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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-eighth Meeting
Montreal, 15-19 November 2021¹

PROJECT PROPOSAL: TIMOR-LESTE

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

Phase-out

- HCFC phase-out management plan (stage II, second tranche) UNEP and UNDP

¹ Online meetings and an intersessional approval process will be held in November and December 2021 due to coronavirus disease (COVID-19)

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

TIMOR-LESTE

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage II)	UNEP (lead), UNDP	80 th	78 per cent by 2025

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2020	0.15 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2020	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.15				0.15

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.50	Starting point for sustained aggregate reductions:	0.50
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.39	Remaining:	0.11

(V) BUSINESS PLAN		2021	2022	2023	Total
UNEP	ODS phase-out (ODP tonnes)	0.06	0.00	0.04	0.10
	Funding (US \$)	70,060	0	46,330	116,390
UNDP	ODS phase-out (ODP tonnes)	0.04	0.00	0.03	0.07
	Funding (US \$)	45,235	0	29,975	75,210

(VI) PROJECT DATA			2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Montreal Protocol consumption limits			0.45	0.45	0.45	0.33	0.33	0.33	0.33	0.33	0.16	n/a
Maximum allowable consumption (ODP tonnes)			0.45	0.39	0.39	0.30	0.30	0.28	0.28	0.17	0.11	n/a
Agreed funding (US \$)	UNEP	Project costs	83,000	0	0	0	62,000	0	41,000	0	20,880	206,880
		Support costs	10,790	0	0	0	8,060	0	5,330	0	2,714	26,894
	UNDP	Project costs	55,000	0	0	0	41,500	0	27,500	0	13,920	137,920
		Support costs	4,950	0	0	0	3,735	0	2,475	0	1,253	12,413
Funds approved by ExCom (US \$)	Project costs		138,000	0	0	0	0	0	0	0	0	138,000
	Support costs		15,740	0	0	0	0	0	0	0	0	15,740
Total funds requested for approval at this meeting (US \$)	Project costs						103,500					103,500
	Support costs						11,795					11,795

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Timor-Leste, UNEP as the lead implementing agency has submitted a request for funding for the second tranche of stage II of the HCFC phase-out management plan (HPMP), at a total cost of US \$115,295, consisting of US \$62,000, plus agency support costs of US \$8,060 for UNEP, and US \$41,500, plus agency support costs of US \$3,735 for UNDP.² The submission includes a progress report on the implementation of the first tranche, the verification report on HCFC consumption for 2017 to 2020 and the tranche implementation plan for 2021 to 2023.

Report on HCFC consumption

2. The Government of Timor-Leste reported a consumption of 0.15 ODP tonnes of HCFC in 2020, which is 70 per cent below the HCFC baseline for compliance. The 2015-2020 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Timor-Leste (2015-2020 Article 7 data)

HCFC-22	2015	2016	2017	2018	2019	2020	Baseline
Metric tonnes (mt)	7.48	1.56	4.46	4.08	5.44	2.73	9.08
ODP tonnes	0.41	0.09	0.25	0.22	0.30	0.15	0.50

3. The HCFC consumption has been fluctuating with an overall decreasing trend attributed to the enforcement of the licensing and quota system, the implementation of the activities in the servicing sector including training of technicians and technical assistance programmes, and to the introduction of refrigeration and air-conditioning (RAC) equipment based on alternative refrigerants. The particularly high import in 2015 was due to stockpiling which in turn led to lower import of HCFCs in 2016, while the low import in 2020 was due to the impact of COVID-19 that reduced business activities and decreased demand of HCFC-22 for servicing.

Country programme (CP) implementation report

4. The Government of Timor-Leste reported HCFC sector consumption data under the 2020 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports. However, the verified consumption differs by up to 22 per cent from that reported under Article 7 of the Montreal Protocol for all the years from 2017 to 2020 due to misdeclaration of commodities during the customs clearance process and lack of proper supporting documents from importers. The verification report also noted issues with regard to data recording, monitoring and inspections at customs; use of Harmonized Commodity Description and Coding System (HS) codes; reporting by importers; and information sharing between the national ozone unit (NOU) and customs. The verifier recommended improving procedures for recording import data at customs and strengthening reporting from the importers to the NOU, as well as sharing information between customs and the NOU. Subsequent to the verification, the Government revised the data reported under Article 7 of the Montreal Protocol (as shown in Table 1) and the CP data; the verified consumption was below the targets in the Montreal Protocol and in the Agreement with the Executive Committee.

Completion of stage I of the HPMP

6. Stage I of the HPMP was completed in 2018 and the funding balance of US \$5,000 was returned

² As per the letter of 2 September 2021 from the Minister of Economic Affairs of Timor-Leste to UNEP.

to the Fund. The last tranche of stage I implemented the following activities: training of 62 customs officers in HCFC control; training of 57 technicians in good servicing practices; provision of tools and equipment for training (recovery machine, leak detector, servicing tool box, vacuum pump, wrench kit, one air-conditioning system for training); and one stakeholder workshop to discuss the lessons learned from stage I and how these can be applied in stage II, including issues related to certification of technicians and the training to address safety-related issues associated with flammable refrigerants.

