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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-first Meeting
Montreal, 17 - 19 December 2003

PROJECT PROPOSAL: PHILIPPINES

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

Phase-out

- National CFC phase-out plan: manufacturing sector: 2004 annual programme World Bank
- National CFC phase-out plan: servicing sector (2004 annual programme) Sweden

PROJECT EVALUATION SHEET PHILIPPINES

SECTOR: Phase-out ODS use in sector (2002): 1,632.3 ODP tonnes

Sub-sector cost-effectiveness thresholds: N/A

Project Titles:

- (a) National CFC phase-out plan: manufacturing sector: 2004 annual programme
- (b) National CFC phase-out plan: servicing sector (2004 annual programme)

Project Data	Multiple	
	National Plan	
Enterprise consumption (ODP tonnes)	2,017.6	N/A
Project impact (ODP tonnes)	150.0	N/A
Project duration (months)	12	12
Initial amount requested (US \$)	1,877,418	166,134
Final project cost (US \$):		
Incremental capital cost (a)		
Contingency cost (b)		
Incremental operating cost (c)		
Total project cost (a+b+c)	2,043,552	166,134
Local ownership (%)		
Export component (%)		
Amount requested for first tranche (US \$)	2,043,522	166,134
Cost effectiveness (US \$/kg.)	12.52	N/A
Counterpart funding confirmed?		
National coordinating agency	National Ozone Office, DENR	
Implementing agency	World Bank	Sweden

Secretariat's Recommendations		
Amount recommended (US \$)	1,877,418	166,134
Project impact (ODP tonnes)	150.0	N/A
Cost effectiveness (US \$/kg)	12.52	N/A
Implementing agency support cost (US \$)	160,968	12,952
Total cost to Multilateral Fund (US \$)	2,217,472	179,086

PROJECT DESCRIPTION

1. The World Bank has submitted to the 41st Meeting on behalf of the Government of Philippines a request for the release of payment of US \$2,043,522 and US \$173,920 support cost in funding for the 2004 annual implementation programme of the Philippines national CFC phase-out plan (NCPP). The document consists of:

- Part I: 2003 Annual Programme Accomplishments;
- Part II: 2004 Annual Plan; and
- Part III: Consumption Verification for 2002.

Background information

2. The Philippines National CFC Phase-Out Plan was approved at the 38th Meeting of the Executive Committee in November 2002 with a total value of US \$10,575,410 and agency support cost of US \$896,788 approved in principle to phase out 2,017.6 ODP tonnes of CFC. The Plan is to be implemented in eight years from 2002 – 2009. The first tranche of US \$3,010,873 million with agency support cost of US \$259,979 was approved at the 38th Meeting in December 2002 for the first phase (2002-2003) with expected CFC phase-out of 31.7 ODP tonnes.

3. The CFC control targets and disbursement schedule under the agreement are shown in the table below.

Table 1: Disbursement schedule and control targets for total CFC phase-out in the Philippines (ODP tonnes and US \$)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Maximum allowable CFC consumption	2,049.3	2017.6	1,960	1,810	1,509	1,360	453	400	300	0	
Reduction from ongoing projects	-	31.7	-	-	-	-	-	-	-	-	31.7
New reduction under plan	-	-	57.6	150	301	149	907	53	100	300	2,017.6
Total annual reduction	-	31.7	57.6	150	301	149	907	53	100	300	2,049.3
Agreed funding (WB Component I)	-	2,858,473	1,877,418	2,160,071	2,873,197	337,717	110,000	0	0		10,216,876
WB support costs	-	248,663	160,968	186,006	248,588	20,795	5,500	-			870,520
Agreed funding (Swedish Component II)	-	152,400	166,134	40,000	0	0	0	0	0		358,534
Swedish bilateral support costs	-	11,316	12,952	2,000	0	0	0	0	0		26,268
Total agreed funding (\$)	-	3,010,873	2,043,552	2,200,071	2,873,197	337,717	110,000	0	0		10,575,410
Total agency support costs (\$)	-	259,979	173,920	188,006	248,588	20,795	5,500	0	0		896,788
Total cost to the MLF		3,270,852	2,217,472	2,388,077	3,121,785	358,512	115,500	0	0		11,472,198

4. Payments in 2003 and subsequent years are subject to:

- Achievement of the reduction targets and consumption limits specified in Table 1 and the other performance requirements contained in this Agreement;
- Approval of annual implementation programme for the following year; and
- Compliance with the milestones outlined in Table 12.2 of Chapter 12 of the NCPP and the relevant annual implementation programme.

5. In addition, payments, other than the payments in 2002 and 2003, will be released based also on confirmation that: the agreed reductions and maximum consumption targets noted in Table 1 for the previous year have been achieved; it has been verified that CFC phase-out has taken place; and that a substantial proportion of the activities planned for the previous year were undertaken in accordance with the annual implementation programme

Progress of Implementation of the 2003 Annual Programme

Preparatory Activities

6. The CFC phase out grant agreement was signed between the Government of the Philippines and the World Bank on 24th, March 2003. The Project Management Unit was established in September, 2003 with the appointment of the coordinator and support staff, as well as determining the functions and responsibilities of the Unit.

