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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-second Meeting
Montreal, 12-16 May 2014

PROJECT PROPOSAL: AFGHANISTAN

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

Phase-out

- HCFC phase-out management plan (stage I, second tranche) UNEP and Germany

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Afghanistan

| | |
|--|----------------------|
| (I) PROJECT TITLE | AGENCY |
| HCFC phase-out management plan (stage I, second tranche) | Germany, UNEP (lead) |

| | | |
|-----------------------------------|------------|--------------------|
| (II) LATEST ARTICLE 7 DATA | Year: 2012 | 17.34 (ODP tonnes) |
|-----------------------------------|------------|--------------------|

| (III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes) | | | | | | | Year: 2012 | | |
|--|---------|------|---------------|---------------|------------|---------|-------------------|---------|--------------------------|
| Chemical | Aerosol | Foam | Fire fighting | Refrigeration | | Solvent | Process agent | Lab use | Total sector consumption |
| | | | | Manufacturing | Serviceing | | | | |
| HCFC-123 | | | | | | | | | |
| HCFC-124 | | | | | | | | | |
| HCFC-141b | | | | | | | | | |
| HCFC-142b | | | | | | | | | |
| HCFC-22 | | | | | 17.34 | | | | 17.34 |

| (IV) CONSUMPTION DATA (ODP tonnes) | | | |
|--|-------|--|-------|
| 2009 - 2010 baseline: | 23.80 | Starting point for sustained aggregate reductions: | 23.80 |
| CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes) | | | |
| Already approved: | 8.33 | Remaining: | 15.47 |

| (V) BUSINESS PLAN | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|--------------------------|----------------------------|---------|------|------|---------|------|------|--------|---------|
| Germany | ODS phase-out (ODP tonnes) | 1.01 | 0 | 0 | 1.00 | 0 | 0 | 0.34 | 2.35 |
| | Funding (US \$) | 94,920 | 0 | 0 | 93,790 | 0 | 0 | 31,952 | 220,662 |
| UNEP | ODS phase-out (ODP tonnes) | 1.42 | 0 | 0 | 1.45 | 0 | 0 | 0.49 | 3.36 |
| | Funding (US \$) | 133,340 | 0 | 0 | 135,600 | 0 | 0 | 46,132 | 315,072 |

| (VI) PROJECT DATA | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|--|---------------|---------------|---------|---------|---------|-------|---------|-------|-------|-------|--------|---------|
| Montreal Protocol consumption limits | | | | 23.8 | 23.8 | 21.42 | 21.42 | 21.42 | 21.42 | 21.42 | 15.47 | n/a |
| Maximum allowable consumption (ODP tonnes) | | | | 23.8 | 23.8 | 21.42 | 21.42 | 21.42 | 21.42 | 21.42 | 15.47 | n/a |
| Agreed funding (US \$) | UNEP | Project costs | 120,000 | | 118,000 | | 120,000 | | | | 40,825 | 398,825 |
| | | Support costs | 15,600 | | 15,340 | | 15,600 | | | | 5,307 | 51,847 |
| | Germany | Project costs | 85,000 | | 84,000 | | 83,000 | | | | 28,276 | 280,276 |
| | | Support costs | 11,050 | | 10,920 | | 10,790 | | | | 3,676 | 36,436 |
| Funds approved by ExCom (US \$) | Project costs | 205,000 | | 0 | | | | | | | | 205,000 |
| | Support costs | 26,650 | | 0 | | | | | | | | 26,650 |
| Total funds requested for approval at this meeting (US \$) | Project costs | 0 | | 202,000 | | | | | | | | 202,000 |
| | Support costs | 0 | | 26,260 | | | | | | | | 26,260 |

| | |
|--------------------------------------|----------------------|
| Secretariat's recommendation: | For blanket approval |
|--------------------------------------|----------------------|

PROJECT DESCRIPTION

1. On behalf of the Government of Afghanistan, UNEP as the lead implementing agency, has submitted to the 72nd meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP)¹ at the amount of US \$228,260, consisting of US \$118,000 plus agency support costs of US \$15,340 for UNEP, and US \$84,000 plus agency support costs of US \$10,920 for the Government of Germany. The submission includes a progress report on the implementation of the first tranche of the HPMP and tranche implementation plans for the period of 2014-2017.

Licensing and quota system

2. Afghanistan started the enforcement of HCFC quota as of January 2013. A Committee was established in April 2012 for quota allocation and 110 metric tonnes (mt) (6.05 ODP tonnes) were issued to five importers in 2013. The 2014 quota will be below the maximum allowable level of consumption indicated in the Agreement. As of April 2014, total amount of imports requested by all importers is 135 mt (7.43 ODP tonnes).

