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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-second Meeting  
Montreal, 29 November - 3 December 2010

**PROJECT PROPOSAL: MALAWI**

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

Phase-out

- HCFC phase-out management plan (Stage I, first tranche)

UNEP/UNIDO

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**

**Malawi**

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC Phase Out Management Plan	UNEP (lead), UNIDO

<b>(II) LATEST ARTICLE 7 DATA</b>	Year: 2009	8.6 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2009</b>	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Serviceing				
HCFC123									
HCFC124									
HCFC141b									
HCFC142b									
HCFC22					8.6				8.6

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline (estimate):	8.9	Starting point for sustained aggregate reductions:	8.9
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	0	Remaining:	5.79

<b>(V) BUSINESS PLAN</b>		<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
UNEP	ODS phase-out (ODP tonnes)	0.38		0.38			0.76
	Funding (US \$)	59,043		59,043			118,085

<b>(VI) PROJECT DATA</b>			<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>	
Montreal Protocol consumption limits (estimate)			n/a	n/a	n/a	8.9	8.9	8.01	8.01	8.01	8.01	8.01	5.79		
Maximum allowable consumption (ODP tonnes)			n/a	n/a	n/a	8.9	8.9	8.01	8.01	8.01	8.01	8.01	5.79		
Project Costs requested in principle (US\$)	UNEP	Project costs	80,000			60,000			50,000			40,000		230,000	
		Support costs	10,400			7,800			6,500			5,200		29,900	
	UNIDO	Project costs	70,000			50,000									120,000
		Support costs	6,300			4,500									10,800
Total project costs requested in principle (US \$)			150,000	0	0	110,000	0	0	50,000	0	0	40,000	0	350,000	
Total support costs requested in principle (US \$)			16,700	0	0	12,300	0	0	6,500	0	0	5,200	0	40,700	
Total funds requested in principle (US \$)			166,700	0	0	122,300	0	0	56,500	0	0	45,200	0	390,700	

<b>(VII) Request for funding for the first tranche (2010)</b>			
<b>Agency</b>	<b>Funds requested (US \$)</b>	<b>Support costs (US \$)</b>	<b>ODS phase-out (ODP tonnes)</b>
UNEP	80,000	10,400	
UNIDO	70,000	6,300	

<b>Funding request:</b>	Approval of funding for the first tranche (2010) as indicated above
<b>Secretariat's recommendation:</b>	

## **PROJECT DESCRIPTION**

1. On behalf of the Government of Malawi, UNEP, as the lead implementing agency, has submitted to the 62<sup>nd</sup> Meeting of the Executive Committee Stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$560,000 (excluding agencies' support costs) as originally submitted. The Government of Malawi is requesting US \$270,000 plus agency support cost of US \$35,100 for UNEP and US \$290,000 plus agency support costs of US \$21,750 for UNIDO to meet the 35 per cent reduction by 2020.
2. The first tranche for Stage I being requested at this meeting amounts to US \$105,000 plus agency support cost of US \$13,650 and US \$100,000 plus agency support cost of US \$7,500 for UNIDO, as originally submitted.

### **Background**

#### ODS regulations

3. The country's ODS regulations were gazetted in 1998 and are part of the Environment Management Act (1996). The regulations were revised in 2008 to incorporate further control measures on the phase-out of CFCs and other ODS including HCFCs. The regulations control imports and exports of ODS and ODS-dependent equipment and also provide for a quota and licensing system. The amended ODS regulations have phase-out schedules for all the ODS including the accelerated phase-out of HCFCs and also provide for the registration and certification of all stakeholders involved with respect to ODS and their alternatives including the registration of refrigeration technicians and importers. The Government of Malawi further adopted the Environmental Impact Assessment (EIA) guidelines which will also help to identify and safeguard against companies (i.e. new infrastructure) that might use ODS including HCFCs in their refrigeration systems.
4. The regulations are implemented by the Malawi Revenue Authority, the Malawi Bureau of Standards, Ministry of Agriculture, Ministry of Justice, the Consumers Association of Malawi, the Malawi Police Service, Ministry of Trade, the Refrigeration Association of Malawi, Pesticides Control Board and the Ministry of Natural Resources, Energy and Environment.

