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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

PROJECT PROPOSAL: CHINA

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, refrigeration servicing sector and the national enabling programme, fourth tranche)

UNEP and Japan

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

China

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (stage I) servicing Sector, including enabling	Japan, UNEP (lead)	64 th	10% by 2015

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	15,757.87 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123				11.7	8.5				20.2
HCFC-124					2.6				2.6
HCFC-141b	48.6	5,097.2				465.3			5,611.1
HCFC-142b		732.2		6.5	96.9				835.6
HCFC-22	89.2	1,644.5		5,996.1	2,995.7				10,725.5
HCFC-225ca						0.7			0.7

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	19,269.0	Starting point for sustained aggregate reductions:	18,865.44
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	3,445.19	Remaining:	15,420.25

(V) BUSINESS PLAN		2015	Total
Japan	ODS phase-out (ODP tonnes)	2.0	2.0
	Funding (US \$)	180,800	180,800
UNEP	ODS phase-out (ODP tonnes)	24.7	24.7
	Funding (US \$)	2,178,229	2,178,229

(VI) PROJECT DATA			2011	2012	2013	2014*	2015	Total
Montreal Protocol consumption limits			n/a	n/a	19,269.0	19,269.0	17,342.1	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	18,865.4	18,865.4	16,978.9	n/a
Agreed funding (US \$)	Japan	Project costs	80,000	80,000	80,000	80,000	80,000	400,000
		Support costs	10,400	10,400	10,400	10,400	10,400	52,000
	UNEP	Project costs	1,579,000	598,000	1,104,000	1,173,000	786,000	5,240,000
		Support costs	176,703	66,921	123,547	131,269	87,960	586,400
Funds approved by ExCom (US \$)	Project costs		1,659,000	678,000	1,184,000	0	0	3,521,000
	Support costs		187,103	77,321	133,947	0	0	398,371
Total funds requested for approval at this meeting (US \$)	Project costs		0	0	0	1,253,000	0	1,253,000
	Support costs		0	0	0	141,669	0	141,669

*Deferred from the 73rd meeting.

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. At the 73rd meeting, the lead implementing agency for each sector plan, on behalf of the Government of China, had submitted requests for funding for the fourth tranche of stage I of the HCFC phase-out management plan (HPMP)¹. The component on the refrigeration servicing sector plan and the national enabling programme, submitted by UNEP, had been deferred by the Executive Committee for consideration to the 74th meeting, because the third tranche had not met the 20 per cent disbursement requirement for approval².

2. Accordingly on behalf of the Government of China, UNEP has submitted for consideration of the 74th meeting of the Executive Committee, the request for funding for the fourth tranche of the refrigeration servicing sector plan and the national enabling programme at a total cost of US \$1,394,669, consisting of US \$1,173,000, plus agency support costs of US \$131,269 for UNEP, and US \$80,000, plus agency support costs of US \$10,400 for the Government of Japan. The submission includes a progress report on the implementation of the third tranche of the HPMP and the tranche implementation plan for 2015.

Progress report on the implementation of the third tranche

3. The following activities have been implemented since the approval of the previous tranche:
- (a) A national and regional network of servicing training institutes comprising six training centres was established, and contracts between FECO/MEP and each training institutes were signed in June 2014. UNEP's regional training material on servicing good practice was disseminated to the training centres. The training institutes and qualified trainees had been certified by FECO/MEP and UNEP. Each institute has formulated its own training plan as per guidance from FECO/MEP and equipment procurement plan (the training equipment package contains leak detectors, recovery and recycling machines, scales, and some service tools);
 - (b) Under the Shenzhen demonstration project³, the following activities were completed:
 - (i) Establishment of the Shenzhen Vocational Training College as the training institute, and preparation of an eight-hour training programme for implementation, under supervision of the Shenzhen Environmental Protection Bureau (EPB);
 - (ii) Analysis of the survey of the local refrigerant servicing market as inputs for the development of a strategy for the refrigeration servicing sector. The survey covered 2,100 entities in total, including industrial and commercial refrigeration and air conditioning manufactures, retailers, customers, and service workshops, and provided strong support for the policy development on the management of HCFCs in the local servicing sector;

¹ UNDP, UNEP, UNIDO and the World Bank, as the lead implementing agencies for the industrial and commercial refrigeration and air conditioning (ICR) (UNDP), refrigeration servicing (UNEP), extruded polystyrene (XPS) foam, room air-conditioner manufacturing (RAC) (UNIDO), and polyurethane (PU) foam (World Bank) sectors (UNEP/OzL.Pro/ExCom/73/35).