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

3. The following non-investment activities had been implemented during the first tranche of the HPMP:

- (a) An amendment to the Regulations on Controlling Materials Destructive to the Ozone Layer was drafted to include a ban on import of HCFC-based equipment from January 2015. The amendment also simplified the procedure for quota management to improve efficiency;
- (b) Ten workshops were organized and 465 customs officers and 50 government officials were trained on import control. Eighteen refrigerant identifiers were provided to three customs posts where ODS trades are concentrated;
- (c) Training of trainers was organized and 30 technicians were trained by an international consultant in good servicing practices. Some of the trained technicians will perform as trainers in subsequent training planned in the HPMP; and
- (d) A survey was conducted on the servicing workshops to map out consumption. A database was developed to register 271 workshops and collect information on location, consumption, number of technicians, and suppliers of HCFC-22.

4. For the investment component, design documents and specifications of equipment were developed for reclamation centres, and for a demonstration project for conversion of HCFC-22 to non-HCFC technology at Qasri Yakh. However, due to a lack of response from Qasri Yakh, the demonstration could not proceed; accordingly the Government of Germany suggested a cancellation of the demonstration project.

¹ The HPMP for Afghanistan was approved by the Executive Committee at its 63rd meeting to reduce HCFC consumption by 35 per cent of the baseline by 1 January 2020.

Level of disbursement

5. As of February 2014, of the US \$205,000 in funds approved for the first tranche, US \$103,000 (50.2 per cent) had been disbursed and US \$22,000 had been committed. The balance of US \$80,000 will be used during the implementation of the second tranche.

Annual plans for the second tranche of the HPMP

6. The main activities to be implemented between 2014 and 2017 include:
- (a) Continuation of enforcement of the licensing and quota system; two training workshops for 60 customs officers; and provision of five refrigerant identifiers (US \$13,000 by UNEP);
 - (b) Four training workshops to train 160 technicians on good servicing practices; and provision of tools and recovery and recycling equipment (two sets) (US \$55,000 by UNEP);
 - (c) Establishment of the National Refrigerant Management Competence Centre (RMCC) on refrigerant reclamation including provision of equipment and training in refrigerant recovery and reclamation; and training and demonstration for conversion of manufacturing of refrigeration equipment (US \$84,000 by the Government of Germany);
 - (d) Development and distribution of awareness material and conducting outreach activities (US \$14,000 by UNEP); and
 - (e) Project monitoring and co-ordination and annual verification of achievements for 2013 (US \$36,000 by UNEP).

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**Operational licensing system

7. In line with decision 63/17, the Government of Afghanistan confirmed through an official communication that an enforceable national system of licensing and quotas for HCFC import and export is in place and the system is capable of maintaining the country's compliance with the Montreal Protocol HCFC phase-out schedule.

8. While a letter of confirmation was provided by the Government to ensure compliance, the Secretariat noted that the total quota of 110 mt issued to five importers in 2013 is much lower than the baseline (432.7 mt) and further enquired about the scope of licensing and quota system and its enforcement. UNEP explained that 2013 was the first year of issuing HCFC quotas. Currently eight importers have been identified and included in the licensing system, seven in the capital of Kabul and one in the western province of Herat. The national ozone unit (NOU) will continue to identify non-licensed importers in another four cities and include them into the licensing system. Although the regulations cover all HCFC importers, enforcement of licensing and quotas face substantial challenges due to porous borders in the West and South-east regions, compounded by heightened security issues. Non-licensed imports especially by institutions and individuals for their private use are very difficult to detect. Notwithstanding the on-going security issues and challenges in governance, the Government is making steady progress towards a functioning system of HCFC control. The NOU has trained a large number of

customs officers and provided them with refrigerant identifiers, and has been working closely with servicing workshops to monitor consumption and identify non-licensed importers. Official letters have been sent to Government institutions and other independent bodies (banks, security companies) requesting them to use refrigerants supplied by licensed importers. The registered importers are also cooperating with the NOU to identify illegal importers based on their market knowledge. With the support of other governmental agencies as well as key stakeholders, the enforcement of licensing and quotas is continuously being improved.

9. The Secretariat enquired about how the Article 7 data was collected and to what extent it reflected the real HCFC consumption in the country. UNEP explained that the Article 7 data included all recorded HCFC imports. The NOU established the reported data based on the import data collected by the Afghanistan Customs Department (ACD). The NOU also carried out surveys on servicing workshops in the capital city, which comprises 33 per cent of the total workshops in the country, to cross-check the import data and, thus, the consumption. The NOU believes the Article 7 data included the complete HCFC consumption of the country. The NOU will continue the current approach for data collection until all the importers are included into the licensing system.