#### HCFC consumption

5. The survey results showed that the country uses mostly HCFC-22 in servicing refrigeration and air conditioning units. There is a general increasing trend in consumption of HCFC-22 as a refrigerant since the year 2005 due to infrastructure development and economic growth in the country. The consumption of HCFC-22 increased from 27.1 metric tonnes (mt) (1.5 ODP tonnes) in 2005 to 155.6 mt (8.56 ODP tonnes) in 2009. In the year 2009, the domestic refrigeration sector which mainly consists of split and window type air conditioners contributed 25 per cent to the annual consumption, the commercial sector which consists of cold rooms and freezer rooms contributed 67 per cent and the mobile air-conditioning (AC) sector contributed 8 per cent to the total annual consumption.
6. The HCFC consumption in Malawi is projected to increase by 59.96 per cent in 2010 and reach the level of 248.9 mt (13.7 ODP tonnes). Table 1 presents data on HCFC consumption extracted from the survey and reported under Article 7.

Table 1: HCFC-22 consumption from 2005 to 2009

Year	HCFC-22 (in metric tonnes)	HCFC-22 (in ODP tonnes)
2005	27.1	1.5
2006	54.3	3.0
2007	50.8	2.8
2008	122.2	6.7
2009	155.6	8.6

7. HCFC consumption in Malawi is expected to grow on a yearly basis by 24.34 per cent using an unconstrained growth scenario from 2009 to 2020.

8. The HPMP shows that the level of imported refrigeration equipment between 2008 and 2010 has significantly increased. During this period, the number of split/window air-conditioning increased by 108 per cent; cold rooms and freezers by 113 per cent and; mobile air-conditioning units by 167 per cent. This increase in the imports of equipment has resulted in a consequent increase in HCFC-22 imports.

9. The survey results also showed that Malawi has about 450 formal refrigeration technicians registered by the Refrigeration Association of Malawi (RAM) and some 900 informal technicians. Out of 450 formal technicians, 315 were trained in good refrigeration practices. However, none from the informal sector was trained. The survey also revealed that most of the technicians do not have proper toolkits for servicing and that the toolkits available in the retrofitting centres are not adequate to cater for the expanding service industry in the country. The survey also indicated that there are more than 350 refrigeration workshops in Malawi, but only 150 workshops are certified by the Refrigeration Association of Malawi.

#### Sectoral distribution of HCFCs

10. HCFCs in Malawi are used in domestic, industrial/commercial and mobile air conditioning refrigeration sectors. Table 2 below presents the consumption of refrigerants in the country by refrigeration servicing sector for the year 2009.

Table 2: Consumption of refrigerants in 2009 by sub-sector

Refrigeration equipment	Total units	Charge (tonnes)		Servicing Consumption /year (tonnes)	
		Metric	ODP	Metric	ODP
Air conditioning (unitary/Split systems)	202,000	303	16.66	41.67	2.3
Commercial refrigeration and food processing	76,000	532	29.26	92.57	5.1
Industrial and other equipment	24,000	48	2.64	21.31	1.17
<b>Total</b>	302,000	883	48.56	155.55	8.57

11. With regard to HCFC-22 prices, the survey results showed that they are relatively low as compared to those of alternative refrigerants such as R-134a and R-404. Refrigerants such as ammonia, HFCs and HFC-blends are being used in cold rooms.

Calculation of consumption baseline

12. The estimated HCFC baseline for compliance is calculated by the country as the average of the 2009 actual consumption reported under Article 7 of 155.6 mt (8.6 ODP tonnes) and 2010 estimated consumption of 248.9 mt (13.7 ODP tonnes) which results in an estimated baseline of 202.3 mt (11.13 ODP tonnes).

HCFC phase-out strategy

13. The Government of Malawi is proposing to freeze its HCFC consumption by 1 January 2013, and reduce consumption by 10 and 35 per cent by 2015 and 2020 respectively.

14. The country intends to implement a staged approach strategy through the HPMP. The first stage is aimed at phasing out the consumption of HCFCs in the country as required by the Montreal Protocol by focussing on the establishment of safe hydrocarbon and natural refrigerant use practices to enable their safe general long term use; activities to curb the increase in HCFC-based refrigerant blends and an incentive programme to retrofit HCFC-based equipment to environmentally friendly alternatives. Stage two will aim at implementing activities to phase out the remaining HCFC consumption based on the use of natural refrigerants.