CFC Phase out and result

7. The CFC consumption level in the Philippines for 2003 was set at 1960 ODP tonnes. However, provisional CFC consumption estimates indicate that actual level of CFC consumption would not exceed 1836.52 ODP tonnes. The final CFC consumption level will be provided in the 2003 verification report. In 2002, CFC consumption in Philippines was 1,644 ODP tonnes according to the audit commissioned by the Government. Since the audited figure is about 12 ODP tonnes higher than the figure earlier reported to the Ozone Secretariat a correction is being issued. The 2002 consumption is below the limit of 2,017.6 ODP tonnes established in the agreement.

8. In 2003, a total of 43 tonnes of CFC-12, which included 28 tonnes of illegally imported CFC-12 and 15 tonnes of CFC-12 labelled as HFC-134a was seized by DENR and Bureau of Customs. This quantity of CFC will be disposed of by selling to registered importers with deduction of same amount from their import quotas.

Investment component

9. There is a downward trend in the consumption of CFC-11 in the Philippines attributed to its high price compared with alternative chemicals, and the positive impact of Government-led CFC phase out publicity. The 2003 planned phase-out activity in the Philippines provided for

investment projects, as well as technical assistance to be given to eligible foam manufacturers to prepare proposals before the end of the year (2003).

10. Consumption of CFC-12 in the Philippines appears to be declining due to voluntary phase-out by members of the Chamber of Cosmetic Industries. However, 9 enterprises manufacturing tear gas, using CFC-12 were identified as remnant consumers. Consultations between the project management unit and the enterprises have been held to assist them to convert to non-CFC substances.

11. Efforts have been made to replace CFC-MDI with non-CFC-MDI in the Philippines. The project management unit and a major pharmaceutical company and importers have scheduled a meeting for November 2003 to determine the way forward to achieve conversion to non-ODS technology.

12. Manufacturers of refrigerators in the Philippines have replaced CFC-11 and CFC-12 with non-ODS technology with funding from the Multilateral Fund. However, producers of refrigerated counters, freezers and water coolers continue to use CFC-11 and CFC-12. The project management unit is working with the identified enterprises to prepare project proposals to convert to HFC-134a.

Policy, awareness and training

13. The Government of the Philippines organized a launching workshop for implementing and partner agencies and drafted the chemical control order for ODS. In September, 60 trainers received training, as the first batch of 150 technical instructors to train refrigeration technicians. Enforcement of ODS licensing system in cooperation with customs office.

Audit of 2002 CFC consumption

14. Although the Government was not obliged to subject the CFC phased out to independent audit, it decided to commission an audit of the 2002 consumption using a consultant to enable a better understanding of the process for future years. A copy of the report was attached to the request for release of the second tranche for information and is available on request. The consumption verified by the audit was 1,644 ODP tonnes, 12 ODP tonnes higher than the figure reported under Article 7 to the Ozone Secretariat. A revision to the data reported is being issued by the Government. The achievement of the 2003 reduction performance target will be similarly confirmed in the 2005 Annual Programme with audited verification report.

Annual implementation programme for 2004

15. Under the 2004 CFC phase out programme for the Philippines, a comprehensive review of control and regulation measures will be undertaken, as well as up-dating national standards for ODS using equipment. A comprehensive target oriented CFC public awareness campaign using multimedia strategies will be implemented. Technical assistance will be provided to eligible enterprises to prepare their phase-out investment proposals.

16. The budget of the 2004 programme focuses mainly on the train the trainer programmes in refrigeration and mobile air-conditioning (MAC), provision of financial subsidies for purchasing

refrigeration and MAC servicing equipment, establishment of infrastructure for reclamation of CFC and commercial refrigeration manufacturing sub-sector.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

17. Philippines' total consumption of CFC in 2002 as audited was 1,644 ODP tonnes 373 ODP tonnes lower than its allowable CFC consumption for 2002 of 2,017.6 ODP tonnes under the agreement. A total of 89.3 ODP tonnes consisting of 31.7 tonnes from the foam sector and 57.6 ODP tonnes from refrigeration servicing sector was phased out from on-going and new projects, meeting both 2002 and 2003 phase-out targets. Thus, Philippines exceeded its targets under the Agreement.

18. The national ozone office (DENR) and the Customs Bureau demonstrated their efficiency through the interception of smuggled CFCs that will help to reduce CFC emissions by 43 ODP tonnes.

19. The progress report also demonstrates that the quota system in the Philippines is functional and efficient in curbing the import of CFC and thus sustaining the reductions achieved through the national phase-out plan.

20. Errors which were detected in the distribution of CFC phase-out and total amount of CFC to be phased out in the NCPP, as represented in the Agreement, have been corrected following discussion between the Secretariat and the World Bank. The corrections are as follows:

2002:	Maximum allowable CFC consumption:	2,017.6 ODP tonnes instead of 2,049.3 ODP tonnes
2003:	New reduction under the plan:	57.6 ODP tonnes instead of 89.3 ODP tonnes
	Total annual reduction:	57.6 ODP tonnes instead of 89.3 ODP tonnes
New Column 2010 inserted		
2010:	Maximum allowable CFC consumption:	0 ODP tonnes
	New reduction under the plan:	300.0 ODP tonnes
	Total annual reduction:	300.0 ODP tonnes
In the "Total" column		
	New reduction under the plan:	2,017.6 ODP tonnes instead of 1,749 ODP tonnes
	Total annual reduction:	2,049.3 ODP tonnes instead of 1,781 ODP tonnes

21. These revised figures are reflected in Table 1 of paragraph 3 under the background information and will be incorporated in a corrigendum to the Agreement.

