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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-ninth Meeting
Montreal, 15-19 April 2013

PROJECT PROPOSAL: MALDIVES

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

Phase-out

- HCFC phase-out management plan (second tranche)

UNEP/UNDP

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.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**Maldives**

(I) PROJECT TITLE	AGENCY
HCFC phase out plan	UNDP, UNEP (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2011	3.67 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2011	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-142b									
HCFC-22					3.7				3.7

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	4.60	Starting point for sustained aggregate reductions:	3.7
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	3.7	Remaining:	0

(V) BUSINESS PLAN		2012	2013	2014	2015	2016	2017	Total
UNDP	ODS phase-out (ODP tonnes)	0.0	0.1	0.0	0.0	0.0	0.0	0.1
	Funding (US \$)	0	21,500	0	0	0	0	21,500
UNEP	ODS phase-out (ODP tonnes)		0.6		0.3		0.2	1.1
	Funding (US \$)		195,942		113,746		56,500	366,188

(VI) PROJECT DATA		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits		n/a	n/a	n/a	4.60	4.60	4.14	4.14	4.14	4.14	4.14	2.99	n/a	
Maximum allowable consumption (ODP tonnes)		n/a	n/a	3.7	3.3	3.3	3.0	2.4	2.4	1.2	1.2	0.0925	n/a	
Agreed Funding (US\$)	UNDP	Project costs	400,000	0	0	20,000	0	0	0	0	0	0	420,000	
		Support costs	30,000	0	0	1,500	0	0	0	0	0	0	31,500	
	UNEP	Project costs	355,940	0	0	173,400	0	100,660	0	50,000	0	0	0	680,000
		Support costs	46,272	0	0	22,542	0	13,086	0	6,500	0	0	0	88,400
Funds approved by ExCom (US\$)	Project Costs	755,940	0	0	0	0	0	0	0	0	0	0	755,940	
	Support Costs	76,272	0	0	0	0	0	0	0	0	0	0	76,272	
Total funds requested for approval at this meeting (US\$)	Project Costs	0	0	0	193,400	0	0	0	0	0	0	0	193,400	
	Support Costs	0	0	0	24,042	0	0	0	0	0	0	0	24,042	

Secretariat's recommendation:	Blanket Approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Maldives UNEP, as the lead implementing agency, has submitted to the 69th meeting of the Executive Committee a request for funding for the second tranche of the HCFC phase-out management plan (HPMP) at a total cost of US \$217,442, consisting of US \$173,400 plus agency support costs of US \$22,542 for UNEP, and US \$20,000 plus agency support costs of US \$1,500 for UNDP. The submission includes a progress report on the implementation of the first tranche of the HPMP, and tranche implementation plans for 2013-2015.

Background

2. The HPMP for Maldives was approved by the Executive Committee at its 60th meeting for a total phase-out of HCFC consumption by 2020, with a 25 per cent servicing tail until 2025. The total funding approved in principle was US \$1,100,000, plus agency support costs of US \$119,900. Also at the 60th meeting, the Executive Committee approved the first tranche of the HPMP at a total amount of US \$755,940 plus support costs of US \$76,272, comprising US \$355,940 plus agency support costs of US \$46,272 for UNEP, and US \$400,000 plus agency support costs of US \$30,000 for UNDP for implementation of the first two years of the programme.

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

3. The following activities have been implemented during the first tranche of the HPMP under the UNEP component: the identification of officially licensed importers; training of service technicians in good servicing practice, recovery, reclamation equipment operation and use. A number of awareness and outreach activities were conducted, which included a high level launch of the HPMP, the dissemination of a publication highlighting the country's move to carbon neutrality, as well as celebrations of the 25th anniversary of the Montreal Protocol.

4. Under the specific component of promoting ozone-climate co-benefits which is being coordinated by UNEP under the HPMP with co-financing from the Government, a number of activities have been implemented including the finalization of a project proposal with bilateral assistance from the Government of India of US \$500,000 for implementation of the Integrated Standards and Labelling Programme (ISLP) and Framework for Efficient and Low HCFC Economic Development (FELHED) components; demonstration of equipment using hydrocarbons through workshops and training; and the organisation of a virtual technology conference and industry round table promoting climate friendly alternatives.

5. With regard to the investment component being implemented by UNDP, the activities undertaken included the signature of the Letter of Agreement between UNDP and the Government of Maldives, finalization of specifications for the recovery and reclamation equipment required for the project as well as a call for bids. The report indicated that the bidding process is still on-going and is expected to be completed by the second quarter of 2013. Work had also progressed on the pilot retrofit incentive scheme. Given the high levels of consumption of HCFCs in fisheries sector, the pilot retrofit incentive scheme was designed to initially target fisheries vessels and storage facilities using HCFC-22 in the fishing industry. Detailed consultations were held with Ministry of Fisheries and Agriculture (MoFA) and National Ozone Unit in 2011.

Level of funding disbursement

6. As of December 2012, of the US \$755,940 in funds approved for the first tranche, US \$342,780 had been disbursed or committed. Out of these, UNEP had disbursed US \$299,738 and UNDP had disbursed US \$43,042. The balance of US \$413,160 is mostly obligated, and will be disbursed in 2013.