Table 3: Staged approach for the implementation of the HPMP in Malawi

<b>HPMP</b>	<b>Programme description</b>	<b>Duration</b>
Overarching strategy	Provision of ozone and climate benefits through the integrated plan for ODS reductions for the refrigeration sector, promotion and adoption of energy efficiency alternative technologies.	2011- 2030
Stage I	The establishment of safe hydrocarbon and natural refrigerant use practices to enable their safe general long term use; activities to curb increase in HCFC-based refrigerant blends and an incentive programme to retrofit HCFC-based equipment to environmentally friendly alternatives.	2011- 2020
Stage II	Implementation of activities to phase out remaining HCFC consumption based on the use of natural refrigerants	2021-2030

Cost of the HPMP

15. The total cost of Stage I of the HPMP is estimated at US \$560,000 plus agencies' support costs that amounts to US \$63,200 to phase out 68.72 mt (3.78 ODP tonnes) till 2020. Table 7 presents the budget breakdown for Stage I of the HPMP.

Table 4: Proposed activities and estimated budget

<b>Description</b>	<b>UNEP</b>	<b>UNIDO</b>	<b>Total cost</b>
Dissemination of ODS policy and regulation	40,000		40,000
Further training of customs and other law enforcement agents and strengthening of customs training schools	80,000		80,000
Strengthening of Regional Retrofitting Centres and incentive programme for commercial and industrial refrigeration end-users and development of a comprehensive programme for reduction of HCFC and carbon emissions in the refrigeration and air conditioning sector		290,000	290,000
Strengthening of the Refrigeration Association of Malawi, technical institutions and additional training of refrigeration technicians	90,000		90,000
Project coordination, monitoring, evaluation and reporting	60,000		60,000
<b>Total</b>	<b>270,000</b>	<b>290,000</b>	<b>560,000</b>

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

16. The Secretariat reviewed the HPMP for Malawi in the context of the guidelines for the preparation of HPMPs (decision 54/39) and the criteria for funding HCFC phase-out in the consumption sector agreed at the 60<sup>th</sup> Meeting (decision 60/44).

#### HCFC consumption

17. The Secretariat drew the attention of UNEP to the significant increase in the HCFC consumption reported by Malawi under Article 7 between 2007 and 2008 which showed an increase of 140.5 per cent (see table 1). The consumption for 2009 was reported to be 155.6 mt (8.6 ODP tonnes) showing a 27.3 per cent increase from 2008. In this regard, the Secretariat was informed that this situation results from the survey that was undertaken to establish the accurate levels of HCFCs consumption during the HPMP preparation. According to UNEP, for the years prior to 2008, data on HCFC consumption was submitted without a comprehensive survey. Furthermore, UNEP advised that the decrease in HCFC consumption between 2006 and 2007 compared to the increase between 2007 and 2008 is attributed to stockpiles from the previous year and the implementation of the quota system to monitor and control imported HCFCs, which allowed for more accurate import data to be reported.

18. The Secretariat also raised concerns on the estimated 2010 consumption which forecast a 59.96 per cent growth. UNEP explained that this high growth forecast is due to the increase in imported HCFC-based refrigeration equipment. The Secretariat drew UNEP's attention to the annual growth rate in HCFC consumption used for the preparation of the 2010-2014 business plans noted by the Executive Committee at the 61<sup>st</sup> Meeting, which is 8 per cent. Further to this discussion, UNEP agreed on an interim basis to use the same growth rate to estimate 2010 consumption based on the 2009 actual consumption in order to calculate an estimated baseline. This resulted in a 2010 estimated consumption of 168.05 mt (9.24 ODP tonnes).

#### Starting point for aggregate reduction in HCFC consumption

19. The baseline selected by the country in the HPMP was the average between 2009 actual consumption of 155.6 mt (8.6 ODP tonnes) and the original 2010 estimated consumption of 248.9 mt (13.7 ODP tonnes) resulting in an estimated baseline of 202.25 mt (11.13 ODP tonnes). Given the agreement of Malawi to revise its 2010 estimate, the baseline was adjusted to 161.9 mt (8.9 ODP tonnes). The maximum funding for this level of consumption under decision 60/44 up to 2020 is US \$350,000.

