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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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PROJECT PROPOSAL: PHILIPPINES

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

Phase-out

- National CFC phase-out plan: 2008 annual programme Sweden and World Bank

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PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Philippines

(I) PROJECT TITLE	AGENCY
CFC phase out plan	IBRD, Sweden

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2006	
CFC: 603.4	CTC: 0	Halons: 0	MB: 4.3	TCA: 0	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)							Year: 2006						
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC					681.4								681.41
CTC													0
Halons													0
Methyl Bromide										54.5	4.3		58.8
TCA													0

(IV) PROJECT DATA			2001	2002	2003	2004	2005	2006	2007	2008	2009	Total	
Maximum Allowable Consumption (ODP Tonnes)		CFC	2,049.3	2,049.3	1,960.	1,810.	1,509.	1,360.	453.	400.	300.		
	Project Costs (US\$)	IBRD	Project Costs		2,858,473.	1,877,418.	2,160,071.	2,873,197.	337,717.	110,000.			10,216,876.
Support Costs				248,663.	160,968.	186,006.	248,588.	20,795.	5,500.			870,520.	
Sweden		Project Costs		152,400.	166,134.	40,000.							358,534.
		Support Costs		11,316.	12,952.	2,000.							26,268.
Total Funds Approved in Principle (US\$)		Project Costs		3,010,873.	2,043,552.	2,200,071.	2,873,197.	337,717.	110,000.			10,575,410.	
		Support Costs		259,979.	173,920.	188,006.	248,588.	20,795.	5,500.			896,788.	
Total Funds Released by the ExCom (US\$)		Project Costs		3,010,873.	2,043,552.	2,200,071.	2,873,197.	0.	337,717.			10,465,410.	
		Support Costs		259,979.	173,920.	188,006.	248,588.	0.	20,795.			891,288.	
Total Funds Requested for Current Year (US\$)		Project Costs								110,000.		110,000.	
		Support Costs								5,500.		5,500.	

(V) SECRETARIAT'S RECOMMENDATION:	For blanket approval
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PROJECT DESCRIPTION

1. The World Bank has submitted to the 54th Meeting of the Executive Committee, on behalf of the Philippines, a document requesting the fifth and final tranche of the national CFC phase-out plan (NCP) for the Philippines, at a total cost of US \$110,000 plus agency support cost of US \$5,500. This is intended for the implementation of the NCP's 2008 annual work plan. The submission consists of:

- (a) Part I: 2007 annual programme accomplishments;
- (b) Part II: 2008 annual plan; and
- (c) Part III: Consumption verification for 2006.

Background information

2. The Philippines' national CFC phase-out plan was approved in principle at the 38th Meeting of the Executive Committee in November 2002, with a total value of US \$10,575,410 and agency support cost of US \$896,788, to phase out 2,017.6 ODP tonnes of CFCs. Its first tranche of US \$3,010,873 with agency support cost of US \$259,979 was approved at the same meeting. Subsequent tranches were approved at the 41st, 44th, 47th and 51st Meetings for a total of US \$10,465,410 plus agency support costs of US \$891,288 approved up until 2007.

3. Pursuant to the guidelines for performance-based agreements, payments for the current year will be released based on confirmation that: the agreed reductions and maximum consumption targets for the previous year have been achieved; verification that the CFC phase-out has taken place as reported; and a substantial proportion of the activities planned for the previous year were undertaken, in accordance with the annual implementation programme.

4. The maximum allowable CFC consumption level in the Philippines for 2006 was set at 1,360 ODP tonnes and 453 ODP tonnes for 2007. Verified CFC consumption based on actual import in 2006 was at the level of 603.39 ODP tonnes. The 2006 consumption was therefore 757 ODP tonnes less than the maximum allowable consumption level of 1,360 ODP tonnes. The report also included information on quotas and licenses issued for 2007 and, based on this, it is estimated that maximum CFC consumption in 2007 is projected to be 171.28 ODP tonnes, which is well below the allowable consumption of 453 ODP tonnes established by the Agreement. The actual CFC consumption level will be provided in the 2007 verification report.

