

4. Lao People's Democratic Republic acceded to the Vienna Convention and Montreal Protocol on 21 August 1998 and to the London, Copenhagen, Montreal and Beijing Amendments on 6 June 2006. The Government of Lao PDR committed itself to reducing and eliminating the use of ODS and has promulgated ozone-protection related laws and regulations, which provide the legal framework for ODS phase-out. The decree on the control of import and export of ODS was signed in October 2003, while the regulation on control of imports, exports and consumption of ODSs was signed in October 2004.

Refrigeration Servicing Sector

5. The country consumed a total of 14.5 ODP tonnes of CFCs in the refrigeration sector in 2006. Out of these, 5.2 ODP tonnes are used for servicing mobile air conditioning (MAC) equipment and 9.3 are used for servicing domestic and commercial refrigeration systems. In addition to CFCs, Lao PDR also used 11.2 metric tonnes of HFC-134a and 48 metric tonnes of HCFC-22. These substances were used in the MAC sector, domestic and commercial refrigeration, and domestic and commercial air-conditioning sectors.

6. A recent survey identified around 75 refrigeration service workshops in the country with a total of 200 technicians. As mentioned above, a number of these technicians have been trained under the RMP. The country also has five training establishments which have been assisted under the RMP.

7. The current prices of refrigerants per kg are between US \$9-10 for CFC 12, US \$ 8-9 for HFC-134a and US \$3.5-4 for HCFC-22.

Activities proposed in the TPMP

8. The following activities are proposed to be implemented through the TPMP project:
- (a) Regulations enforcement and update, transit control and training of customs officers (US \$30,000);
 - (b) Targeted awareness and information dissemination (US \$29,000);
 - (c) Training and certification programme for refrigeration technicians and encouraging start up of a refrigeration technicians' association (US \$18,000);
 - (d) Technical assistance to the refrigeration and MAC service sectors (US \$244,000); and
 - (e) Project implementation and monitoring (US \$24,000).
9. The Government of Lao PDR plans the complete phase-out of CFCs by 1 January 2010. A detailed work plan for 2008 has been submitted with the TPMP proposal.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Level of funding and implementation modalities

10. During the review of the TPMP, the Secretariat noted that:
- (a) Lao PDR has already been able to reduce the use of CFCs to more than 50 per cent of its baseline (from 43.2 ODP tonnes to 19.5 ODP tonnes) in 2005. Its 2006 consumption shows only a slight reduction from its 2005 reported figure (from 19.5 ODP tonnes to 17.8 ODP tonnes), and this needs to be reduced by more than 10 ODP tonnes to meet the 2007 consumption target. The reductions achieved in consumption are attributed to the activities undertaken under the RMP as reported by the agency;
 - (b) The largest remaining consumption of CFCs in the country is in the domestic and commercial refrigeration servicing sector;
 - (c) While not yet fully operational, the country has, as at 2004, a regulatory ODS framework that requires mandatory licensing of imports, registration of importers and bulk end users and requires a strict reporting system for ODS importers and users;

- (d) Training activities under the RMP are not all fully completed, and a large number of technicians and customs officers still need to be trained in both good refrigeration servicing practices and monitoring ODS import and export. These training activities can be integrated into the proposed programmes under this TPMP;
- (e) While the recovery and recycling component of the RMP has provided equipment to five training institutes in the country that have also been certified as recycling centres, this network is foreseen to be truly operational only during the TPMP implementation, and has been delayed due to the slow pace in training;
- (f) The country envisages the five training institutes as a means to providing sustainable refrigeration servicing training in future;
- (g) The country has some limited experience in the manufacture of recovery and recycling equipment locally that has also been used for training purposes. This opens up the possibility of developing local recovery and recycling machines that the country can use, as part of the TPMP;
- (h) A refrigeration service technicians association is to be set up as part of the TPMP, which will encourage the development technician certification programmes, code of good practices, and will provide sustainability of these activities after 2010;
- (i) The capacity of customs officers and other enforcement personnel have been strengthened and enhanced with training and with the provision of 18 refrigerant identifiers; and
- (j) The country is not requesting funding assistance for the MDI sector.

11. Based on the above, the Secretariat discussed with France the technical issues related to the current levels of CFC consumption in Lao PDR particularly those in the domestic refrigeration sector where the largest CFC consumption remains. It also discussed issues related to the technical viability of the proposed technical assistance programme, and agreed the need to look at local business opportunities for developing recovery equipment that is more suited to national conditions.

12. In further discussing the TPMP, France and the Secretariat came to an agreement that the remaining training activities under the RMP and its subsequent costs would be integrated into the TPMP for proper and collaborative implementation. France adjusted the sub-project components of the TPMP accordingly following discussions with the Secretariat. The final amount agreed for the TPMP is US \$320,000 plus support costs at the amount of US \$41,600.

Agreement

13. The Government of Lao PDR submitted a draft agreement between the Government and the Executive Committee setting out the conditions for the complete phase-out of CFCs in Lao PDR, which is contained in Annex I to the present document.