20. In line with decision 60/44, if the country uses an estimated baseline as its starting point, this may be adjusted to the actual baseline figures once these are known in 2011. The Secretariat drew UNEP's attention to the fact that should the calculation of the actual baseline for Malawi be different to that currently used in the HPMP, the corresponding funds will be adjusted accordingly if this consumption places the country in a different funding category. These adjustments will be made for future tranches of the HPMP.

#### Technical and cost issues

21. One of the issues raised by the Secretariat was related to HCFC policy and regulations. The Secretariat was seeking clarification on whether dissemination of ODS policy and regulations should be considered at this stage. UNEP advised that the regulations were reviewed in 2008 and approved late in 2009. Hence, no awareness activities have taken place with regard to the control of HCFCs since they were still being used as transitional refrigerants to CFCs. In addition, the awareness activities will be

carried out during the implementation phase of the HPMP. The HPMP covers activities such as dissemination of ODS policy and regulation; training of customs and other law enforcement agents; strengthening of customs training schools; strengthening of regional retrofitting centres; incentive programme for commercial and industrial refrigeration end-users; strengthening of the Refrigeration Association of Malawi, technical institutions and additional training of refrigeration technicians; project coordination, monitoring, evaluation and reporting.

22. In line with decision 60/44, the funding for the implementation of Malawi's HPMP has been agreed at US \$350,000 (excluding agencies' support costs) and covers activities for Stage I of the HPMP which requires a 35 per cent reduction until 2020. These resources will allow the country to phase out 56.66 mt (3.12 ODP tonnes) by 2020. The total support cost is US \$40,700 and includes US \$29,900 for UNEP and US \$10,800 for UNIDO, as cooperating agency. The revised budget breakdown is presented in table 8.

Table 8: Proposed activities and estimated budget

<b>Description</b>	<b>UNEP</b>	<b>UNIDO</b>	<b>Total</b>
Dissemination of ODS Policy and Regulation	40,000		40,000
Further training of customs and other law enforcement agents and strengthening of customs training schools	60,000		60,000
Strengthening of Regional Retrofitting Centres and Incentive Programme for Commercial and Industrial Refrigeration End-users and Development of a comprehensive program for reduction of HCFC and Carbon emissions in the Refrigeration and Air Conditioning Sector		120,000	120,000
Strengthening of RAM, Technical Institutions and additional training of Refrigeration Technicians	90,000		90,000
Project coordination, monitoring, evaluation and reporting	40,000		40,000
<b>Total</b>	<b>230,000</b>	<b>120,000</b>	<b>350,000</b>

#### Impact on the climate

23. The technical assistance activities in the HPMP addressing the servicing sector, supported by the introduction of better service practices (through training of refrigeration technicians) will reduce the current amount of HCFC-22 used in the servicing sector (each kg of HCFC-22 not emitted due to better refrigeration practices, results in about 1.8 CO<sub>2</sub>-equivalent tonnes saved). Additional CO<sub>2</sub>-equivalent tonnes could be avoided through retrofitting HCFC-22 based equipment to HFC-407C refrigerant which represents the most technically viable option currently available (i.e., each kg of HCFC-22 retrofitted to HFC-407C results in about 0.11 CO<sub>2</sub>-equivalent tonnes saved). If 10 per cent of the current service need of 155.55 mt of HCFC-22 (see table 2) is replaced with HFC-407C, the potential CO<sub>2</sub> equivalent saved could be 1,711 tonnes.

24. It is important to note that these reductions are associated with the activities being proposed in the HPMP (which are known). However, it does not take into consideration the new non-HCFC-based equipment that could be imported into the country (which is not known). In general, it can be assumed that the new refrigeration systems have been designed using more up-to-date technology (i.e., lower refrigerant charge, more robust construction, and stricter brazing procedures) than those being replaced, substantially reducing leakage rates and servicing needs.