5. The overall target of the government in 2007 was not to exceed the maximum ceiling allowed of 453 ODP tonnes. The government achieved this reduction by addressing the relevant ODS using sectors in previous years, and that the remaining consumption of 907 ODP tonnes was in the servicing sector, as shown below in Table 1:

Sector	ODP tonnes
Foam manufacturing	0
Refrigeration	0
Servicing sector	907
Total	907

Industry actions

6. The downward trend in the consumption of CFCs continued, driven by the regulatory climate and market trends. These include:

- (a) Strong enforcement of the licensing system and monitoring conducted by the Department of Environment and Natural Resources (DENR) and the Bureau of Customs (BOC) which limits imports through pre-set quotas;
- (b) An increasing trend in the imports of alternative substances which reduced the demand for CFCs;
- (c) Importation of CFC-12 is being allocated for the servicing sector only. Records from the DENR show that at the end of December 2007, only three importers registered for CFC-12 imports and only one of these has fully utilized the quota allocation; and
- (d) In addition, the government has also decided that no further quota will be granted to any importer who wishes to import more than their allocation for the year, even if there are unused quotas remaining.

7. The foam and refrigeration equipment manufacturing sector has eliminated its use of CFCs in the last few years. Most foam manufacturers have already switched to methylene chloride (MC), and some have stopped operations due to the economic conditions in the country.

8. The government is also implementing the MDI transition strategy through the Department of Health (DOH) and Bureau of Food and Drug (BFAD). During the reporting period, consultations were undertaken with policy makers in order to identify the obstacles during the transition period. A survey of major drugstores also revealed that non-CFC MDIs especially salbutamol are now readily available in the market. The Department of Health (DOH) Administrative Order no. 156 that specifies a ban on the importation of salbutamol MDIs containing CFC-12 by 31 December 2007 is also starting to be enforced.

Technical assistance activities

9. The NCPP includes a comprehensive technical assistance programme aimed at assisting the manufacturing and servicing sectors with the safe and sustainable phase-out of CFCs.

10. In the foam and refrigeration manufacturing sectors, monitoring and technical assistance continues to be provided to five remaining enterprises. In 2006 and 2007, some assistance was given to determine technical requirements especially for a couple of companies who converted to cyclopentane, particularly the safety issues associated with the technology.

11. The servicing sector is where the bulk of remaining ODS phase-out will have to be addressed. While training activities are in place in the sector in order to upgrade skills and raise technical standards for the sustainable recovery and recycling programme, another important activity in the sector is the implementation of the voucher system to provide tools and equipment to service shops. The programme also continues to focus efforts in coordinating certification of suppliers of tools and equipment; training and assessment (certification) of technicians, and the implementation of mandatory inspection of motor vehicles with mobile air-conditioning (MAC) systems.

12. The voucher system was launched in 2006. A total of 3,030 vouchers were to be issued nation-wide, based on data provided by the Department of Trade and Industry on the number of accredited service shops per region. In 2006 and 2007, there has been a total of 2,580 vouchers issued, 358 of these were given in 2007. The report also indicates that overall, there are still a number of grantees who have not received all the equipment allowed in the voucher as they did not meet the required conditions for payment. These are planned to be done in 2008. In addition, the government has instituted strict monitoring of the voucher grantees and developed a set of guidelines to enable this. To date, over 500 grantees from 9 regions in the country were monitored on how they complied with the terms and conditions of the grant.

13. The training component has been proceeding quite well, although some priority regions were finding difficulty in progressing with the training programmes, which required that the PMU meets with the training institutions to facilitate the process. By August 2007, 117 training institutions had trained a total of 3,412 service shop technicians nation-wide.