Annual plans for the second tranche of the HPMP

7. The main activities to be implemented between 2013 and 2015 include:
- (a) The HCFC phase-out policies and enforcement component will undertake to:
 - (i) Strengthen the licensing and quota system in order to prevent unauthorized import and facilitate speedy processing of legal import of HCFCs;
 - (ii) Enforce a ban on HCFC-based equipment by June 2014, if achievable, but not later than 2015;
 - (iii) Initiate activities to introduce a “high green environmental taxation” system as soon as possible;
 - (iv) Enforce the mandatory reporting by importers for cross-checking and verification;
 - (v) Establish standards for introduction of new appliances;
 - (vi) Continue capacity building workshops for enforcement officers.
 - (b) Awareness and outreach will be enhanced by designing and updating the communication strategy for HCFC phase-out with capacity building and partnership with the media, training of local authorities to raise awareness on HCFC phase-out and energy efficiency, and a capacity building programme aimed at retailers and distributors;
 - (c) A plan for gradual reduction of HCFC consumption will be put in place by synchronising HCFC phase-out activities with ISO 14001 standardisation process and establishing policy instruments for servicing sector for good practices;
 - (d) Implementation of the incentive scheme for the servicing sector with priority on the fisheries sector will continue, as well as the recovery and reclamation programme as the equipment will be available for use by stakeholders;
 - (e) The promotion of ozone climate co-benefits will continue to be funded through co-financing. During this period, the implementation of the proposal for funding by the Government of India will be implemented. Funding under GEF will also be explored.

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

Operational licensing system

8. In line with decision 63/17, the Government of the Maldives through an official communication received by the Secretariat confirmed that an enforceable system of licensing and quotas for HCFC imports and exports is in place and the system is capable of ensuring the country's compliance with the HCFC phase-out schedule.

HCFC consumption

9. The HCFC baseline for compliance has been established at 4.6 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. At the 60th meeting, because of the country's request for an accelerated phase-out in its HPMP, the Government of Maldives agreed to establish its starting point for aggregate reduction in HCFC consumption based on its 2008 consumption of 3.7 ODP tonnes, which is 0.9 ODP tonnes lower than the established baseline. This approach was consistent with decision 60/44(c) and (d).

Table 1: HCFC consumption 2007 to 2011 as reported under Article 7

HCFCs	2007		2008		2009		2010		2011	
	ODP	MT	ODP	MT	ODP	MT	ODP	MT	ODP	MT
HCFC-22	4.4	79.91	3.70	67.42	5.02	91.36	2.70	49.09	3.67	66.65
HCFC-141B			0.02	0.23	0.04	0.34	1.33	12.09		
Total	4.4	79.91	3.72	67.65	5.06	91.7	4.0	61.2	3.67	66.65

10. Between 2008 and 2011, the HCFC consumption in the Maldives was fluctuating, increasing in 2009 while decreasing the two years following. The latest reported consumption (2011) is at the same level as the starting point. The increase in consumption in 2009 was explained as normal taking into account that the HPMP was formally launched only in 2011. After the HPMP launch, the Government imposed strict regulations on importers that resulted in a reduction of the HCFC consumption in the two years that followed. Considering this consumption trend, the Maldives is on its way to meet the freeze target in 2013.

Review of the 2010-2012 progress report submitted by UNEP

11. The Secretariat asked UNEP to provide more details on the results achieved by the activities initiated during the first tranche, in relation to HCFC policy, enhanced awareness raising, etc, and how these would contribute to meeting the country's obligations under the Montreal Protocol. UNEP indicated that the Government has now issued a ban on the import of HCFC-based equipment which will commence on 5 June 2014. This, along with the trainings already held, and the engagement of high level officials and other stakeholders in the Maldives will enable the country to meet the challenging phase-out targets set earlier than the Montreal Protocol schedule.

12. With regard to the investment component, the Secretariat drew UNEP's attention to the fact that a total of US \$400,000 was approved for UNDP to implement the reclamation and retrofit programmes under the first tranche, which has to be completed during the first five years of implementation (2010-2014) to effectively support the accelerated phase-out in Maldives. It had several observations on the progress made in the implementation of the activities, particularly the bidding process for the equipment and whether the delays in the purchase would cause subsequent interruptions in carrying out the work under this component. UNEP, on behalf of UNDP, clarified that this component is an integral part of the HPMP, and that this tranche, although quite small, is needed to ensure that activities for the component are completed in a comprehensive manner. UNEP also confirmed that activities are now on track and will not impact the country's compliance.

13. The Secretariat also drew UNEP's attention to the number of activities undertaken under the component for promotion of ozone-climate co-benefits, which would be funded outside the HPMP. It sought clarification on the status of co-financing that had been mobilized and how soon this would be implemented, and asked UNEP to provide information on the extent to which these would affect the overall objective of the HPMP, and support the aim of the country for an accelerated HCFC phase-out.

