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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: NEPAL**

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

Phase-out

- HCFC phase-out management plan (first tranche)

UNEP/UNDP

## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

### Nepal

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase-out management plan	UNDP, UNEP (lead)

<b>(II) LATEST ARTICLE 7 DATA</b>	Year: 2009	1.1 (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	Servicing				
HCFC123									
HCFC124									
HCFC141b									
HCFC142b									
HCFC22					1.1				1.1

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline (estimate):	1.26	Starting point for sustained aggregate reductions:	1.26
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	0.0	Remaining:	0.3

<b>(V) BUSINESS PLAN</b>		2010	2011	2012	2013	2014	Total
UNDP	ODS phase-out (ODP tonnes)	0.1	0.0	0.0	0.0	0.0	0.1
	Funding (US \$)	116,789	0	0	0	0	116,789
UNEP	ODS phase-out (ODP tonnes)	0.1			0.0		0.1
	Funding (US \$)	77,859			38,930		116,789

<b>(VI) PROJECT DATA</b>			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022-2024	2025	Total	
Montreal Protocol consumption limits (estimate)			n/a	1.26	1.26	1.26	1.26	1.13	1.13	1.13	1.13	1.13	0.8	0.8	0.8	0.41		
Maximum allowable consumption (ODP tonnes)			n/a	1.26	1.26	1.26	1.26	1.13	1.13	1	1	1	0.63	0.63	0.5	0.03		
Project Costs requested in principle(US\$)	UNEP	Project costs	160,000				100,000				75,000			29,400		25,000	389,400	
		Support costs	20,800				13,000				9,750			3,822		3,250	50,622	
	UNDP	Project costs	150,000				60,600											210,600
		Support costs	13,500				5,454											18,954
Total project costs requested in principle (US \$)			310,000				160,600				75,000	0	0	29,400		25,000	600,000	
Total support costs requested in principle (US \$)			34,300				18,454				9,750	0	0	3,822		3,250	69,576	
Total funds requested in principle (US \$)			344,300				179,054				84,750	0	0	33,222		28,250	669,576	

<b>(VII) Request for funding for the first tranche (2010)</b>			
Agency	Funds requested (US \$)	Support costs (US \$)	ODS phase-out (ODP tonnes)
UNDP	150,000	13,500	
UNEP	160,000	20,800	

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

## PROJECT DESCRIPTION

1. On behalf of the Government of Nepal UNEP, as the lead implementing agency, has submitted to the 62<sup>nd</sup> Meeting of the Executive Committee an HCFC phase-out management plan (HPMP) at a total cost, as originally submitted, of US \$800,000 (excluding agencies' support costs) for the phase-out of its HCFC consumption by 2025 with a service tail until 2030. The HPMP will be implemented jointly with UNDP. The Government of Nepal is requesting one-time funding for this proposed accelerated phase-out of HCFC consumption, with US \$480,000 plus agency support costs of US \$62,400 for UNEP, and US \$320,000 plus agency support costs of US \$24,000 for UNDP.

2. The first tranche for Stage I being requested at this meeting amounts to US \$192,000 plus agency support of US \$24,960 for UNEP, and US \$170,000 plus agency support cost of US \$12,750 for UNDP, as originally submitted.

### Background

#### ODS regulations

3. Nepal introduced a licensing system for CFCs and HCFCs, including a quota system for HCFCs and HCFC-based equipment, and implemented both effectively since April 2002 in close coordination with the concerned authorities. This control is managed through the Ozone Depleting Substance Consumption (Control) Rules promulgated in 2001 and supported by the Notice on Annual Consumption, Import Quantity and phase-out Rates of Ozone Depleting Substances, and the Procedures, Conditions and Specifications, Quantitative Standard and Annual Phase-out Rates for Import of the Ozone Depleting Substances both also adopted in 2001. The National Ozone Unit of Nepal, housed in Nepal Bureau of Standards and Metrology under the Ministry of Industry, closely coordinates with the Customs Department on import-export matters relating to ODS and ODS-using products, and in the enforcement of the above ODS regulations.

