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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-fifth Meeting
Montreal, 4-8 December 2024
Item 9(c) of the provisional agenda¹

PROJECT PROPOSAL: NEPAL

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 | Blanket approval |
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¹ UNEP/OzL.Pro/ExCom/95/1

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

Nepal

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage II)	UNEP (lead), UNDP	86 th	100% phase-out by 2030

(II) LATEST ARTICLE 7 DATA (Annex C, Group I)	Year: 2023	0.35 ODP tonnes
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2023	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.35				0.35

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	1.10	Starting point for sustained aggregate reductions:	1.27
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	1.27	Remaining:	0

(V) ENDORSED BUSINESS PLAN		2024	2025	2026	Total
UNEP	ODS phase-out (ODP tonnes)	0.08	0.00	0.09	0.17
	Funding (US \$)	75,710	0	84,750	160,460
UNDP	ODS phase-out (ODP tonnes)	0.15	0.00	0.00	0.15
	Funding (US \$)	137,340	0	0	137,340

(VI) PROJECT DATA			2020	2021-2022	2023	2024*	2025	2026	2027-2029	2030	Total
Montreal Protocol consumption limits (ODP tonnes)			0.72	0.72	0.72	0.72	0.36	0.36	0.36	0.00	n/a
Maximum allowable consumption (ODP tonnes)			0.72	0.63	0.63	0.63	0.36	0.36	0.36	0.00	n/a
Funding agreed in principle (US \$)	UNEP	Project costs	128,000	0	67,000		0	75,000	0	54,000	324,000
		Support costs	16,640	0	8,710		0	9,750	0	7,020	42,120
	UNDP	Project costs	90,000	0	126,000		0	0	0	0	216,000
		Support costs	8,100	0	11,340		0	0	0	0	19,440
Funds approved by ExCom (US \$)	Project costs		218,000	0	0	0	0	0	0	0	218,000
	Support costs		24,740	0	0	0	0	0	0	0	24,740
Total funds recommended for approval at this meeting (US \$)	Project costs					193,000					
	Support costs					20,050					

*Funding for 2024 was originally planned for 2023

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Nepal, 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 \$193,000, consisting of US \$67,000, plus agency support costs of US \$8,710, for UNEP and US \$126,000, plus agency support costs of US \$11,340, for UNDP.² The submission includes a progress report on the implementation of the first tranche, the verification report on HCFC consumption for 2020 to 2023, and the tranche implementation plan for 2025 to 2026.

Report on HCFC consumption

2. The Government of Nepal reported a consumption of 0.35 ODP tonnes of HCFCs in 2023, which is 68.2 per cent below the country's HCFC baseline for compliance. The 2019-2023 HCFC consumption is shown in table 1.

Table 1. HCFC consumption in Nepal (2019-2023 Article 7 data)

HCFC-22	2019	2020	2021	2022	2023	Baseline
Metric tonnes (mt)	11.70	7.42	3.79	7.17	6.37	20.00
ODP tonnes	0.64	0.41	0.21	0.39	0.35	1.10

3. HCFC consumption has consistently been below the Montreal Protocol targets, and only HCFC-22 is currently imported in Nepal, for servicing mainly industrial refrigeration -in particular in the dairy sector- and air-conditioning equipment. The consumption of HCFC-22 has been gradually decreasing due to the enforcement of the licensing and quota system; regulations on control of ozone-depleting substances (ODS); the implementation of training programmes for customs officers and refrigeration technicians; and a slow but progressive uptake of newer technologies³. Reductions in HCFC-22 consumption in 2021 were due to the impact of COVID-19, which was overcome in 2022 with a return to higher consumption levels, however still lower than in 2020.

Country programme implementation report

4. The Government of Nepal reported HCFC sector consumption data under the 2023 country programme (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 was implementing a licensing and quota system for HCFC imports and exports and that the verified consumption of HCFC-22 for the period 2020-2023 was less than the maximum allowable limit. The verifier identified negligible inconsistencies between Article 7 data and the HCFC consumption data verified for 2020 and 2021, in metric tonnes, which do not affect the consumption reported in ODP tonnes. The Government will submit updated Article 7 and CP data in metric tonnes with assistance from UNEP.