Adjusted 2010-2014 business plans

25. UNEP and UNIDO are requesting US \$350,000 plus support costs for the implementation of Stage I of the HPMP. The total value requested for the period 2010-2014 of US \$289,000 including support costs, is US \$171,000 above the total amount in the adjusted business plan. The difference in the figures is because the HCFC baseline for compliance estimated for the business plan was based on the 2008 (latest reported) consumption data (122.2 metric tonnes) while that in the HPMP was based on the submitted estimated baseline using the average of actual 2009 consumption and estimated 2010 consumption and to account for the phase-out up to the 2020 control measures only. Based on the estimated baseline for Malawi of 161.9 mt, the country's allocation up to the 2020 phase-out should be US \$350,000 in line with decision 60/44.

Draft agreement

26. A draft agreement between the Government of Malawi and the Executive Committee for HCFCs phase-out is contained in Annex I of the present document.

**RECOMMENDATION**

27. The HPMP for Malawi is submitted for individual consideration. The Executive Committee may wish to consider:

- (a) Noting with appreciation the submission of Stage I of the HCFC phase-out management plan (HPMP) for Malawi to achieve the 35 per cent reduction in HCFC consumption by 2020 at an estimated cost of US \$350,000 (excluding agency support costs);
- (b) Noting that the Government of Malawi agreed to establish as its baseline for sustained aggregate reduction in HCFCs consumption the estimated amount of 161.9 mt (8.9 ODP tonnes) calculated using actual consumption reported in 2009 and the revised estimated 2010 consumption;
- (c) Approving, in principle, the HPMP for Malawi for the period 2010-2020, at the amount of US \$230,000 plus agency support costs of US \$29,900 for UNEP and of US \$120,000 plus agency support costs of US \$10,800 for UNIDO;
- (d) Approving the Agreement between the Government of Malawi and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (e) Requesting the Secretariat, once the baseline data is known, to update Appendix 2-A to the Agreement to include the figures for maximum allowable consumption, to notify the Executive Committee of the resulting levels of maximum allowable consumption, and of a potential related impact on the eligible funding level with any adjustments needed being made at the submission of the next tranche; and
- (f) Approving the first implementation plan for 2011-2013, and the first tranche of Stage I of the HPMP for Malawi at the amount of US \$80,000 plus agency support costs of US \$10,400 for UNEP, and US \$70,000 plus agency support costs of US \$6,300 for UNIDO.



## Annex I

### **DRAFT AGREEMENT BETWEEN MALAWI AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUROCARBONS**

1. This Agreement represents the understanding of the Government of Malawi (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of 5.79 ODP tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules with the understanding that this figure is to be revised one single time in 2011, when the baseline consumption for compliance would be established based on Article 7 data, with the funding to be adjusted accordingly, as per decision 60/44.

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A . The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances which exceeds the level defined in row 1.2 of Appendix 2-A (maximum allowable total consumption of Annex C, Group I substances) as the final reduction step under this agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances which exceeds the level defined in row 4.1.3.

3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 3.1 of Appendix 2-A (the “Targets and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).

4. The Country will meet the consumption limits for each of the Substances as indicated in Appendix 2-A. It will also accept independent verification, to be commissioned by the relevant bilateral or implementing agency, of achievement of these consumption limits as described in sub-paragraph 5(b) of this Agreement.

5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:

- (a) That the Country has met the Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
- (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;
- (c) That the Country had submitted tranche implementation reports in the form of Appendix 4-A (the “Format of Tranche Implementation Report and Plan”) covering each previous calendar year, that it had achieved a significant level of implementation of activities initiated with previously approved tranches, and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and
- (d) That the Country has submitted and received approval from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A (the “Format of Tranche Implementation Reports and Plans”) covering each calendar year until and including the

year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring Institutions and Roles”) will monitor and report on Implementation of the activities in the previous tranche implementation plan in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in sub-paragraph 5(b).

7. The Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the smoothest phase-down and phase-out of the Substances specified in Appendix 1-A. Reallocations categorized as major changes must be documented in advance in a Tranche Implementation Plan and approved by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30 per cent or more of the funding of the last approved tranche, issues potentially concerning the rules and policies of the Multilateral Fund, or changes which would modify any clause of this Agreement. Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the Tranche Implementation Report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) The Country and the bilateral and implementing agencies involved will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNEP has agreed to be the lead implementing agency (the “Lead IA”) and UNIDO has agreed to be cooperating implementing agency (the “Cooperating IA”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of any of the IA taking part in this Agreement.