4. HCFC imports into Nepal require an import permit. Due to problems associated with non-compliance with the Montreal Protocol caused by a large CFC import in 2004, Nepal established a ceiling also for HCFC imports into the country of 23.04 metric tons (mt) (1.26 ODP tonnes) annually, with each importer being allowed an annual quota of not more than 5 mt for each year. There is currently no restriction on import of HCFC-based equipment.

#### HCFC consumption

5. HCFCs are imported into Nepal mostly from Asian countries, mainly India and China. Minor quantities are also imported from Dubai, Singapore, China, Malaysia and Hong Kong. The import of HCFCs from 2004 to 2009 reported by Nepal under Article 7 is given below:

Table 1: HCFC level of consumption in Nepal (Article 7 data)

	2004	2005	2006	2007	2008	2009
HCFC ODP tonnes	0	0	1.1	1.1	1.3	1.3
HCFC in mt	0	0	20	20	23.6	23.6

6. In 2004, Nepal confiscated 24 mt (1.32 ODP tonnes) of HCFC. Since then, 3 mt (0.165 ODP tonnes) per year have been released from these confiscated HCFC stocks in addition to what was imported to meet the domestic demand for the servicing sector. These HCFC stocks are being released to the servicing establishments through the Nepal Refrigeration and Electro-Mechanical Association (NREMA). HCFC-22 is predominantly used in the air conditioning and refrigeration

servicing sector. However, in the last 3-4 years, there has been an increase in imports of R-407C and R-410a based air conditioning systems due to the controls on the annual import of HCFC-22. The average growth rate in the import of this non-HCFC equipment is estimated at 10 per cent per year. But due to the high price of the equipment and the refrigerant, most end users in the country still prefer HCFC-22-based systems.

7. The installed capacity of refrigeration and air conditioning units in the country using HCFC-22 was estimated at 112,874 units in 2009 as shown in Table 2.

Table 2: Distribution of HCFC-22 in refrigeration systems

Type	Total units	Total charge (tonnes)		Servicing (tonnes)	
		Metric	ODP	Metric	ODP
Residential air conditioning	110,000	132	7.26	13.2	0.72
Commercial/air conditioning	2,874	51.36	2.82	9.8	0.54
Total	112,874	183.36	10.08	23	1.26

8. As HCFC consumption in Nepal is strictly controlled by the Government, with the imposition of an annual import quota since 2004, the consumption in the country is not expected to grow beyond the amounts established. However, monitoring of these imports should be strongly enforced in order to ensure that this quota is met.

#### HCFC phase-out strategy

9. The Government of Nepal is proposing a single stage approach to achieve the complete phase-out of HCFCs by 2025, with a service tail of 2.5 per cent per year until 2030. The plan will be to impose an import ban on HCFC-based equipment by 2015. The decision to phase out HCFC by 2025 is based on the country's commitment to meet challenges for both ozone protection and climate at the same time, as well as to be consistent with the accelerated phase-out of HCFCs in other countries in the Southeast Asia region. Their phase-out plan is presented in the table below:

Table 3: Proposed HCFC Phase-out schedule of Nepal

Schedule	Nepal Reduction Targets
Average 2009-2010	Baseline level (23.04 mt)
1 January 2011	Freeze at baseline
1 January 2015	10 % below baseline
1 January 2017	20% below baseline
1 January 2020	50% below baseline
1 January 2022	60% below baseline
1 January 2025	97.5% below baseline
1 January 2025-2030*	100% phase-out *average of 2.5% for service tail

10. Nepal is proposing to achieve the above targets with a combination of activities that will strengthen the existing policy to regulate HCFC consumption as well as other measures, which include training and capacity building, information exchange and advocacy programmes, and project initiatives. Partnerships with industry and government and other relevant stakeholders have been put in place in order

to meet these targets. The HPMP also included a project for technical assistance to the air conditioning assembly and charging sub-sector which is considered to be outside the refrigeration servicing sector, as according to UNDP, this is treated as manufacturing.