² UNEP explained that there had been delays in signing the amendment to the cooperation agreement with the Foreign Economic Cooperation Office of the Ministry of Environmental Protection (FECO/MEP) of China, but that it had been signed in October 2014, and US \$360,000 from the third tranche had been disbursed in that same month.

³ The purpose of the demonstration projects is to test the feasibility and validity of policy measures, technical approaches, and management modality, and identify the cost effectiveness of related activities. The experiences and lessons obtained from the demonstration project are expected to be a reference to formulate the detailed rules corresponding to the ODS management regulation. If the demonstration project is successful, Shenzhen would also play a role of leadership in encouraging other cities to take similar actions as soon as possible.

- (iii) Publication of the revised qualification certification examination outline which includes the good practice requirements and examination database of refrigeration servicing technician. The database has been implemented by the Shenzhen Bureau of Human Resource since April 2014, and by the end of December 2014, over 360 technicians have been registered;
- (iv) Replication of the results of some activities in the Shenzhen province with the Sichuan and Tianjin local EPBs. Further to a visit to the ODS recycling centre in Shenzhen in April 2014 Shanghai EPB is considering adopting a similar management measure for servicing technicians and workshops. A national experience sharing workshop is planned for 2015;
- (c) A partnership agreement between the General Administration of China Customs (GACC) and the FECO/MEP was signed in September 2014. Capacity building activities for four customs branches in Huangpu, Shanghai, Ningbo, and Urumqi was completed by the end of 2014 with a series of training courses held at each branch. Ten more custom branches were identified. Memorandum of Understanding was signed between FECO/MEP and the Anti-smuggling Bureau of GACC in November 2014;
- (d) To strengthen the ODS import and export management, the national online ODS import and export management system was updated and came into operation on 1 January 2014. After upgrading the system, the clearance data from Customs is able to return to the system within two hours after submission of clearance request (i.e., real-time data exchange). The updated system has enabled the processing of a large batch (2,413) of export applications from January to August 2014;
- (e) The ODS Import and Export Management Office has been enforcing the licensing/quota system for the ODS import/export of China, and joined the voluntary informal Prior Informed Consent (iPIC) system⁴ that UNEP initiated to combat illegal ODS trade at the global level. In 2014, 3,010 batches of export application and 11 batches of import application were approved by the office. Also around 280 queries were raised/screened using iPIC to clarify questionable trade cases, and approximately 30 cases were rejected;
- (f) Two enforcement workshops, one targeting ODS importers and exporters in Guangzhou with approximately 70 participants, and another targeting local license bureaus under the Ministry of Commerce (MOC) in Xining City with more than 100 participants, were completed. FECO/MEP, MOC and GACC conducted a visit to Indonesia and Singapore in December 2014 to exchange practices on ODS imports and exports and enforcement officers capacity building; and
- (g) Outreach and communication activities were also completed, focusing on Ozone Day, with a youth video competition and awards given during the year, and the distribution of 2,600 publicity materials.

Level of fund disbursement

4. As of February 2015, of the US \$3,521,000 approved so far, US \$1,942,500 has been disbursed by UNEP to FECO/MEP under the Project Cooperation Agreement (PCA), as shown in Table 1.

⁴ iPIC is a voluntary mechanism of information exchange on intended trade between designated authorities in importing and exporting countries which are responsible for issuing trade licenses for ODS. More than 70 countries are currently participating and sharing information on their licensing system, registered exporters and importers, quotas and bans.

Table 1. Status of disbursements for the servicing sector and enabling activities component

Description		Tranche 1	Tranche 2	Tranche 3	Total (US \$)
Funds approved (US \$)		1,659,000	678,000	1,184,000	3,521,000*
Disbursement: UNEP to FECO	Amount (US \$)	1,242,500	360,000	340,000	1,942,500
	Disbursement ratio	75%	53%	29%	55%
Disbursement by FECO	Amount (US \$)	1,135,250	333,052	310,100	1,778,402

*Of this amount, US \$308,500 has been allocated for procurement of equipment, and meeting resource persons, and will be disbursed through a Small Scale Funding Agreement (SSFA) directly to FECO.