Status of implementation of stage I of the HCFC phase-out management plan

6. Stage I of the HPMP was completed on 1 December 2022, in line with the extension approved by the Executive Committee in decision 87/17. The project completion report was submitted on 3 April 2023.

² As per the letter of 27 August 2024 from the Ministry of Industry, Commerce & Supplies of Nepal to UNEP.

³ Including single and multi-split air conditioners on R-410A and R-32, and air-conditioning packaged units and chillers mainly based on R410A. Domestic and small commercial refrigeration use mainly HFC-134a, and large commercial and industrial refrigeration increasingly use R-404A.

Progress report on the implementation of the first tranche of stage II of the HCFC phase-out management plan

Legal framework

7. The Government through the Ministry of Forest and Environment (MoFE) continues to enforce the licensing and quota system for HCFCs according to the ODS (Control) Rules promulgated in 2001, and the HCFC quota system in place since January 2014. The Government issued a policy to ban the import of HCFC-based equipment since 1 January 2017. Since 1 January 2018, there is a licensing requirement to import HFCs and its blends.

8. A technical committee was established to develop the online licensing system within the Nepal National Single Window, activity which is ongoing. Five customs training workshops were conducted, with a total of 134 customs and enforcement officers trained, of which 14 were women. The NOU is advanced in the preparation of standard operating procedures for quota, licensing and data reporting processes for various stakeholders including importers. The process for the procurement of three advanced refrigerant identifiers to support enforcement was initiated.

Refrigeration servicing sector

9. The following activities were implemented during the first tranche:

- (a) *Servicing technician training and certification programme:* Several meetings were held with relevant stakeholders for the development of the technician certification programme; a technical committee was established to update the occupational standards and course curriculum for the certification programme; one training of trainers for competency-based assessment was conducted for a total of 25 participants, including one woman, and an orientation programme on certification was provided to 32 technicians. Five RAC training workshops were conducted for a total of 191 technicians, including two women, on good servicing practices and the maintenance of specific applications such as dairy sector and hotel sector specific applications;
- (b) *Assistance to training centres:* Tools and equipment⁴, and relevant training, were provided to two training institutes (in Nepalgunj and Butwal) and the Nepal Refrigeration and Electromechanical Association;
- (c) *Awareness raising and advocacy programme:* One sector specific awareness event, addressed to the dairy and food processing sectors was held, focusing on educating participants on the environmental impact of ODS and the role these sectors play in adopting climate-friendly alternatives. Thirty-five participants take part in the event, including 4 women. A media awareness programme on the Montreal Protocol was also carried out, seeking to leverage journalists' influence in disseminating key messages to the wider public through mass and digital media. Awareness material was designed and is being produced and printed for dissemination.

⁴ Including air and water heat pump test rigs/simulators, pressure control measurement benches, refrigeration training test rigs/simulators, temperature controller measurement benches, and split air condition training simulators.

Project implementation and monitoring

10. Project implementation, coordination and monitoring were undertaken. The NOU continued meeting with both public institutions and private stakeholders. Missions to follow up on project implementation were conducted, and reports were prepared and presented to UNDP and UNEP. A total of US \$7,882 were disbursed under this component, including staff, domestic travel/monitoring visits, and meetings and workshops.

Level of fund disbursement

11. As of September 2024, of the US \$218,000 approved so far (US \$128,000 for UNEP and US \$90,000 for UNDP), US \$102,263 (47 per cent) had been disbursed (US \$49,473. for UNEP and US \$52,790 for UNDP). The balance of US \$115,737 will be disbursed in 2024 and 2025.

Implementation plan for the second tranche of stage II of the HCFC phase-out management plan