11. The HPMP envisages a technical assistance component that will be provided to the servicing sector. Under this programme, 4 small reclaim centres for recovery and recycling of HCFCs will be established, and are proposed to be operated by trained service technicians. These centres would also record, track and report on incoming and outgoing refrigerants. Forty sets of recovery tools will also be provided to technicians, and training will be conducted on the use of these equipment. The key concept underlying this mechanism is to acknowledge and harness market forces to ensure commercial viability and sustainability and also to ensure ownership of the servicing establishments.

12. The end-user retrofit pilot incentive programme will provide retrofit kits to 50 beneficiaries and initiate incentives for 5 large commercial end-users to retrofit their HCFC-based equipment to non-HCFC alternatives (i.e. R-407C), on a pilot basis. Incentive funding would be provided to the servicing establishments upon submission of evidence that the retrofits were adequately and satisfactorily carried out. It is expected that upon completion of this activity, demonstration cases of successful retrofitting of HCFC-based refrigeration and air conditioning systems will build confidence among other end-users, so precipitating early retrofitting decisions and reducing demand for HCFCs.

Table 4: Specific activities of the HPMP and proposed period of implementation

<b>Activity</b>	<b>Implementation stage</b>
HCFC phase-out policies and enforcement <ul style="list-style-type: none"> <li>• Policy review and enforcement</li> <li>• Training of customs officers</li> </ul>	Overall plan (2011-2020)
Information exchange and advocacy programme	Overall plan (2011-2020)
Servicing technician training and certification programme	Overall plan (2011-2016)
Promotion of ozone climate co-benefit activities* <ul style="list-style-type: none"> <li>• Standards and Labelling Programme (SLP),</li> <li>• Framework for Efficient and Low HCFC Economic Development (FELHED)</li> </ul>	Overall plan* (2010-2020)*
Technical assistance for the refrigeration servicing sector: <ul style="list-style-type: none"> <li>• Reclaim programme</li> <li>• End-user retrofit/ replacement pilot incentive programme</li> <li>• Technical assistance for the AC assembly sub-sector</li> </ul>	Overall plan (2011-2015)
Project Management and monitoring	Overall plan (2012-2025)

\*To be funded through sources outside the Multilateral Fund

13. The Government of Nepal has developed an approach to integrate ozone and climate benefits by including project components for the development and implementation of energy efficiency standards and labelling programme, as well as promotion of market-based instruments for accelerated replacement of ODS equipment. These project components are fully integrated into the HPMP but will be implemented without the assistance from the Multilateral Fund, and so provide an innovative way of using co-financing opportunities. UNEP indicated that out of the US \$260,000 allocated for these components, the Government of Nepal will provide US \$11,000 while the rest is still to be identified from other funding sources.

Cost of the HPMP

14. The total overall cost of the HPMP for Nepal has been estimated at US \$800,000 to achieve the complete phase-out of 23.04 mt (1.27 ODP tonnes) of HCFCs by 2025, with a 2.5 per cent annual service tail until 2030.

Table 5: Total cost of the HPMP for Nepal (US \$)

<b>Description</b>	<b>UNEP (US\$)</b>	<b>UNDP (US\$)</b>	<b>Total (US\$)</b>
HCFC phase-out policies and enforcement <ul style="list-style-type: none"> <li>• Policy review and enforcement</li> <li>• Training of customs officers</li> </ul>	124,000		124,000
Information exchange and advocacy programme	103,000		103,000
Servicing technician training and certification programme	155,000		155,000
Technical assistance for the refrigeration servicing sector <ul style="list-style-type: none"> <li>• Reclaim programme</li> <li>• End-user retrofit/ replacement pilot incentive programme</li> </ul>		240,000	240,000
Technical assistance for the AC assembly sector		80,000	80,000
Monitoring and management of the HPMP	98,000		98,000
<b>Total</b>	<b>480,000</b>	<b>320,000</b>	<b>800,000</b>

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

15. The Secretariat reviewed the HPMP for Nepal 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). The Secretariat also notes that this HPMP is being submitted in line with decision 61/51, which allowed Nepal to submit its HPMP despite its non-ratification of the Copenhagen Amendment, a basic prerequisite for funding HCFC phase-out activities. Nepal has indicated in writing a strong commitment to ratify the Copenhagen Amendment as soon as possible, and no later than September 2011.