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

Legal framework

7. The Government of Timor-Leste issued a Decree Law (Decree Law No. 36/2012), effective on 14 August 2012, which, *inter alia*, established a licensing and quota system to control the import and export of ODS, including HCFCs and CFCs; and a ban on imports of CFCs and equipment containing/using CFCs. A draft amendment to the Decree Law of 2012 is currently being reviewed that would include mandatory labelling of HCFC cylinders; mandatory reporting by importers; a ban on the import of all HCFCs except for HCFC-22; a ban on the import of HCFC-based RAC equipment; and import and export controls for HFCs, HFC blends and HFC-based equipment. Ratification of the Kigali Amendment is in progress.

8. Since 2016, a Memorandum of Cooperation between the NOU, the Customs Department and the Ministry of Finance has been in place to strengthen cooperation in implementing the licensing and quota system; through this, an electronic platform is being developed to integrate the HCFC licensing system into the National Single Window System powered by ASYCUDA.³ The platform facilitates sharing of information/data on quota issuance, data reporting and collaboration among the NOU, the Directorate General for Customs and importers. The 2017 update to the HS codes has been adopted.

Refrigeration servicing sector

9. During implementation of the first tranche, the following activities were implemented:
 - (a) Four workshops with 56 customs and enforcement officers trained in the monitoring of imports, prevention of illegal trade, safe handling of refrigerants and correct use of HS codes;
 - (b) Two workshops to discuss the findings of the verification report and the way forward to strengthening the licensing and quota system; training of 61 importers, customs brokers and other stakeholders in data recording and reporting, mandatory labelling of HCFC cylinders using the QR code created under the National Single Window System, proper declaration of HS codes and description for ODS, HFC and RAC equipment for customs declarations, the licensing system and the implementation of labelling requirements;
 - (c) Training of two master trainers in good servicing practices through south-south cooperation in Malaysia; and training of 52 technicians (through three workshops) in good servicing practices, the installation of RAC equipment and the safe handling of flammable refrigerants;
 - (d) Development of a technician certification programme to be implemented once the examiners/assessors have been trained (delayed due to the COVID-19 pandemic); experience shared by an expert from Malaysia and a consultation meeting with the National Labor Force Development Institute (INDMO) and local RAC experts and technicians on the development of a training curriculum with competency levels; and hiring of an

³ The United Nations Conference on Trade and Development Automated System for Customs Data

international consultant to assist INDMO to integrate good servicing practices and the safe handling of refrigerants into the existing national qualification framework (NQF) for the RAC sector;

- (e) Initiated the pilot replacement of HCFC-based RAC equipment programme with the selection of servicing workshops and the procurement of 100 units of HFC-32-based air-conditioning units; and
- (f) Dissemination of awareness-raising materials and information on the Government's actions for the phase-out of HCFCs to customs, importers, servicing workshops and technicians, and other stakeholders.

Project implementation and monitoring

10. The NOU monitors and coordinates the implementation of the HPMP, with the assistance of a national consultant. An ODS taskforce was established comprising representatives from Government departments and private organizations to advise on policy issues related to the implementation of the ODS phase-out programme. Funding for project management and monitoring was not requested from the Multilateral Fund; the Government agreed to provide US \$70,000 in co-funding during stage II for this purpose.

Level of fund disbursement

11. As of September 2021, of the US \$138,000 approved so far (US \$83,000 for UNEP and US \$55,000 for UNDP), US \$29,403 (21 per cent) had been disbursed (US \$28,086 for UNEP and US \$1,317 for UNDP). The balance of US \$108,597 will be disbursed in 2021-2022.

Implementation plan for the second tranche of the HPMP

12. The following activities will be implemented between December 2021 and December 2023:
- (a) Policy review and amendment of existing regulations, including strengthening the licensing and quota system and continuing development of the electronic customs platform (co-funding by the Government), updating Decree Law No. 36/2012 to ban the import of HCFC-based RAC equipment, and revising the public procurement policy to support ODS-free technologies (UNEP) (US \$1,500);
 - (b) Training of customs and enforcement officers, including 100 customs officers and 60 customs brokers and importers, implementing a mandatory labelling requirement for HCFC cylinders, and dissemination of the customs handbook (UNEP) (US \$26,300);
 - (c) Finalization of national code of good practices and national training curriculum (UNEP) (US \$1,500);
 - (d) Training of 90 RAC technicians in good practices and the safe handling of flammable refrigerants (UNEP) (US \$18,000);
 - (e) Implementation of the technician certification programme, including finalization of certification standards, training of trainers in the new standards and initiating the certification process (UNEP) (US \$11,000);
 - (f) Implementation of the pilot HCFC replacement programme to demonstrate equipment based on low-global-warming-potential (GWP) technologies (R-290, CO₂ and ammonia),

including technical assistance from a consultant and hosting two workshops to promote low-GWP alternatives (UNDP) (US \$41,500);