10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, including but not limited to independent verification as per sub-paragraph 5(b). This responsibility includes the necessity to co-ordinate with the Cooperating IA to ensure appropriate timing and sequence of activities in the implementation. The Cooperating IA will support the Lead IA by implementing the activities listed in Appendix 6-B under the overall co-ordination of the Lead IA. The Lead IA and Cooperating IA have entered into a formal agreement regarding planning, reporting and responsibilities under this Agreement to facilitate a co-ordinated implementation of the Plan, including regular co-ordination meetings. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 2.2 and 2.4 of Appendix 2-A.

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it

has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the country did not comply with this Agreement, and take related decisions. Once these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

13. The Country will comply with any reasonable request of the Executive Committee and the Lead IA and the Cooperating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IA with access to information necessary to verify compliance with this Agreement.

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

15. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

## APPENDICES

### APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	8.9

### APPENDIX 2-A: THE TARGETS, AND FUNDING

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	8.9	8.9	8.01	8.01	8.01	8.01	8.01	5.79	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	8.9	8.9	8.01	8.01	8.01	8.01	8.01	5.79	
2.1	Lead IA (UNEP) agreed funding (US \$)	80,000			60,000			50,000			40,000		230,000
2.2	Support costs for Lead IA (US \$)	10,400			7,800			6,500			5,200		29,900
2.3	Cooperating IA (UNIDO) agreed funding (US \$)	70,000			50,000			0					120,000
2.4	Support costs for Cooperating IA (US \$)	6,300			4,500			0					10,800
3.1	Total agreed funding (US \$)	150,000			110,000			50,000			40,000		350,000
3.2	Total support costs (US \$)	16,700			12,300			6,500			5,200		40,700
3.3	Total agreed costs (US \$)	166,700			122,300			56,500			45,200		390,700
4.1.1	Total phase-out of HCFC-22 under this agreement (ODP tonnes)												3.11
4.1.2	Phase-out of HCFC-22 in previously approved projects (ODP tonnes)												0.0
4.1.3	Remaining eligible consumption for HCFCs												5.79

### APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the second meeting of the year specified in Appendix 2-A.

### APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plan will consist of five parts:
  - (a) A narrative report regarding the progress in the previous tranche, reflecting on the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it and how they relate to each other. The report should further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information about activities in the current year;

- (b) A verification report of the HPMP results and the consumption of the substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) A written description of the activities to be undertaken in the next tranche, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
- (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the country and lead implementing agency; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

#### **APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES**

1. The NOU will submit annual progress reports of status of implementation of the HPMP to UNEP.
2. Monitoring of development of HPMP and verification of the achievement of the performance targets, specified in the Plan, will be assigned to independent local company or to independent local consultants by UNEP.

#### **APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY**

1. The Lead IA will be responsible for a range of activities. These can be specified in the project document further, but include at least the following:
  - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
  - (b) Assisting the Country in preparation of the Tranche Implementation Plans and subsequent reports as per Appendix 4-A;
  - (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
  - (d) Ensuring that the experiences and progress is reflected in updates of the overall Plan and

in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;

- (e) Fulfilling the reporting requirements for the tranches and the overall Plan as specified in Appendix 4-A as well as project completion reports for submission to the Executive Committee. The reporting requirements include the reporting about activities undertaken by the Cooperating IA;
  - (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
  - (g) Carrying out required supervision missions;
  - (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
  - (i) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
  - (j) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country and the co-ordinating implementing agencies, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;
  - (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
  - (l) Providing assistance with policy, management and technical support when required.
2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent organization to carry out the verification of the HPMP results and the consumption of the substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

#### **APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY**

1. The Cooperating IA will be responsible for a range of activities. These activities can be specified in the respective project document further, but include at least the following:
- (a) Providing policy development assistance when required;
  - (b) Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IA, and refer to the Lead IA to ensure a co-ordinated sequence in the activities; and
  - (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A.

#### **APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY**

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$2,500 per metric tonne of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met.

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