RECOMMENDATIONS

22. The Fund Secretariat recommends approval of the requested amount and associated agency support cost for the implementation of the 2004 annual implementation programme of the Philippines national CFC phase-out plan as indicated in the table below.

23. The Executive Committee may wish to note with appreciation the vigilance of the Government of Philippines in preventing illegal imports into the country, thus preventing unwanted emissions of ODS.

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	National CFC phase-out plan	1,873,418	160,968	World Bank
(b)	National CFC phase-out plan	166,134	12,952	Sweden

PHILIPPINES NATIONAL CFC PHASEOUT PLAN

2004 ANNUAL PROGRAM

GOVERNMENT OF THE PHILIPPINES
DEPARTMENT OF ENVIRONMENT AND NATURAL
RESOURCES - PHILIPPINE OZONE DESK

WITH ASSISTANCE FROM

THE WORLD BANK AND
THE GOVERNMENT OF SWEDEN

November 26, 2003

Philippines National CFC Phaseout Plan 2004 Annual Implementation Program

Submitted to the 41st Executive Committee
October 21, 2003

DATA SHEET

COUNTRY:	THE PHILIPPINES
PROJECT TITLE:	National CFC Phaseout Plan
YEAR OF PLAN:	2004
NO. OF YEARS COMPLETED:	1 (2003)
NO. OF YEARS REMAINING UNDER THE PLAN:	6 (2004-2009)
CEILING FOR 2003 CFC CONSUMPTION, 2003 ANNUAL PLAN:	1,960 ODP tonnes
CEILING FOR 2004 CFC CONSUMPTION, 2004 ANNUAL PLAN:	1,810 ODP tonnes
TOTAL FUNDING APPROVED IN PRINCIPLE FOR THE CFC PHASEOUT PLAN:	\$10,575,410
TOTAL FUNDING RELEASED AS OF OCT. 2003:	US \$3,010,873
TOTAL FUNDING DISBURSED FROM THE WORLD BANK TO THE PHILIPPINES:	US \$3,010,873
LEVEL OF FUNDING REQUESTED FOR 2004 ANNUAL PLAN:	US \$2,043,552
NATIONAL IMPLEMENTING OPERATING AGENCY:	Department of Environment and Natural Resources – Philippine Ozone Desk (POD)
LEAD IMPLEMENTING AGENCY	The World Bank
CO-IMPLEMENTING AGENCY:	The Government of Sweden

PROJECT SUMMARY

The National CFC Phaseout Plan (NCPP) will phase out the remaining consumption of 2,017.6 ODP tonnes of Annex A, Group I chemicals during the period of 2003-2010. To achieve this target, a series of investment, non-investment, technical assistance, and other support activities will be undertaken. The NCPP will enable the Philippines Government to enforce a ban on the importation of equipment (new and used) designed to use exclusively CFCs and totally eliminate the use of CFCs in the manufacturing sector by January 1, 2005 and use of CFC (other than banked supplies) in the servicing sector by 2010.

IMPACT OF THE PROJECT ON COUNTRY'S MONTREAL PROTOCOL OBLIGATIONS: The project will enable the Government of the Philippines to meet its CFC phaseout obligations.

The Philippines National CFC Phaseout Plan: 2004 Annual Program*

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* NOTE: This is based on the format proposed by the MLF Secretariat for use by the Article 5 country to prepare the annual work plan for the implementation of performance-based ODS phase-out plans.

Introduction

1. In accordance with the Executive Committee's approval of the "Agreement for the National CFC Phaseout Plan for the Philippines" (Report No. UNEP/OzL.Pro/Excom/38/70, Rev.1, Decision 38/48 and Annex V to the Report), the Philippines is hereby requesting release of the second tranche of US\$2,043,552 for the implementation of the 2004 Annual Program. After implementing this program, the Philippines' CFC consumption will be reduced to a maximum of 1,810 ODP tonnes by the end of 2004. Details of the 2004 annual program are provided in Part II.
2. The Executive Committee (ExCom) of the Multilateral Fund for the Implementation of the Montreal Protocol has approved a total grant of US \$10,575,410 to cover part of the phase-out costs of the phased reduction and complete phase-out of consumption of Annex A, Group I substances in the Philippines. The approved funding and agreed annual targets are summarized in the table below.
3. Following the approval of the NCPP at the 38th Meeting of the ExCom in November 2002, the Philippines has begun implementation of the NCPP and has taken important initial steps, such as the establishment of the project management unit. Details of 2003 activities and developments to date are found in Part I.

Approved MLF Funding and ODP Reduction Schedule

Year	Annual Grant Funding US\$ (million)	Maximum Consumption allowed under NCPP
		(ODP tonnes)
2003	3,010,873	1,960
2004	2,043,552	1,810
2005	2,200,071	1,509
2006	2,873,197	1,360
2007	337,717	453
2008	110,000	400
2009	--	300
2010	--	0

Part I – 2003 Annual Program Accomplishments (Actual & Projected)

A. Targets Met

1. The overall performance target for 2003 is to ensure that CFC consumption does not exceed the ceiling of 1,960 ODP tonnes, amounting to a reduction of at least 89.3 ODP tonnes from the previous year. This target represents a reduction of 31.7 ODP tonnes from the completed UNDP-implemented investment project in rigid foam manufacturing (PHI/FOA/31/INV/64 , completed in October 2002) and 57.6 ODP tonnes reduction in the servicing sector.