HCFC consumption and verification of 2013 compliance

10. The HCFC-22 consumption from 2008 to 2013 is shown in Table 1. The HCFC baseline for compliance has been established at 23.8 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. The established baseline was 0.5 ODP tonne higher than that estimated when the HPMP for Afghanistan was approved, because the 2010 actual import was 0.42 ODP tonne higher than the estimated amount, and 0.5 ODP tonne of recycled HCFC-22 was also imported which was included as consumption according to decision IV/24 of the Meeting of the Parties². The starting point will therefore be adjusted based on the established baseline, without any funding implications to the Multilateral Fund.

Table 1. HCFC-22 consumption (2008-2012 Article 7 data, 2013 estimated)

| Year | 2008 | 2009 | 2010* | 2011 | 2012 | 2013** | Baseline |
|-------|-------|-------|-------|--------|--------|--------|----------|
| mt | 143.0 | 403.5 | 452.0 | 437.06 | 315.22 | 321.10 | 432.7 |
| ODP t | 7.9 | 22.2 | 24.9 | 24.04 | 17.34 | 17.66 | 23.8 |

*Does not include the imports of recycled HCFC-22 (0.5 ODP tonnes).

**Estimated.

11. In response to a Secretariat's question on the decrease of consumption in 2012, UNEP explained that the decrease was mainly related to the announcement of the withdrawal of the international troops which had a negative impact on major investments from the private sector as well as construction of new dwellings, which in turn reduced the installation of refrigeration and air-conditioning equipment. In addition many projects supported by the international rehabilitation efforts were terminated or finished, which lead to a reduced use of HCFCs.

12. Afghanistan, as a non-low-volume-consuming country, is subjected to an annual verification. The Secretariat noted that a verification report has not been included in the submission and sought clarifications on the 2013 consumption and prospect of compliance with the freeze target. UNEP explained that the actual consumption in 2013 is expected to be higher than the issued quota of 110 mt due to some non-licensed imports outside of the quota, but it is expected to be well below the baseline due to the decline in economic activities. Based on the preliminary data, the estimated 2013 consumption is approximately 321.1 mt and the country appears to be in compliance. The NOU will conduct another servicing sector survey in 2014 to cross-check the customs data, using information such as the

² Decision IV/24 of the Meeting of the Parties states "that not to take into account, for calculating consumption, the import and export of recycled and used controlled substances (except when calculating the base year consumption under paragraph 1 of Article 5 of the Protocol), provided that data on such imports and exports are subject to reporting under Article 7".

consumption in each workshop and the number of ODS equipment imported into the country. The cross-checked data will provide a better understanding of the HCFC consumption and thus facilitate establishment of the figures for reporting. Noting that UNEP will only submit the verification report in July 2014, the Secretariat recommends in the decision text that funding approved for the second tranche will not be transferred to UNEP until the verification report is received confirming that Afghanistan is in compliance with the Montreal Protocol in 2013.

Review of the 2011-2012 progress report

13. The Secretariat noted in total, US \$14,392 was approved for the demonstration project at Qasri Yakh. The design and specification of equipment was developed (at a cost of US \$5,000) before the project was cancelled. On this basis, the remaining funding (US \$9,392) would have to be returned. The Government of Germany explained that the consumption in the manufacturing sub-sector is growing and enterprises in this sub-sector need assistance to phase out HCFC-22. The Government of Germany suggested to wait until the security situation improved and to implement this component in Kabul by providing training and equipment. The implementation of this component will facilitate the manufacturing enterprises to switch from HCFC-22 to ODS-free alternatives.

Work plan 2014-2017

14. After reviewing the work plan, the Secretariat queried how the implementation of the second tranche can proceed given the on-going security issues in Afghanistan. It was informed that the NOU is able to implement activities on the ground with the assistance of UNEP. For the investment component, the Government of Germany will procure and deliver the equipment for the reclamation centre and for the conversion of manufacturing to Kabul based on the design document developed in the first tranche. An international consultant will be employed to establish the reclamation centre and to conduct associated training for technicians. The consultant will be administered by UNEP and protected by the security measures provided by the United Nations. Based on this arrangement, the activities planned in the second tranche can be implemented.

Revision to the Agreement of the HPMP

15. The HPMP for Afghanistan was approved prior to the establishment of the HCFC baseline for compliance. Accordingly, in approving the HPMP the Executive Committee requested the Secretariat to, *inter alia*, update Appendix 2-A (“The targets, and funding”) to the Agreement with the figures for the maximum allowable consumption, and to notify the Committee of the resulting levels accordingly (decision 63/52(d)). Based on the data reported by the Government of Afghanistan under Article 7 and its revised phase-out schedule, the relevant paragraph and appendices of the Agreement have been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 63rd meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 72nd meeting.