14. As part of the technician accreditation programme, TESDA, the institute responsible for the implementation of the assessment and technician certification, conducted a national conference to resolve the issues of slow accreditation and the problems faced by technicians. This was an important aspect in the implementation of the Administrative Order issued in July 2006 providing for the accreditation and certification of refrigeration workshops. The Administrative Order requires that a workshop must have a service technician certified by TESDA before it gets accreditation.

15. There were also many information education and communication (IEC) activities undertaken during this period aimed at the servicing sector. The report indicates that this was needed in order to push the full implementation of the voucher system and to inform the public of the new requirements for accreditation both for workshops and for service technicians.

Facilitating establishment of reclamation facility

16. The report indicates that the agreements for the establishment of the reclamation facility were finalised at the end of 2006. In mid-2007, the physical location of the reclamation facility was agreed with the proponents, however, full construction is yet to commence due to procurement issues. Activities for this component will continue in 2008.

Development and implementation of mandatory inspection of motor vehicles with MAC systems

17. The mandatory inspection of motor vehicles with MAC systems was formalised with the signing of a joint Administrative Order between the Department of Environment and the Department of Transportation and Communication (DOTC) in January 2006. This Administrative Order mandates the Land Transportation Office (LTO) to conduct mandatory inspection of air conditioned vehicles prior to registration, with a view to regulating the cars that still use CFC-MACs. The report indicates that the infrastructure for a roadside testing scheme still needs to be clearly defined as well as the institutional responsibilities to support the Administrative Order issued in 2006. In addition, the database of the Land Transportation Office that will oversee this initiative is still undergoing modification. Random emission testing carried out by the PMU staff and the LTO using refrigerant identifiers in 2007, revealed that about 50 per cent of the inspected vehicles contained contaminated refrigerants.

Audit of 2005 CFC consumption

18. As required by the Agreement in the NCPP, the Government commissioned an independent audit of CFC phase-out, covering 2006 consumption and CFC phase-out data. A copy of the report was attached to the request for release of the fifth tranche for information, and is available upon request. The consumption verified by the audit was 603.39 ODP tonnes, corresponding to the figure reported under Article 7 to the Ozone Secretariat. Achievement of the 2007 reduction target will be similarly confirmed by an audit report to accompany the 2009 annual programme.

Budget and financial performance

19. A table showing the amounts approved for the phase-out plan for the 2003 to 2007 annual programmes was included in the status report of the 2007 annual programme. Information was provided on the distribution of the approved amounts and their expenditure.

Budget and financial performance of Philippine NCPP

20. Table 2 shows the funding allocated for the manufacturing and servicing sectors under the NCPP and the actual expenditure by sector.

Sector	Allocation of approved funds (US \$)	Actual Expenditure in 2003 (US \$)	Actual Expenditure in 2004 (US \$)	Actual Expenditure in 2005 (US \$)	Actual Expenditure in 2006 (US \$)	Actual expenditure in 2007 (US \$)	Total Expenditure 2003-2007	Approved amount remaining unutilized at end 2007 (US \$)	Percentage disbursed as at Dec. 2007 (as per approved allocation)
Manufacturing	1,043,429	3,250.57	24,784.00	62,102.06	21,023.50	52,774	163,934	879,495	15
Servicing	8,156,981	36,416	114,143	918,518	2,869,254	2,018,244	5,956,575	2,200,406	73
Project Management Unit	1,265,000	151,886	202,874	101,681	226,966	192,102	827,693	390,501	61

Annual implementation programme for 2008

21. Under the 2008 annual programme, the Philippines will be limited to a maximum CFC consumption of 400 ODP tonnes requiring a net CFC phase-out of 53 ODP tonnes. This will be met through the continuous implementation of the voucher system, operationalisation of the reclamation facility and continued training of technicians.