12. The following activities will be implemented between January 2025 and December 2026:

- (a) *Legal framework:* Development of a regulatory proposal for introduction of equipment licensing and record keeping by workshops to monitor the use of alternatives while HCFCs are phased-out; continued training of customs and other enforcement officers with attention to increase gender balance (2 trainings in 2025 and one in 2026, with at least 20 participants per training); development of terms of reference for market surveillance activities (UNEP) (US \$7,000). Procurement of three advanced refrigerant identifiers to support enforcement will be completed and relevant training provided (UNDP) (remaining funds US \$15,000);
- (b) *Refrigeration technicians:* Organization of a minimum of one train the trainer course with 20 participants, and three RAC servicing technician trainings with 25 participants each; 15 scholarships to support women participation in trainings and temporary affiliation of trainees to larger formal business centres; conduction of a stocktaking assessment of selected training centres to identify remaining gaps in equipment and capacity; and competency-based assessment of at least 40 technicians in the framework of the certification programme piloting (UNEP) (US \$35,000);
- (c) *Assistance to servicing workshops:* Procurement and delivery of servicing equipment and tools⁵ for 30 RAC servicing workshops throughout the country, and training on the operation and maintenance of the acquired equipment and tools (UNDP) (US \$126,000);
- (d) *Awareness raising and advocacy programme:* One awareness workshop on the adoption of alternative and low-GWP technologies for a minimum of 40 participants (aiming at a 25 per cent female participation) from large consuming sectors including dairy, hotel industry, health, and different government departments; one sector-specific workshop on newly introduced requirements (mandatory reporting and record keeping, online quota and licensing system) for a minimum of 30 (aiming at 20 per cent female participation) refrigerant and equipment importers; and development, translation and printing of awareness material and sector-specific briefs on, inter alia, progress in HCFC phase-out, refrigerant transition in light of the Kigali Amendment, mandatory reporting and record keeping (UNEP) (US \$ 15,000); and

⁵ Including an air and water heat pump test rig/simulator, a pressure control measurement bench, a refrigeration training test rig/simulator, two split air-condition training simulators, a temperature controller measurement bench.

- (e) Project implementation and monitoring: Coordination, monitoring and reporting of activities, and engagement with stakeholders and implementing agencies (UNEP) (US \$10,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Verification report

13. The verification recommended a set of measures, including some recommendations made by a previous verification in 2020 that had only been partially addressed, and reiterated them, in particular the update of the regulatory framework; the revision of the way consumption data is collected and reconciled; and the development of an online licensing system within the Nepal National Single Window to streamline the entire process.

14. UNEP explained that the need for reconciliation of data is currently being discussed between the NOU, Customs and the MoFE, which now hold routine meetings to address this matter and identify measures that will allow an accurate collection and reporting of consumption data. The NOU is working on the development of an online licensing system and is also coordinating with Customs on the inclusion of quota allocations within the ASYCUDA⁶ system to enable customs officers located at different customs offices to verify imports against quotas. To prevent future reporting inconsistencies and further strengthen the operational licensing and quota system, UNEP confirmed that the Government is committed to implementing the recommendations and will provide an update on progress made, as part of the progress report on the implementation of the second tranche of the HPMP in line with decision 86/53.⁷

Progress report on the implementation of the first tranche of stage II of the HCFC phase-out management plan

Legal framework

15. The Government of Nepal issued HCFC import quotas for 2024 at 0.46 ODP tonnes (8.33 mt), and at 0.36 ODP tonnes (6.55 mt) for 2025, which are lower than and in accordance with, respectively, the Montreal Protocol control targets.

16. Despite Nepal not having yet ratified the Kigali Amendment, a licensing system for the import of HFCs has been in place in the country since 1 January 2018. Nepal has also adopted revised customs codes for HFCs.

Project implementation and monitoring

17. The request for the second tranche was due for submission at the 93rd meeting. From May 2021 to September 2022 the NOU operations were halted further to instructions from the Office of the Auditor General of Nepal, due to the fact that the NOU fell outside the Nepal Budgetary System (LMBIS). The Ministry of Industry, Commerce and Supplies, who hosts the NOU, and the Ministry of Finance worked together to have the NOU programme and budget included in the LMBIS. The issue was resolved in September 2022, when a new national ozone officer was also appointed. Substantial progress has been made since then.

⁶ Automated System for Customs Data

⁷ Blanket approval decision, proviso for approving the third tranche of stage I of the HPMP.

Implementation plan for the second tranche of stage II of the HCFC phase-out management plan*Refrigeration servicing sector*

18. The submission included 15 scholarships to support women participation in trainings and temporary affiliation of trainees to larger formal business centres. As this activity had not been included in the plan approved for stage II through decision 86/75, the Secretariat enquired on the scope of this activity. UNEP explained the inclusion of this small incentives programme to encourage women to pursue RAC studies and support the work of women trainees in larger businesses. The NOU and the Council for Technical Education and Vocational Training (TEVT) will implement this activity, with the Council administering the small financial incentive, estimated at a maximum of US \$5,000.