Implementation plan for the fourth tranche of the HPMP

5. The requested work plan and funding for the fourth tranche is summarized in Table 2:

Table 2. Work plan and budget associated with the fourth tranche of the servicing sector plan

Activities	Budget (US \$)	Activities planned
Servicing sector		
Training of technicians including training material	300,000	Organize the train-the-trainer workshops in the identified national training centres; training programme for 1,500-2,000 servicing technicians in ten regional training centres to be completed in 2015
Equipment	264,500	Procurement of training equipment following each training centre's equipment procurement plan, to ensure effective delivery of the training programme
Policy implementation and monitoring	50,000	Support on qualification certification system in servicing sector
Outreach	100,000	Develop and broadcast the advertisement for refrigerant disposal; publish and distribute training materials to training centres and other vocational schools
Experts cost	36,000	Training support; study support
Sub-total	750,500	
Capacity-building of national and local authorities		
National consultants	10,000	Training support
Policy training	90,000	Policy training for local Ozone officers
Co-ordination meetings of ministries	15,000	Co-ordination meetings for officers from relevant ministries
Sub-total	115,000	
Strengthen the import/export controls		
National consultants	25,000	Support the implementation, and regulation development
Updating of the administrative system	20,000	Develop the electronic data exchange system with State Customs
Compilation of training materials	30,000	Compile the training material as guideline on enforcement of regulations; compile the import/export policies and regulations of other countries
Train the trainer workshops	55,000	Training for exporters/importers
China enforcement award	10,000	Awards for the anti-illegal activity in 2014
Sub-total	140,000	
Outreach and communication strategy		
Social media/website campaign	50,000	Finalize public service announcements, outreach and dissemination. Design, produce, conduct and maintain the campaign
Ozone messaging as part of the World Environmental Day campaign	25,000	Design and produce celebrities advertisement campaigns, and cover travel, hospitality for the involvement in public events

Activities	Budget (US \$)	Activities planned
International Ozone Day celebrations	50,000	International Ozone Day celebrations
Workshops to update knowledge on HCFC phase-out	7,500	One workshop of awareness for key stakeholders
Development and printing of publicity materials	15,000	Brochures, flyers, CDs, and posters with simple message and information
Sub-total	147,500	
Operation of the Working Group	80,000	
UNEP technical assistance	20,000	
Total budget requested (US \$)	1,253,000	

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

6. UNEP had first submitted the progress report for the servicing sector for consideration at the 73rd meeting where it had requested for the release of the fourth tranche, and was deferred by the Executive Committee. In reviewing the request for the release of the fourth tranche, the Secretariat noted while significant progress had been demonstrated in the implementation of activities, the 20 per cent disbursement threshold of the third tranche had not been met.

7. In reviewing the updated report submitted to the 74th meeting, the Secretariat noted that UNEP had updated the work plan proposed for 2015 and ensured that qualitative and quantitative monitoring of the progress in the activities would be made, taking into account previous difficulties in measuring such progress.

8. In addition to new activities that had been completed between November 2014 and March 2015, the Secretariat further noted that the financial report demonstrates that over 20 per cent of the previous tranche had been disbursed.

Conclusion

9. The Secretariat noted that sufficient progress had been demonstrated in the implementation of the planned activities for the servicing and enabling component of the HPMP for China. Several agreements were reached and meetings held with various stakeholders further strengthening the foundation for the efficient implementation of the activities under implementation. The national ODS Import and Export management system was upgraded, enabling the processing of 2,413 batches of export application between January to August 2014. The national and regional network of servicing training institutes (currently comprising six training centres) was established, and a partnership agreement between the GACC and FECO/MEP to complete the capacity building for four custom's branches was signed. It is expected that 1,500 to 2,000 refrigeration servicing technicians and customs officers will be trained during 2015.

10. Over US \$1.9 million, representing 55 per cent of the funds so far approved has been disbursed from UNEP to FECO/MEP. Of this amount, approximately US \$1.8 million has been disbursed by FECO/MEP to key stakeholders, including the training institutes.

11. The Secretariat further noted that the current request meets the required pre-conditions for the release of the fourth tranche of the HPMP.

RECOMMENDATION

12. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the third tranche of stage I of the refrigeration servicing sector plan and the national enabling programme in China, and further recommends blanket approval of the fourth tranche of the refrigeration servicing sector plan and national enabling programme for China, and the corresponding 2015 tranche implementation plan, with associated support costs at the funding levels shown in the table below:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, refrigeration servicing sector and the national enabling programme, fourth tranche)	1,173,000	131,269	UNEP
(b)	HCFC phase-out management plan (stage I, refrigeration servicing sector and the national enabling programme, fourth tranche)	80,000	10,400	Japan