2. Considering the supply of CFCs to the country in 2003 to date, the 2003 reduction target is most likely to be met at a projected maximum consumption level of 1,923.98 ODP tonnes (made up of the issued quota and outstanding CFC shipment from the 2002 quota that would arrive in 2003), well below the consumption ceiling. This is composed of the following:

- a) The final 2002 CFC consumption figure is 1644 ODP tonnes which includes 139.5 ODP tonnes of imported CFC that did not receive pre-shipment importation clearance.
- b) Out of the remaining issued CFC quota/import permits for CY 2002 of 274.20 ODP tonnes that were not utilized in 2002, only 186.74 ODP tonnes arrived as of September 30, 2003. The undelivered quota of 87.46 tonnes was deemed cancelled with the expiration of the Pre-Shipment Importation Clearance in July 2003.
- c) The issued CFC quota for CY 2003 for imports which are expected to arrive within the year is 1,649.78 ODP tonnes – an amount 15% lower than the ceiling established in the agreement with the ExCom.
- d) So far in 2003, a total of 43 tonnes of CFC-12 was seized and forfeited (this included 28 tons of illegally-imported CFC-12 and 15 tons of CFC-12 labeled as HFC-134a) as a result of the vigilance of the DENR and Bureau of Customs. This amount will be disposed of by selling the same to the registered importers but will be deducted from their quota allocation.
- e) Consequently, the total consumption in the year will be capped at (1649.78+274.20) 1,923.98 ODP tons, and is in fact not likely to exceed (1649.78+186.74) 1,836.52 ODP tons.

3. The Government decided to commission an audit of 2002 consumption in the Philippines using a consultant to enable a better understanding of the process for future years. A copy of the report is attached for information. The verified consumption of 1,644 ODP tons is 12 tons higher than Article 7 data reported to the Ozone Secretariat previously, and a revision to that report is being issued.

4. The achievement of the 2003 reduction performance target will be confirmed in the 2005 Annual Program, along with the 2003 consumption verification report.

B. Industry Actions

5. As indicated above, the actual ODP consumption reductions by sector for 2003 will be reported in the 2005 Annual Program. Please refer to Table IV in Part II for the

planned reductions for 2003. Major developments as of the date of this report are provided below by sector.

B.1 Foam Sector

6. Based on recent information obtained by POD, there has been a decrease of CFC-11 consumption in the foam sector since 2002. This decrease is attributed to an increase in CFC-11 prices in comparison to alternative chemicals and a downturn of the economy in the northern Manila area where most of the remaining CFC-consuming enterprises are located. In addition, through the preparation and launch of the NCPP, the Government's message that CFC consumption is to be phased out has, in effect, reached many manufacturers and CFC consumers in the last year and half of consultations and workshops. Moreover, the Government's official announcement in mid-December 2002 of the NCPP's approval and its corresponding phaseout schedule as well as of the Government import quota for 2003-2010, has had an impact on the CFC-consuming market in the last ten months.

7. Consequently, a consultant will be hired to re-assess the country's foam industry as well as design projects and strategies to phase out CFC in the sector in a permanent manner. Consultations will be held with identified foam enterprises to formulate the required assistance packages to totally phase out CFC in the foam-manufacturing sector and to assist any originally identified manufacturers that may have commenced with conversion on their own since the data was collected for the NCPP. Investment projects as well as technical assistance for all the eligible foam manufacturers will be prepared before the end of the year.

B.2 Aerosol Sector

8. As stated in the NCPP, most CFC-based aerosols have readily available alternatives that has led to a decrease of the consumption of CFC-12 in this sector – consumption in this sector almost disappeared due to the voluntary phase-out of CFC-12 in the operations of member companies of the Chamber of Cosmetic Industries in the Philippines.

9. Considerable efforts were made to track down and quantify the small amount of remaining consumption through back-tracking the raw material supply chain and through consultations with experts and users. Based on the list provided by the Philippine Aerosol Container Corporation (PACC), it was confirmed that nine enterprises are manufacturing tear gas and are using CFC-12 as propellant. St. Pancratius was identified in the NCPP as the largest producer of tear gas with an annual consumption of 1.44 ODP tonnes of CFC-12.

10. Initial consultation meetings in mid-2003 with the two major tear gas manufacturers, namely, St. Pancratius Industries and Dancan Trading, were conducted to reconfirm their CFC consumption and the assistance needed to phase out CFC in their products. Plans for assistance, will be finalized after some additional consultations in November 2003.

B.3 Metered-Dose Inhalers (MDI)

11. The Philippines is not a manufacturer of MDIs, however, about 1.2 million units were imported in 2001. Non-CFC MDIs have penetrated the market, but CFC MDIs are reportedly "more sellable" because asthma patients are not used to alternative products due to a different taste and cooling effect. Further, the low acceptance of non-CFC MDIs can also be attributed to lack of awareness of ODS issues of patients and health specialists.

