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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fifth Meeting
Bangkok, 14-18 July 2008

PROJECT PROPOSAL: HONDURAS

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)

UNEP and UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Honduras

(I) PROJECT TITLE	AGENCY
CFC phase out plan	UNEP, UNIDO

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2006	
CFC: 94.7	CTC: 0	Halons: 0	MB: 284.6	TCA: 0	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)										Year: 2007			
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffina	Total Sector Consumption
				Manufacturing	Serviceing					QPS	Non QPS		
CFC					39.7								39.7
CTC													0
Halons													0
Methyl Bromide									4.2	252.4			256.6
TCA													0

(IV) PROJECT DATA			2008	2009	2010	Total
Montreal Protocol Consumption Limits		CFC	49.7	49.7		
Maximum Allowable Consumption (ODP Tonnes)		CFC	39.7	39.7		
Project Costs (US\$)	UNEP	Project Costs	146,000.	52,000.		198,000.
		Support Costs	18,980.	6,760.		25,740.
	UNIDO	Project Costs	301,000.	37,500.		338,500.
		Support Costs	22,575.	2,813.		25,388.
Total Funds Requested for Current Year (US\$)		Project Costs	447,000.			447,000.
		Support Costs	41,555.			41,555.

(V) SECRETARIAT'S RECOMMENDATION:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Honduras, UNEP, as the lead implementing agency, has submitted a terminal CFC phase-out management plan (TPMP) for consideration by the Executive Committee at its 55th Meeting. The project will also be implemented with assistance from UNIDO. The total cost of the Honduras TPMP is US \$536,500 plus agency support costs of US \$25,740 for UNEP and US \$25,388 for UNIDO. The CFC baseline for compliance is 331.6 ODP tonnes.

Background

2. In regard to the phase-out of CFCs in the refrigeration servicing sector, the Executive Committee allocated US \$354,150 to UNIDO for a refrigerant management plan (RMP) at its 28th Meeting. An additional US \$305,000 was approved for UNDP and UNEP for the RMP update at its 44th Meeting (UNEP/OzL.Pro/ExCom/44/38). Implementation of the activities in the refrigeration servicing sector resulted in the training and certification of 2,000 refrigeration service technicians in good servicing practices and recovery and recycling operations and 500 customs officers and border police officers. It also led to the establishment of 13 training centres for refrigeration technicians; the establishment of a network of 22 recovery and recycling centres and the distribution of 72 recovery machines and ancillary equipment. It has been reported that 7 ODP tonnes of CFC-12 have been recovered, as well as additional amounts of HCFC-22 and HFC-134a.

Policy and legislation

3. The legal framework governing the implementation of the Montreal Protocol in Honduras is contained in the general regulation on the use of ODS enacted in 2002. This regulation establishes, among other things, a registry of ODS importers and exporters and an ODS import and export licensing and quota system; bans on imports of CFC-based equipment and products (i.e., aerosols or halons); and training of refrigeration service technicians. The ODS licensing system has been in operation since May 2003. HCFC consumption is reported regularly.

Refrigeration servicing sector

4. Based on the survey conducted during the preparation of the TPMP, 38.5 ODP tonnes were used for the servicing of refrigeration equipment in 2007, with the following distribution: 12.0 ODP tonnes for servicing domestic refrigerators, 1.7 ODP tonnes for commercial and industrial refrigeration systems, 5.0 ODP tonnes in refrigerated containers and 19.8 ODP tonnes for MAC units. There are approximately 3,500 refrigeration technicians in the country working in 350 service workshops; 57 per cent of the technicians have received training in good servicing practices. The current average prices of refrigerants per kg are: US \$19.00 for CFC-11, US \$19.00 for CFC-12, US \$12.50 for HFC-134a, US \$7.25 for HCFC-22, and US \$22.00 for R-502.

Activities proposed in the TPMP

5. The sub-projects contained in the TPMP for Honduras include technical assistance for prevention illegal trade of CFCs; additional training programmes for the 1,500 refrigeration service technicians that have not received training through the RMP project, development of a

code of good practices, and public awareness activities; an incentive programme for conversion of domestic and industrial refrigeration systems and chillers; the establishment of four additional recovery and recycling centres; and implementation, monitoring and control activities.

6. The Government of Honduras 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

7. In 2006, the CFC consumption reported by the Government of Honduras under Article 7 of the Protocol of 94.7 ODP tonnes was already 71.1 ODP tonnes below the Protocol's maximum allowable level of consumption of 165.8 ODP tonnes for that year. In 2007, the CFC consumption reported by Government of Honduras under the progress report on the implementation of the country programme of 39.7 ODP tonnes was 10.0 ODP tonnes below the 2007 allowable level of consumption of 49.7 ODP tonnes.

8. The TPMP for Honduras was first submitted to the 53rd Meeting of the Executive Committee. Noting that at that time several of the sub-projects approved under the RMP project were still under implementation, in particular the technical assistance programme for the promotion of good practices, the recovery and recycling sub-project and the programme for certification and licensing of refrigeration technicians, the Government of Honduras agreed to withdraw the request. Since then, all the activities approved under the RMP project are being implemented and will be completed by June 2008. Of the total funding of US \$305,000 approved, US \$281,500 has been disbursed.