- (g) Public awareness programme (UNEP) (US \$3,700); and
- (h) Project monitoring, coordination and reporting (co-funding by the Government).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Verification of HCFC consumption

13. The Government of Timor-Leste and UNEP have recognized the need to further strengthen the licensing and quota system to control HCFC imports and have taken several steps to address the recommendations of the verification report. The national single window system was launched on 30 September 2021 for the issuance of licences; management of the allocated quotas; facilitating instant data checking to ensure consistency from the beginning to the end of the import/export process; and information exchange among customs, the NOU and the importers. The NOU has also initiated a revision of Decree Law No. 36/2012 on the control of import and export of ODS to include mandatory reporting of imports by importers. The Secretariat notes that the actions undertaken by the Government are appropriate and should be implemented continuously. It was agreed that UNEP would report on progress made by the Government of Timor-Leste in improving the enforcement of the licensing and quota system.

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

Legal framework

14. The Government of Timor-Leste has already issued HCFC import quotas for 2021 at 0.24 ODP tonnes, which is lower than the targets of the Montreal Protocol and in the Agreement with the Executive Committee.

15. With regard to the control of the import of HCFC-based equipment, UNEP reported that the Decree Law is being reviewed and revised to include a ban on the import of all types of HCFC-based equipment. It is expected that the revised Decree Law will be enacted by 1 January 2024.

Refrigeration servicing sector

16. With regard to the pilot equipment replacement programme as originally approved in stage II of the HPMP, UNEP reported that despite efforts by the NOU, no end-users are showing interest in the programme due to the low incentive provided. Noting also that the import control on HCFC-based equipment has to be put in place and effectively enforced in order to consider an end-user incentive project as required in decision 84/84(b), and considering the uncertainty of the situation due to the COVID-19 pandemic and the economic condition of the sector, the Government proposed to replace the pilot equipment replacement programme with additional capacity-building activities, including provision of tools and equipment (e.g., digital multi-refrigerant gauge manifold, leak detectors, piercing pliers, brazing kit, tubing and flaring tools) to 10 workshops (US \$30,000); provision of training equipment (e.g., demonstration units, refrigerant identifiers and tools for training on good servicing practice) to three training centres (US \$39,000); two training workshops on the use of equipment and tools (US \$7,000); and training of six master trainers overseas (four-day training) and their participation in technology seminars and workshops for exposure to new technologies and for exchange of experiences (US \$24,000), with a total cost of US \$100,000. The additional US \$37,920 will be used for technical assistance activities and for five workshops for stakeholders on available non-ODS low-GWP alternatives that could be adopted. In

view of the difficulties encountered in implementing the end-user incentive programme and the policy guidance from the Executive Committee, the Secretariat supports this change.

Gender policy implementation⁴

17. The NOU has been collecting gender-disaggregated data, where possible, for events organized under stage II of the HPMP.

Sustainability of the HCFC phase-out

18. The Government of Timor-Leste has developed a national single window system to manage HCFC licences, quotas, import clearance and data reporting to strengthen the licensing and quota system, and training workshops are provided to customs and enforcement officers. Training institutions have been supported with tools and equipment so that continuous training can be provided to technicians on good servicing practices and servicing with alternative refrigerants to HCFCs. The technician certification programme was developed and will be implemented. These will sustain the results achieved under the HPMP.

Conclusion

19. The Government of Timor-Leste has been enforcing its HCFC import and export licensing and quota system. The verified HCFC consumption in 2017 to 2020 are below the targets of the Montreal Protocol and in the Agreement with the Executive Committee. The Government has taken immediate actions to address the recommendations of the verification report. The implementation of the HPMP is progressing. Training has been provided to customs officers to enable monitoring and control of HCFC imports. Activities conducted in the servicing sector, including training of technicians and the provision of tools and equipment to support training institutes and workshops, will reduce refrigerant leakage and consumption of HCFCs. The pilot replacement programme has been revised with additional capacity-building activities including training of trainers and provision of equipment and tools to training institutes and refrigeration servicing workshops. Disbursement of the first tranche has reached 21 per cent. The implementation of the activities of the second tranche will allow the country to continue to advance towards and sustain the targets that have been achieved.

RECOMMENDATION

20. The Fund Secretariat recommends that the Executive Committee take note of the progress report on the implementation of the first tranche of stage II of the HCFC phase-out management plan (HPMP) for Timor-Leste; and further recommends blanket approval of the second tranche of stage II of the HPMP for Timor-Leste, and the corresponding 2021-2023 tranche implementation plan, at the funding levels shown in the table below, on the understanding that UNEP would include, as part of the progress report on the implementation of the third tranche of the HPMP, an update on the progress made in improving the enforcement of the licensing and quota system:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage II, second tranche)	62,000	8,060	UNEP
(b)	HCFC phase-out management plan (stage II, second tranche)	41,500	3,735	UNDP

⁴ Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