22. A set of new activities are envisaged, as well as continuation of the activities initiated in previous years. These include:

- (a) Monitoring of grant recipients and other enterprises listed in the NCPP (foam and refrigeration enterprises) to ensure their compliance;
- (b) Intensified IEC campaign to put in place the new accreditation system for service shops;
- (c) Full implementation of the MDI transition strategy and enforcement of new regulation (administrative order);
- (d) Continued Technical assistance for MAC inspection and training as well as the development of the database of the responsible institutions;
- (e) Continued implementation of the voucher system to provide tools and equipment for proper servicing of refrigerators and air-conditioners; and
- (f) Establishment of the reclamation facility and implementation of the reclamation scheme.

23. The work plan likewise includes activities that the government would like to undertake using the flexibility mechanism for performance-based phase out plans to make use of the savings that the programme has made, particularly in the manufacturing sector. The total amount indicated for reallocation is US \$ 425,690. The activities to be covered by this are:

- (a) The development of an MIS system linking the different institutions involved in the NCPP implementation (i.e. DTI, PMU, TESDA) to monitor progress of activities;
- (b) Strengthening regional inter-agency cooperation and coordination by providing information linkages;
- (c) Additional operations support to regional EMB offices to ensure nationwide implementation of activities in the service sector;
- (d) Provision for a systems and technical audit of the voucher system; and
- (e) Strengthening linkages with local government units (LGUs)

24. The budget for the 2008 annual implementation plan is presented to include the amount requested for this tranche of US \$110,000 as well as the carry over for the previous year with activities indicated to be undertaken in 2008, as indicated in Table 3 below:

2008 activities	Budget (US \$)
Remaining obligations/activities in the manufacturing sector	879,495
Activities in the servicing sector	978,768
Reallocated funds under the flexibility mechanism for new activities in 2008 for the servicing sector	425,690
PMU	399,124
Total	2,683,077

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

25. The conditions for the release of funds for the Philippines' annual programmes are set out in paragraphs 4 and 5 above. A review of the status of implementation of the NCPP revealed that the country had achieved the reduction targets and the specified consumption limits. CFC consumption reported for 2006 is 603.39 ODP tonnes, about 757 ODP tonnes less than the maximum consumption allowable for the year, that is, 1,360 ODP tonnes. The reduction target of 149 ODP tonnes was achieved. In addition, data gathered at the end of 2007 shows that the maximum consumption for 2007 will be 171.28 ODP tonnes, which is below the required 453 ODP tonnes allowed for the year.

26. The Philippines has achieved ODS phase out in the manufacturing sector. It continues to implement activities in the servicing sector where all of the remaining CFC consumption is concentrated. There were a number of delays in project implementation especially in 2005 and

early 2006, however, the country has been able to implement its plan to catch up with these delays as shown by a number of activities and initiatives completed in 2006 and 2007.

27. The voucher system started with some delays in 2006; however, the difficulties encountered in the initial implementation have been resolved and enabled more than 80 percent of these to be issued in 2007. The Secretariat nevertheless notes that there continues to be some delay in the delivery of equipment to the voucher recipients, and is concerned how this delay in the implementation of the voucher system will impact total CFC phase-out especially in the servicing sector.

28. The Secretariat also notes that the annual plan submitted is comprehensive and provides elements that show how the activities in the servicing sector, which is one of the most difficult to phase out are being addressed. The report also shows that a number of institutional initiatives were put in place in 2006 and 2007 such as the new system for accreditation of service shops which are essential to support the phase out in this sector. This was addressed by the World Bank and the PMU in the assessment report done in 2007, to be implemented in 2008.

29. The World Bank has also indicated in the report and request for this tranche that some new activities will be implemented in 2008 in line with the flexibility mechanism utilizing funds that remained from those allocated to the manufacturing sector which has already been phased out. The activities and their objectives are clearly outlined in the plan and the Secretariat notes that most of these are necessary solutions to resolve some challenges in the service sector.

RECOMMENDATION

30. The Fund Secretariat recommends blanket approval of the project with associated support costs at the funding level shown in the table below.

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	National CFC phase-out plan: 2008 annual programme	110,000	5,500	World Bank