UNEP clarified that the proposal with bilateral assistance from the Government of India has been submitted and is only awaiting approval.

14. The Secretariat appreciated UNEP's efforts to obtain additional funding to maximize climate benefits but, given the accelerated phase-out schedule in Maldives, requested UNEP to indicate the expected time for the mobilization of the additional funding from sources other than the Government of India that had been indicated in the report (i.e. GEF, South Asian Association for Regional Cooperation (SAARC)). UNEP explained that the other funding would depend on the initial approval for the bilateral proposal as indicated above. Efforts are also being done to link the HPMP activities with a UNEP project under GEF-6 on policy and regulatory work on energy issues. For this tranche, UNEP envisaged around US \$500,000 from other funding sources to implement these components.

Work Plan 2013-2015

15. In reviewing the work plan submitted jointly by UNEP and UNDP, the Secretariat noted several issues particularly relating to the investment component, and asked for an explanation about the technologies selected for the different type of retrofits and cost per kilogram; the methodology for the delivery of incentives to end-users; and a revised timeline and date of completion (if applicable). UNDP through UNEP explained that the technology options being considered are those with low and zero global-warming potential (GWP) to help the country achieve its dual objectives of ODS phase-out and carbon neutrality. For the refrigeration sector, hydrocarbons are being explored and some potential non-in-kind technologies. It further clarified that the end-user incentive programme follows a predetermined criteria in consultation with the users and the Government.

16. In addition, the Secretariat asked UNDP to justify the request for the second (and final) tranche for the investment component. While the Secretariat appreciated the significance and the complexities involved in the implementation of this component, given the level of progress and disbursement, it noted that the request for the final tranche of US \$20,000 may not be needed as there seemed to be sufficient funds from the first tranche to undertake the planned activities. UNDP through UNEP reiterated that in order to fully implement the investment component as an integral feature of the HPMP, this final tranche of the investment component is needed and should be approved with the request for the second tranche of the HPMP. UNEP further added that as the requirement for the consideration of a second tranche is a disbursement of at least 20 per cent from the first tranche, the current request should be allowed as overall disbursement for the Maldives HPMP had reached 45 per cent. The Secretariat noted that overall the project had met the 20 per cent disbursement requirement for the release of the second tranche.

17. The Secretariat also requested UNEP to include in the funding and activity table those activities from the first tranche that will be implemented in 2013, as well as the corresponding budget. This table was revised and provided to the Secretariat.

Revision to the HPMP Agreement

18. The HPMP for Maldives was approved prior to the establishment of the HCFC baseline for compliance. Based on the data reported by the Government of Maldives under Article 7 and its accelerated phase-out schedule, Appendix 2-A ("The targets, and funding") to the Agreement with the figures for the Montreal Protocol reduction schedule has been updated, and a new paragraph added to indicate that the updated Agreement supersedes that reached at the 60th meeting, as shown in Annex I to the present document. The full revised Agreement will be appended to the final report of the 69th meeting.

RECOMMENDATION

19. The Fund Secretariat recommends that the Executive Committee notes:

- (a) The progress report on the implementation of the first tranche of the HCFC phase-out management plan of (HPMP) in Maldives;
- (b) That the Fund Secretariat has updated Appendix 2-A of the Agreement between the Government of Maldives and the Executive Committee, based on the established HCFC baseline for compliance, and that a new paragraph 16 has been added to indicate that the updated Agreement supersedes the Agreement reached at the 60th meeting, as shown in Annex I to the present document.

20. The Secretariat recommends blanket approval of the second tranche of stage I of the HPMP for Maldives, and the corresponding 2013 to 2015 tranche implementation plans, with associated support costs at the funding level shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (second tranche)	173,400	22,542	UNEP
(b)	HCFC phase-out management plan (second tranche)	20,000	1,500	UNDP

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF MALDIVES AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

16. This updated Agreement supersedes the Agreement reached between the Government of Maldives and the Executive Committee at the 60th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Parameter/Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	4.6	4.6	4.6	4.6	4.1	4.1	4.1	4.1	4.1	2.9	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	3.7	3.7	3.3	3.3	3.0	2.4	2.4	1.2	1.2	0.0925	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	355,940	0	0	173,400	0	100,660	0	50,000	0	0	0	680,000
2.2	Support costs for Lead IA (US \$)	46,272	0	0	22,542	0	13,086	0	6,500	0	0	0	88,400
2.3	Cooperating IA (UNDP) agreed funding (US \$)	400,000	0	0	20,000	0	0	0	0	0	0	0	420,000
2.4	Support costs for Cooperating IA (US \$)	30,000	0	0	1,500	0	0	0	0	0	0	0	31,500
3.1	Total agreed funding (US \$)	755,940	0	0	193,400	0	100,660	0	50,000	0	0	0	1,100,000
3.2	Total support costs (US \$)	76,272	0	0	24,042	0	13,086	0	6,500	0	0	0	119,900
3.3	Total agreed costs (US \$)	832,212	0	0	217,442	0	113,746	0	56,500	0	0	0	1,219,900
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)												3.7
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)												0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)												0.0925