12. GlaxoSmithKline, a leading importer of CFC-based MDI in the country, has already expressed its support for the project. A consultation meeting among PMU, BFAD, consultant and MDI importers is planned for November 2003 to determine next steps.

B.4 Refrigeration Equipment Manufacturing

13. Manufacturers of household and commercial refrigerators have shifted totally to non-ODS technology and eliminated CFC-11 and CFC-12 in their manufacturing process with assistance from the Multilateral Fund. Under the NCPP, only producers of refrigerated counters, freezers and water coolers were identified to be using CFC-11 and CFC-12, namely, LowTemp Corporation, Greenpole Industrial Trading Corporation and Kooler Industries.

14. Kooler Industries, which manufactures 700 to 1,000 units of water coolers per year with estimated CFC-12 consumption of 8 oz. per unit per the NCPP, has informed the Government in June 2003 that it has already shifted to use of HFC-134a as refrigerant. To ensure the total and sustained phaseout of CFCs in this company, retroactive support (technical and financial subsidies) will be provided. LowTemp is awaiting help for preparing an investment project proposal, and will be converting to non-ODS systems in 2004. Greenpole's present business is concentrated on servicing of water coolers using CFCs purchased locally. Greenpole will be eligible for a grant package under Type II investment projects (servicing) in a future annual program.

B.5 Servicing Sector

15. Technician-oriented information campaigns as embedded in the Technical Education and Skills Development Authority (TESDA) curriculum have become part of the regular training of technicians. The training program targets 150 trainers to be covered within the year. Sixty trainers were provided training up to the end of September, 2003. Eight training sessions have been scheduled for the next three months. Ninety trainers are invited and are expected to participate in the training.

C. Summary of Technical Assistance Activities

C.1 PMU

16. The NCPP Project Management Unit (PMU) was established the first week of September 2003 after approval of the Administrative Order # 2003-43 and Special Order No. 2003-712 delineating the roles and responsibilities. The NCPP PMU functions under the direct supervision of POD. Most of the staffing of the unit has been completed.

C.2 Train the Trainers

17. The Technical Education and Skills Development Authority has upgraded and field-tested its Competency-Based Curriculum and Learning Materials for refrigeration and air conditioning (RAC) and mobile air conditioning (MAC) technicians. The new curriculum incorporates the NCPP requirements on good service practice. Forty-five (45) and fifteen (15) RAC and MAC instructors from TESDA and TESDA supervised training centers in the Visayas Region (Regions VI, VII, and VIII) and Mindanao (Region XI) respectively were trained as trainers.

C.3 Swedish TA

18. The International Consultant for the Servicing Sector under the Government of Sweden component came on board in April 2003 and is providing advice to POD regarding accreditation & certification, Code of Practice, Reclamation and Trade Communication.

C.4 Foam

19. The World Bank's clearance for the hiring of a Foam Consultant was received on October 15, 2003, and the Consultant is expected to be hired by October 27, 2003. A meeting with Foam sector stakeholders has been organized shortly thereafter to discuss: (a) ban on CFC-11 importation starting January 2005; (b) new standards set by the Bureau of Product Standards (BPS) for the sector; and (c) documentary requirements to avail of the grant.

C.5 MDI

20. It has been difficult to locate a suitable expert for MDI. Discussions are ongoing with the Bureau of Food and Drugs (BFAD) to locate a suitable consultant from among government retirees or other possible sources of qualified help, and to discuss other steps to be able to proceed with the implementation of planned activities. The MDI Consultant is expected to be hired by November 2003.

C.6. MAC

21. Action has been taken to add information on refrigerants used by vehicles to the vehicle inspection form. Land Transportation Office (LTO) inspectors nationwide will be trained by TESDA on the basic identification of the type of MAC refrigerants. It has also been decided that LTO will distribute information materials on the phaseout of CFCs to all owners of vehicles with MAC throughout the entire 2004 vehicle registration period.

C.7 CCO Legal Consultant

22. A consultant was appointed to propose revisions to the Chemical Control Order to reflect the requirements for additional restrictions for NCPP implementation. A draft revised order is under review by the Government and consultations with stakeholders are under way. It is expected to be finalized by the end of the year.

23. Table I provides a detailed summary of all activities expected to be accomplished by the end of the year.

Table I: Technical Assistance (TA) Activities in 2003

No	Activity	Objective	Target Group	Impact	Status
1.	Technical Assistance to CFC-based Aerosol Manufacturers	To assist product fillers reformulate their products.	Nine known and identified producers	Technical options and associated hazards are understood and most are expected to move to contract filling by a non-CFC aerosol producer or cease operations – by 2004.	POD/PMU conducted a meeting with St. Pancratius Industries in order to assess the need of the said company for possible assistance from the NCPP.
2.	Technical Assistance to the MDI sector to be led by the Bureau of Food and Drugs – in particular the development of a strategy to facilitate MDI phaseout.	To develop an MDI Phaseout Strategy that focuses on reducing the growth of CFC MDIs dependence by early introduction of alternatives.	The local pharmaceutical industry; doctors; government agencies and other relevant stakeholders	Strategy on how best to stop the growth in use assessed; consumer dissatisfaction with non-CFC alternatives addressed; awareness of alternatives and problems associated with continued use raised.	The terms of reference for an MDI expert have been finalized. POD is now in the process of selecting/sourcing for a possible local MDI expert with assistance from the BFAD.
3.	Technical assistance to help the larger foam enterprises prepare their proposals.	To phase out the remaining CFC-using foam manufacturers.	All eligible foam enterprises that are still using CFCs in foam production.	Planned conversion dates before the end of 2004 realized.	The terms of reference for the foam expert have been finalized. POD is now sourcing for a local foam expert.
4.	Technical assistance to the very small producers (0-1 tonnes).	To phase out the remaining CFC-using foam manufacturers.	The very small (SME) foam producers.	Technical advice and some limited assistance provided. Conversion to non-CFC production processes realized.	The terms of reference for the foam expert have been finalized. POD is now sourcing for a local foam expert.