Conclusion

16. The Secretariat noted that, despite the various challenges in the country, the implementation of the first tranche was progressing steadily, in particular the non-investment components implemented by UNEP. Trainers have been trained to provide further training for customs officers and technicians. HCFC-related issues are being integrated into the curriculum of professional training institutions. This allows training of HCFC-related issues to be conducted on a regular basis as a part of professional training.

17. The activities planned in the HPMP have been sufficiently implemented given the circumstances of the country. The Secretariat particularly notices the substantial efforts of the NOU to map every single workshop and its consumption by means of detailed annual surveys. Notwithstanding the challenges facing the country, the Government has confirmed that the licensing and quota system is in place, and its commitment to compliance, and is making steady progress towards full control of HCFC imports. The Secretariat has the impression that, under the prevailing circumstances, the approach taken by the NOU is suitable to ensure a certain level of import control and to broaden the effectiveness of the controls over time. As a consequence, the Secretariat recommends approval of the second tranche as contained in the recommendation.

RECOMMENDATION

18. The Fund Secretariat recommends the Executive Committee:

- (a) Takes note of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in Afghanistan;
- (b) Notes that the Fund Secretariat had updated paragraph 1, Appendices 1-A and 2-A of the Agreement between the Government of Afghanistan and the Executive Committee, based on the established HCFC baseline for compliance, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 63rd meeting, as contained in Annex I to the present document; and
- (c) Further notes that the revised starting point for sustained aggregate reduction in HCFC consumption was 23.8 ODP tonnes, calculated using the average of 22.2 ODP tonnes of consumption for 2009 and 25.4 ODP tonnes of consumption (consisting of 24.9 ODP tonnes of virgin HCFC-22 and 0.5 ODP tonnes of recycled HCFC-22) for 2010, reported under Article 7 of the Montreal Protocol;

19. The Fund Secretariat further recommends blanket approval of the second tranche of stage I of the HPMP for Afghanistan, and the corresponding 2014-2017 tranche implementation plans, with associated support costs at the funding levels shown in the table below, on the understanding that the approved funds will not be transferred to UNEP until the Secretariat has received a verification report confirming that in 2013 the Government of Afghanistan was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee.

| | Project title | Project funding (US \$) | Support cost (US \$) | Implementing agency |
|-----|--|------------------------------------|---------------------------------|--------------------------------|
| (a) | HCFC phase-out management plan (stage I, second tranche) | 118,000 | 15,340 | UNEP |
| (b) | HCFC phase-out management plan (stage I, second tranche) | 84,000 | 10,920 | Germany |

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN 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)

1. This Agreement represents the understanding of the Government of the Islamic Republic of Afghanistan (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of **15.47** ODP tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of the Islamic Republic of Afghanistan and the Executive Committee at the 63rd meeting of the Executive Committee.

APPENDIX 1-A: THE SUBSTANCES

| Substance | Annex | Group | Starting point for aggregate reductions in consumption (ODP tonnes) |
|-----------|-------|-------|---|
| HCFC-22 | C | I | 23.80 |

APPENDIX 2-A: THE TARGETS, AND FUNDING

| Row | Parameter/Year | 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) | | | 23.80 | 23.80 | 21.42 | 21.42 | 21.42 | 21.42 | 21.42 | 15.47 | n/a |
| 1.2 | Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes) | | | 23.80 | 23.80 | 21.42 | 21.42 | 21.42 | 21.42 | 21.42 | 15.47 | n/a |
| 2.1 | Lead IA (UNEP) agreed funding (US \$) | 120,000 | | | 118,000 | | | 120,000 | | | 40,825 | 398,825 |
| 2.2 | Support costs for Lead IA (US \$) | 15,600 | | | 15,340 | | | 15,600 | | | 5,307 | 51,847 |
| 2.3 | Cooperating IA (Germany) agreed funding (US \$) | 85,000 | | | 84,000 | | | 83,000 | | | 28,276 | 280,276 |
| 2.4 | Support costs for cooperating IA (US \$) | 11,050 | | | 10,920 | | | 10,790 | | | 3,676 | 36,436 |
| 3.1 | Total agreed funding (US \$) | 205,000 | | | 202,000 | | | 203,000 | | | 69,101 | 679,101 |
| 3.2 | Total support costs (US \$) | 26,650 | | | 26,260 | | | 26,390 | | | 8,983 | 88,283 |
| 3.3 | Total agreed costs (US \$) | 231,650 | | | 228,260 | | | 229,390 | | | 78,084 | 767,384 |
| 4.1.1 | Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes) | | | | | | | | | | | 8.33 |
| 4.1.2 | Phase-out of HCFC-22 to be achieved through previously approved projects (ODP tonnes) | | | | | | | | | | | 0 |
| 4.1.3 | Remaining eligible consumption of HCFC-22 (ODP tonnes) | | | | | | | | | | | 15.47 |