RECOMMENDATION

14. The Secretariat recommends blanket approval of the terminal phase-out management plan for Lao PDR. The Executive Committee may wish to:

- (a) Approve, in principle, the terminal phase-out management plan for Lao PDR, at the amount of US \$320,000 plus agency support costs of US \$41,600 for the Government of France as bilateral agency;
- (b) Approve the draft agreement between the Government of Lao PDR and the Executive Committee for the implementation of the terminal phase-out management plan as contained in Annex I to this document;
- (c) Urge France to take full account of the requirements of decisions 41/100 and 49/6 of the Executive Committee during the implementation of the terminal phase-out management plan; and
- (d) Approve the first tranche of the plan at the funding levels shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Terminal phase-out management plan (first tranche)	181,500	23,595	France

**DRAFT AGREEMENT BETWEEN LAO PEOPLE’S DEMOCRATIC REPUBLIC AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE
PHASE-OUT OF OZONE DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of the Government of Lao People’s Democratic Republic (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances set out in Appendix 1-A (the “Substances”) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 2 of Appendix 2-A (the “Targets, and Funding”) in this Agreement. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 7 of Appendix 2-A (the “Targets, and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each of the Substances as indicated in Appendix 2-A. It will also accept independent verification by the relevant implementing agency of achievement of these consumption limits as described in sub-paragraph 5(b) of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for the applicable year;
 - (b) That the meeting of these Targets will be independently verified, if requested by the Executive Committee consistent with paragraph (d) of decision 45/54;
 - (c) That the Country has substantially completed all actions set out in the last annual implementation programme; and
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Format of Annual Implementation Programme”) in respect of the year for which tranche funding is being requested.
6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring Institutions and Roles”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in sub-paragraph 5(b).

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub-paragraph 5(d). Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on implementation of the annual implementation programme.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The technical assistance programme for the refrigeration servicing sub-sector will be implemented in stages so that remaining resources can be diverted to other phase-out activities such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement; and
- (c) The Country and the implementing agencies will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. Government of France has agreed to be the lead implementing agency (the "Lead IA") in respect of the Country's activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification as per sub paragraph 5(b). The Country also agrees to periodic evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 8 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 2-A of the Montreal Protocol or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised funding approval schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

11. The funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA with access to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Annex A:	Group I	CFC-11, CFC-12
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APPENDIX 2-A: THE TARGETS, AND FUNDING

		2008	2009	2010	Total
1	Montreal Protocol reduction schedule of Annex I, Group I substances (ODP tonnes)	6.5	6.5	0	n/a
2	Max. allowable total consumption of Annex I, Group I substances (ODP tonnes)	6.5	6.5	0	n/a
3	Reduction from on-going projects (ODP tonnes)	0	0	0	0
4	New reduction under plan (ODP tonnes)	0	6.5	0	0
5	Unfunded reductions (ODP tonnes)	0	0	0	0
6	Total annual reduction (ODP tonnes)	0	6.5	0	6.5
7	Lead IA agreed funding (US \$)	181,500	138,500	0	320,000
8	Lead IA support costs (US \$)	23,595	18,005	0	41,600
9	Grand total agreed funding (US \$)	205,095	156,505	0	361,600

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Following approval of the first tranche in 2008, funding for the second tranche will be considered for approval not earlier than the first meeting of 2009.

APPENDIX 4-A: FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME

1. Data

Country _____
 Year of plan _____
 # of years completed _____
 # of years remaining under the plan _____
 Target ODS consumption of the preceding year _____
 Target ODS consumption of the year of plan _____
 Level of funding requested _____
 Lead implementing agency _____
 Cooperating agency(ies) _____

2. Targets

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

3. Industry Action

Sector	Consumption preceding year (1)	Consumption year of plan (2)	Reduction within year of plan (1) – (2)	Number of projects completed	Number of servicing related activities	ODS phase-out (in ODP tonnes)
Manufacturing						
Total						
Refrigeration						
Total						
Grand total						

4. Technical Assistance

Proposed Activity:
 Objective:
 Target Group:
 Impact:

5. Government Action

Policy/Activity planned	Schedule of implementation
Type of policy control on ODS import: servicing, etc.	
Public awareness	
Others	

6. **Government Action**

Activity	Planned expenditures (US \$)
Total	

7. **Administrative Fees**

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. All the monitoring activities will be coordinated and managed through the project "Monitoring and Management Unit", which is included within this TPMP.

Verification and reporting

2. In accordance to decision 45/54 (d), the Executive Committee reserves the right for independent verification in case the Executive Committee selects Lao PDR for related auditing. Based on discussion with the Lead IA, Lao PDR should select the independent organization (auditing) to carry out the verification of the TPMP results and this independent monitoring programme.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities to be specified in the project document as follows:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
- (b) Assisting the Country in preparation of the Annual Implementation Programme;
- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Annual Implementation Programme consistent with Appendix 5-A. In case the Executive Committee selects Lao PDR consistent with paragraph (d) of decision 45/54, separate funding will be provided by the Executive Committee to the Lead IA for this undertaking;

- (d) Ensuring that the achievements in previous annual implementation programmes are reflected in the future annual implementation programme;
- (e) Reporting on the implementation of the Annual Implementation Programme of 2008 and preparing for annual implementation programme for 2009 for submission to the Executive Committee.
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the Lead IA;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Providing verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets, if requested by the Executive Committee;
- (j) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$10,000 per ODP tonne of reductions in consumption not achieved in the year.