No	Activity	Objective	Target Group	Impact	Status
5.	Training trainers on how to minimize intentional and unintentional emissions by improving practices	To incorporate the NCPP requirements on proper service practice to TESDA RAC and MAC training; conduct trainers training for the said curriculum.	Trainers of service technicians	Improved practice and reduced, long-term costs for the servicing of refrigeration systems, both MAC and stationary. As an example of the impact, the effects on leakage rates from a change of behaviour as displayed in Table 8-1 is based on international experience showing that a 50% reduction of the traditional leakage levels are realistic to achieve on old equipment.	The Technical Education and Skills Development Authority upgraded its Competency-Based Curriculum and Learning Materials for refrigeration air conditioning (RAC) and mobile air conditioning (MAC) technicians to incorporate the NCPP requirements on good service practice. Sixteen vocational practitioners have been trained and 134 more are expected to be trained before the end of 2003.
6.	To give credibility to the requirements associated with improved service practices such as a venting ban. Information on possibilities for industry will be given to all refrigerant suppliers/distributors.	To solve the issue of CFC-11 chillers and in order to tackle the servicing sector.	Suppliers/distributors	Suppliers/distributors are enabled for submitting proposals on how to establish reclamation capability for CFC-11 and CFC-12.	An international consultant to assist in the process to initiate a reclamation scheme has been contracted by Sida (Sweden) and is providing advice.
7.	Development and production of MAC Inspection Manual	To provide technical capability to inspectors who will conduct MAC inspection.	LTO MAC inspectors and other MAC inspection teams	MAC inspectors capable of proper MAC inspection procedure. Knowledge of the use CFCs in MACs widened resulting in stricter inspection during vehicle registration.	TESDA will train LTO technicians on identification of MAC refrigerants using visual inspection of MAC system installed in vehicles.
8.	Voucher Scheme under the Type II Sub-project finalized and ready to be implemented	To provide necessary service equipment to small and medium enterprises. To assist service shops to comply with Department	Service shops	Reductions in CFC emissions achieved. Phaseout of CFC consumption in this sector will have a direct impact on the Philippines' ability to meet its 50% and 85% reduction targets in 2005 and 2007	Workshop with LandBank to finalize the details of the Voucher Scheme under Type II sub-projects scheduled in November 2003. Contents of the Voucher

No	Activity	Objective	Target Group	Impact	Status
		of Trade and Industry (DTI) registration requirements.		respectively.	commented/discussed with LandBank and SEI consultant September 26, 2003
9.	Working Group to prepare the Code of Good Practice already in place	To ensure an improved standard of services in the service sector.	Service sector, trade organizations	Reduction in CFC emissions achieved.	Draft Code of Good Practice was prepared by the NCPP-PMU for presentation to the Working Group (stakeholders) by November 2003
10.	Initial Design of the Recovery, Recycling and Reclamation Scheme Prepared	To establish a reclamation facility.	Refrigerant importers	CFC-11 banned without creating adverse effects on the chiller sector. Premature scrapping of existing equipment avoided.	NCPP-PMU constantly meeting with PARII and CIGI to explore the establishment of in-house reclamation facility/ies.
11.	Target-oriented public awareness campaigns	To disseminate information related to the government's policy on ODS	Service shops, Equipment owners, LTO, General Public	More people informed about the issues of ozone depletion and policies and measures to solve the problem. Service shops, equipment owners and vehicle owners informed about the requirements and the benefits.	PMU to produce leaflets on NCPP for distribution by LTO to owners of vehicles with MAC during the 2004 vehicle registration period. Public awareness campaign and advocacy plan already prepared
12.	Establishment and operationalization of the PMU	To carry out associated activities under the NCPP	Government and all stakeholders	NCPP milestones reached.	The Project Management Unit has been established and is operational since September 2003.
13.	Training of DTI, LTO, TESDA, BFAD, PMU, Regional ODS staff on their role in NCPP conducted	In order for the concerned personnel to have thorough information on the objectives of the NCPP.	Concerned personnel of DTI, LTO, TESDA, BFAD and PMU staff.	NCPP objectives achieved.	Series of trainings scheduled to be conducted from October to December 2003.