19. The work initiated in the first tranche on the piloting of the certification programme will continue in the second tranche, with a minimum of 40 technicians expected to undergo their competency-based assessment during this tranche to be certified.

Gender policy implementation

20. During the implementation of the first tranche of stage II of the HPMP, the implementing agencies and the Government of Nepal focused on creating a propitious environment for the incorporation of the gender perspective into the activities implemented. Women were given priority in training courses to strengthen their capacities and help increase their access to better opportunities and working conditions. This approach will continue during the implementation of the second tranche. The project has also required the collection of sex-disaggregated data, and qualitative information to analyze and track gender issues. Gender equality and women's empowerment are systematically considered in all activities through providing equal opportunities to women and men as users, beneficiaries, advisors, managers and policy or community decision-makers. Attention is being given to ensure that, to the extent possible, project committees, management and monitoring arrangements are gender-responsive and that gender balance is addressed in their own structures, decision-making and selection processes.

21. As explained above, the second tranche includes a small incentives programme to encourage women to pursue RAC studies aiming at an increased involvement of women in the sector. The institutional strengthening project renewal submitted to the present meeting, includes as an activity a study on gender in the RAC sector, including the identification on barriers to female participation, and the adoption of appropriate mechanisms and incentives to increase such participation.

Sustainability of the HCFC phase-out and assessment of risks

22. The Government of Nepal is making efforts to ensure the long-term sustainability of the HCFC phase-out and the results of the HPMP activities. The import of HCFC-based equipment was banned already in 2017 considering the future servicing demand that incoming equipment would create. As regards the building of capacities, the NOU and the customs administration are working to institutionalise training on the Montreal Protocol through training trainers and including ozone-related matters in the regular training of national customs officers, with a view to ensuring that the customs authority can replicate in autonomy the Montreal Protocol module within the regular customs trainings.

23. Long-term sustainability of RAC technicians training is to be further addressed during the second tranche through the creation of opportunities for quality training for the RAC trainers. Sustainability was considered when planning the procurement of tools and equipment for RAC training institutes. The items being procured have been adapted in consultation with the TEVT Council and the training institutes to ensure technicians can be better trained on long-term natural refrigerants alternatives. The country has put in place a pilot technician certification system in collaboration with the TEVT system stakeholders. This system and the work being done on the necessary adjustments and revisions of the TEVT curriculum

contribute to the standardization and enhancement of the RAC servicing sector capacity to keep up with the technology transition.

Conclusion

24. Nepal continues to be in compliance with the Montreal Protocol and the HCFC consumption targets specified in the Agreement between the Government of Nepal and the Executive Committee; in 2020-2023 consumption of HCFCs was below the country's Montreal Protocol target and lower than the maximum allowable consumption specified in the Agreement. The country has a functioning licensing and quota system, and a ban to import HCFC-based equipment is in place since 2017. A technical committee was established to develop the online licensing system within the Nepal National Single Window. The Government of Nepal, with the assistance of UNEP and UNDP, implemented an extensive set of activities to strengthen the national capacity to control trade in HCFCs and HCFC-based equipment, and provided training to technicians, and customs and enforcement officers. The capacities of training institutes have been strengthened and awareness has been raised among different stakeholders on the Montreal Protocol and the country's relevant obligations. The issue of implementation delays has been resolved and the level of disbursement of the first tranche is 47 per cent. The activities so far implemented and those planned under the second tranche will continue to help the country meet its commitments under the Montreal Protocol.

RECOMMENDATION

25. The Fund Secretariat recommends that the Executive Committee note the progress report on the implementation of the first tranche of stage II of the HCFC phase-out management plan (HPMP) for Nepal, and further recommends blanket approval of the second tranche of stage II of the HPMP and the corresponding 2025-2026 tranche implementation plan for Nepal at the funding levels shown in the table below, on the understanding that UNEP will include, as part of the progress report on the implementation of the second tranche of the HPMP, an update on progress in implementing the recommendations contained in the verification report submitted to the present meeting, in particular those relating to the update of the regulatory framework; the revision of the way consumption data is collected and reconciled; and the development of an online licensing system.

	Project title	Project funding (US \$)	Support costs (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage II, second tranche)	67,000	8,710	UNEP
(b)	HCFC phase-out management plan (stage II, second tranche)	126,000	11,340	UNDP