9. Technical issues related to the current levels of CFC consumption by type of equipment; the annual rate of discard of CFC-based refrigeration equipment; the availability of alternative refrigerants on the market and their costs; the operation modalities of the training centres that have been established through the RMP; and the sustainability of the phase-out activities post 2010 and their relationship to future additional activities to phase out HCFCs, were discussed between the Secretariat and the implementing agencies. All these issues have accordingly been addressed by the implementing agencies and incorporated in the final project proposal.

10. In the proposal submitted to the 53rd Meeting, US \$322,000 was requested for the establishment of four additional recovery and recycling centres, a new reclamation facility, an end-user incentive programme for the domestic, industrial and chiller sectors. Considering the recovery and recycling scheme that has been put in place in the country, the 13 centres for training technicians, the relatively limited amount of CFCs that can be recovered and recycled, the limited time available to achieve the complete phase-out of CFCs, and the apparent lack of drop-in refrigerants on the market, UNEP and UNIDO redesigned the project and included a broader technical assistance programme to implement cost-effective and sustainable retrofit/conversion of a selected number of CFC-based commercial refrigeration systems including refrigerated transport and MAC, the introduction of a technically viable drop-in refrigerants programme and procurement of ancillary equipment for the recovery and recycling machines currently in operation. Additionally, the TPMP will assist the Government of Honduras in establishing a pilot programme to promote the replacement of CFC-based low-energy efficient

domestic refrigerators with non-ODS based high-energy efficient units. The National Electricity Company of Honduras will provide an incentive payment in cash to end-users for the purchase of a new non-ODS based refrigerator; the end-user will provide a down payment of 20 per cent of the total cost of the unit; and the balance will be paid in quotas. At the same time, and before the appliance is dismantled, the CFC-12 charged in the system will be recovered. The cost of this technical assistance programme is US \$338,500 while the cost for the other non-investment activities of the TPMP is US \$198,000.

Agreement

11. The Government of Honduras submitted a draft agreement between the Government and the Executive Committee with the conditions for the complete phase-out of CFCs in Honduras, which is contained in the annex to the present document.

RECOMMENDATION

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

- (a) Approve, in principle, the terminal phase-out management plan for Honduras, at the amount of US \$536,500 (US \$198,000 for UNEP and US \$338,500 for UNIDO) plus agency support costs of US \$51,128 (US \$25,740 for UNEP and US \$25,388) for UNIDO;
- (b) Approve the draft agreement between the Government of Honduras and the Executive Committee for the implementation of the terminal phase-out management plan as contained in Annex I to this document;
- (c) Urge UNEP and UNIDO to take full account of the requirements of decisions 41/100 and 49/6 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)	146,000	18,980	UNEP
(b)	Terminal phase-out management plan (first tranche)	301,000	22,575	UNIDO

**DRAFT AGREEMENT BETWEEN HONDURAS 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 Honduras (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 6 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 fulfill the obligations under this Agreement. UNEP has agreed to be the lead implementing agency (the "Lead IA") and UNIDO has agreed to be cooperating implementing agency (the "Cooperating IA") under the lead of 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 Cooperating IA will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 7 and 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 and the Cooperating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating 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, CFC-115
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APPENDIX 2-A: THE TARGETS, AND FUNDING

		2008	2009	2010	Total
1	Montreal Protocol consumption limits of Annex A, Group I substances (ODP tonnes)	49.7	49.7	0.0	
2	Maximum allowable consumption of Annex A, Group I substances(ODP tonnes)	39.7	39.7	0.0	
3	New reduction under plan (ODP tonnes)	0.0	39.7	0.0	39.7
4	Lead IA agreed funding (US \$)	146,000	52,000	0	198,000
5	Cooperating IA agreed funding (US \$)	301,000	37,500	0	338,500
6	Total agreed funding (US \$)	447,000	89,500	0	536,500
7	Lead IA support costs (US \$)	18,980	6,760	0	25,740
8	Cooperating IA support cost (US \$)	22,575	2,813	0	25,388
9	Total agencies support costs (US \$)	41,555	9,573	0	51,128
10	Grand total agreed funding (US \$)	488,555	99,073	0	587,628

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 later than the second 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						

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. Annual Budget

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", within the National Ozone Unit (NOU).
2. The Lead IA will have a particularly prominent role in the monitoring arrangements because of its mandate to monitor ODS imports, whose records will be used as a crosschecking reference in all the monitoring programmes for the different projects within the terminal phase-out plan (TPMP). The Lead IA, along with the Cooperating IA will also undertake the challenging task of monitoring illegal ODS imports and exports with advisements made to the appropriate national agencies through the National Ozone Unit (NOU).

Verification and reporting

3. In accordance to decision 45/54 (d), the Executive Committee reserves the right for independent verification in case the Executive Committee selects Honduras for related auditing. Based on discussion with the Lead IA, Honduras 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 Honduras 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-5A. In case the Executive Committee selects Honduras 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) Coordinating the activities of the Cooperating IA;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (l) Providing assistance with policy, management and technical support when required.

APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will:

- (a) Provide policy development assistance when required;
- (b) Assist Honduras in the implementation and assessment of the activities funded for by the Cooperating IA; and
- (c) Provide reports to the Lead IA on these activities, for inclusion in the consolidated reports.

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.