D. Summary of Government Actions Taken

24. The Grant Agreement between the Philippine Government and the World Bank was amended on March 24, 2003 to enable implementation of the NCPP. Since then, other administrative issuances and procedures were prepared and adopted to facilitate the efficient and effective implementation of the Project, as follows:

- a) the Tripartite MOU among the Department of Environment and Natural Resources, the Department of Finance and the LandBank of the Philippines (as the Financial Intermediary) was signed to facilitate the flow and management of the project's financial resources;
- b) the Project's Operating Policy Guidelines were appropriately amended/updated to ensure that the requirements of the NCPP are properly addressed;
- c) a Memorandum of Agreement among the partner agencies of the DENR in the implementation of the NCPP such as the Technical Education and Skills Development Authority, Department of Trade and Industry, Bureau of Food and Drug, Land Transportation Office has been prepared and adopted;
- d) a Launch Workshop was conducted in which all the implementing and partner agencies of the Project presented their respective plans in support of the NCPP.

25. The Chemical Control Order for ODS as well as the Proposed Legal Measures under the NCPP as drafted by the Legal Consultant were reviewed, and the comments were discussed with the POD and PMU in order to come up with the right legal infrastructure supportive of the NCPP activities/strategies.

26. In the area of enforcement of the ODS Licensing System, the DENR-EMB-POD has emphasized that a good partnership with the Bureau of Customs is the most potent weapon against the illegal trade of ODS. In fact, the partnership has resulted, in seizure and forfeiture of two (2) shipments of CFC-12 allegedly from Shanghai, China. The first case involved the mislabeling of CFC-12 as HFC-134a amounting to about 15 ODP tonnes, while the second case involved "double layering" or the concealment of CFC-12 behind the layers of HCFC-22 amounting to about 28 ODP tonnes. Also, an on-the-spot inspection by a composite team of personnel from EMB, Customs and DTI resulted in the detection of 131 cylinders of mislabeled/counterfeit R134a which was tested to be CFC-12.

27.

28. Department of Trade and Industry: The Bureau of Product Standards conducted its first technical committee meeting for tear gas and home appliances on August 20, 2003.

Table II: Summary of Government Actions

No.	Policy/Activity Planned	Date Effective	Status
	POLICY CONTROL		
1.	Grant Agreement with World Bank amended to enable NCPP implementation, OPG amended	March 24, 2003	Complete.
2.	Tripartite MOU with DOF and		Complete.

	Land Bank		
3	Memorandum of Agreement with partner agencies	Expected	Awaiting signature of Department Secretaries (Ministers).
4	Comprehensive review of control measures (those existing and still needed to implement the phase-out)	November 30, 2003 – CCO revised.	A legal consultant was hired to study the possible inclusion of the proposed Legal Measures in the CCO. Comments on 3rd draft of the CCO already discussed with the legal consultant. Consultation with stakeholders to be held in October.
5.	Updated Philippine National Standard for ODS-using equipment and products issued by DTI-BPS	December 29, 2003	Technical Committee Meetings conducted
PUBLIC AWARENESS/Targeted-oriented information campaign			
1.	Announcement of the NCPP and phase-out schedule/import quota for CFCs for 2003-2010. Announcement of the entering into force of accreditation by January 1, 2005	December 15, 2003 upon effectiveness of the revised CCO	A tri-media advertisement was produced.
OTHER ACTIONS			
1.	Import control training	Ongoing	Customs trainings on control and monitoring of ODS were conducted under UNEP.
2.	Criteria/procedures developed for financial support for phase-out projects	Ongoing	Already established under the Operating Policy Guidelines

E. Table III: Budget and Financial Performance

Activity / Description	Planned Expenditures (US \$) (Funds received for 2003 Activities)	Actual 2003 Expenditures (Jan. – Sept.)	Projected Expenditure (October – Dec. 2003)
Technical Assistance Projects			
– Aerosols	12,000	-	2,000
– MDIs	24,970		15,000
Investment and Technical Assistance Projects – Foam	724,000	-	4,500
Refrigeration Commercial Manufacturing	122,744	-	
Sub-total Manufacturing	883,714	-	
Service Sector			
Train-the-Trainer – Ref.	277,970*		
Financial Subsidy for Purchasing Refrigeration Servicing Equipment	547,655	14,570	38,750
Train-the-Trainer – MAC	309,100*		
Financial Subsidy for Purchasing MAC Servicing Equipment	695,434		
Technical assistance to initiate infrastructure to reclaim CFC	22,000*	10,000**	
Subtotal Service Sector	1,852,159		
PMU			
Project Implementation and Monitoring Unit	275,000*	11,336	207,000
Total	3,010,873		

*Includes bilateral assistance from Sweden.

** Contract price of Sida Consultant

Part II – 2004 Annual Plan

A. Table IV: Targets

Target				
Indicators		Preceding Year (2003) (ODP tonnes)	Year of Plan (2004) (ODP tonnes)	Reduction (ODP tonnes)
Supply of CFCs	Import	1,960	1,810	150
	Total (1)	1,960	1,810	150
Demand of CFCs projected in NCPP	Manufacturing	476.87 CFC-11 9.64 CFC-12 total = 486.51	336.51 CFC-11 0 CFC-12 total = 336.51	150
	Servicing	Total = 1,473.5	Total = 1,473.5	0
	Total (2)	1,960	1,810	150

B. Industry Action

29. During 2004, the Philippines has planned a reduction from 1,960 to 1,810 ODP tonnes or a net 150 ODP tonnes. Considering that almost all of the investment projects are expected to start in 2004, coupled with the Government's visible CFC phaseout campaign, the 150 ODP tonnes reduction can be easily achieved.

Table V: Industry Action

Sector	Consumption Preceding Year (2003) 1,960 ODP tonnes*	Consumption Year of Plan (2004)	Reduction within Year of Plan (2004)	Number of Projects/Servicing Related Activities Completed	ODS Phase- Out (in ODP tons
Aerosol					
Foam			133.86	4	133.86
Refrigeration			16.14	2	16.14
Solvents			-----		
Other			-----		
Total	486.51	336.51	150	6	150
Refrigeration and air conditioning	1,473.5	1,473.5	-----		
Total	1,473.5	1,473.5	-----		
GRAND TOTAL	1960	1810	150		150

*Actual figures will be reported after 2003, in the 2005 Annual Program.

C. Table VI: Summary of Technical Assistance Activities for CY 2004

No.	Proposed Activity	Objective	Target Group	Impact
1.	Technical Assistance to the MDI sector to be led by the Bureau of Food and Drugs – in particular the development of a strategy to facilitate MDI phaseout.	To inform pharmaceutical industry, medical practitioners, and MDI users on the phaseout of CFC MDIs	The local pharmaceutical industry; doctors; government agencies and other relevant stakeholders	Decline in imports of CFC-based MDI.
2.	Technical assistance to help foam enterprises prepare their proposals.	To phase out the use of CFC in the foam manufacturing sector	All eligible foam enterprises that are still using CFCs in foam production.	Proposals submitted and approved. TA provided to eligible enterprises resulting in reduction of CFC-11 consumption.
3.	Technical Assistance for MAC Inspection and Training	To equip Land Transportation Office (LTO) Inspectors on the proper inspection of MAC	All LTO Inspectors	Proper knowledge on MAC inspection resulted in prevention of backward retrofitting.
4.	Comprehensive and target-oriented public awareness campaigns implemented	To disseminate information related to the government's policy on ODS	Concerned stakeholders	Increased awareness of concerned stakeholders about the issues of ozone depletion, and government policies and measures resulted in changes in behavior. More industries came forward to seek assistance through the NCPP.

No.	Proposed Activity	Objective	Target Group	Impact
5.	Training of Bureau of Import Services (BIS) inspectors	To train and equip BIS inspectors regarding the new inspection criteria for products and equipment containing CFC	BIS inspectors	Stricter control on the imports of second-hand ODS equipment resulted to reduction in CFC usage in the servicing sector.
6.	Finalize and Implement the Code of Practice	To ensure an improved standard of services in the servicing sector.	Servicing sector	Reduced CFC emissions due to proper practices in servicing CFC-containing systems.
7.	Prepare reclamation strategy	To establish a reclamation facility.	CFC importers	Ban on the use of CFCs made possible without creating adverse effects on the industry Premature scrapping of existing equipment avoided.
8.	PMU	To implement and monitor NCPP activities/projects	PMU personnel	NCPP milestones for 2004 met.

D. Table VII: Summary of Government Actions for CY 2004

No.	Policy/Activity Planned	Date Effective
1.	Announcement of the Land Transportation Office of its MAC inspection requirement	December 2004
2.	Inclusion and implementation of a regulation mandating the importers of CFC to establish a Reclamation Facility	March 2004
3.	Transform MDI phaseout strategy into policy issuance	July 2004
5.	Announcement of revised Accreditation system for RAC/MAC Service providers, informing them of the requirements for technician certification, mandatory equipment & compliance to Code of Good Practice	March 2004 <i>(as agreed with DTI-BTRCP)</i>
6.	Reaffirm the ban on any allowable uses of CFCs in the manufacturing sector.	March 2004
OTHER ACTIONS		
1.	Database link-up with DTI, TESDA and DENR	January 2004
2.	Land Transportation Office Database will include refrigerant type used by vehicles	December 2004
3.	Conduct public awareness information and targeted information on the requirement for accreditation and incentives under Type II investment project Implement Type II investment projects (Voucher Scheme for Service Shops)	January 2004
4.	Implementation of Revised Phil. National Standard For Home appliances, tear gas and MAC	February 2004
5.	Monitoring of CFC importation, sales, use and other prohibited or restricted ODS	January 2004

E. Table VIII: Budget – CY 2004

Activity / Description	Planned Expenditures (US \$) (Funds received for 2004 Activities)
Technical Assistance Projects	
– Aerosols	12,000
– MDIs	24,970
Investment and Technical Assistance Projects – Foam	0
Refrigeration Commercial Manufacturing	122,745
Sub-total Manufacturing	159,715
Service Sector	
Train-the-Trainer – Ref.	277,970
Financial Subsidy for Purchasing Refrigeration Servicing Equipment	200,000
LTO MAC Inspection Requirement	214,500
Train-the-Trainer – MAC	309,100
Financial Subsidy for Purchasing MAC Servicing Equipment	400,000
Costs to initiate infrastructure to reclaim CFC	232,267*
Subtotal Service Sector	1,852,159
PMU	
Project Implementation and Monitoring Unit	250,000*
Total	2,043,552

*Includes bilateral assistance from Sweden.

Part III – Consumption Verification for 2002

30. For a better understanding of the audit process for future years when it will be required, the 2002 consumption data was subjected to a verification audit by a consultant hired under terms of reference agreed with the World Bank. The report of the auditor is attached.

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