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

16. The Secretariat sought an explanation from UNEP on how the ceiling for HCFC imports was set. The implementing agency clarified that this was determined based on the HCFCs required to service the existing HCFC-based equipment in the country. Reductions will be calculated based on this consumption ceiling of 23.04 mt (1.27 ODP tonnes), which also serves as the starting point and baseline of the country. The Secretariat notes that Nepal has selected a starting point of 23.04 mt based on the official consumption ceiling set by the country and not on 2009 nor 2010 estimated consumption. It further notes that this is lower than its actual 2009 consumption of 23.6 mt reported under A7.

#### Technical and cost issues

17. Issues related to the activities under the HCFC policy and enforcement component and the proposed activities, particularly for the air conditioning assembly sub-sector, were addressed with UNEP. UNEP clarified that the HCFC policy and enforcement component seeks to strengthen the implementation of the legal framework for managing HCFCs. It believes that continued support to stakeholders by

building capacity is important in order for these regulations and the quota for HCFCs to be enforced strictly.

18. With regard to the additional activity for technical assistance to the air conditioning assembly sub-sector, the Secretariat informed UNEP and UNDP that this should be integrated into the activities for the servicing sector within the funding eligibility of the country set under decision 60/44 considering that the five assemblers are also the five main importers of HCFCs and are at the same time service enterprises. UNDP argued that this sub-sector has always been eligible for assistance in line with decision 31/45, and cannot be considered as part of the servicing sector. UNDP also indicates that due to the HCFC policies in the country, by 2016 the assembly of air conditioning equipment using HCFCs will be prohibited; therefore assistance should be provided to these enterprises to allow them to shift to R-410a or any other emerging viable option. After further discussion, the Secretariat informed both UNEP and UNDP that, based on technical considerations, it may be possible to consider funding this sub-sector once the issue is considered by the Executive Committee as part of the document “Overview of issues identified during project review” (UNEP/OzL.Pro/ExCom/62/10) submitted to this meeting. This component currently cannot be recommended for approval pending a decision from the Executive Committee. Following further discussion, UNDP adjusted the requested funds for this component from US \$80,000 to US \$49,000.

19. In discussing the total cost of the initial HPMP submission with UNEP and UNDP, the Secretariat emphasized decision 60/44, which set the funding levels for the countries with an HCFC consumption of 360 mt (19.8 ODP tonnes) or less and in the refrigeration servicing sector only, and expressed concerns on the total cost of the HPMP as submitted, as well as on the proposal to accelerate interim reductions and HCFC phase-out. With its selected baseline consumption of 23.04 mt (1.27 ODP tonnes), Nepal will be eligible under this decision for maximum funding up to US \$210,000 to comply with the 2020 reduction. Based on the Secretariat’s calculations for potential total funding for LVC countries contained in Annex II of document UNEP/OzL.Pro/ExCom/60/46 Nepal may be entitled for up to a maximum funding level of US \$600,000 if the Executive Committee agrees to a one-time funding as proposed and to an accelerated phase-out. UNEP explained that the additional twenty per cent requested by the country on top of the possible eligible funding for a total phase-out was required by the country as there would be additional activities to enforce the accelerated phase-out proposal as compared to the current phase-out schedule. The Secretariat maintained that there are no guidelines in including additional funds beyond what is provided under decision 60/44 for accelerated phase-out in a country and therefore these cannot be recommended.

20. After further discussion on the activities and how these would allow the country to comply with the phase-out measures of the Montreal Protocol, the total level of funding for the implementation of the HPMP has been reduced to US \$600,000 excluding agencies support costs for HPMP implementation as summarised in Table 6 below. The funding level for the HPMP implementation is based on decision 60/44 and the cost estimates calculated by the Secretariat for total phase-out using the ceiling HCFC consumption baseline of 23.04 mt (1.27 ODP tonnes) set by the Government.

Table 6: Revised level of funding for the HPMP of Nepal for accelerated phase-out

<b>Description</b>	<b>UNEP (US\$)</b>	<b>UNDP (US\$)</b>	<b>Total (US\$)</b>
HCFC phase-out policies and enforcement <ul style="list-style-type: none"> <li>• Policy review and enforcement</li> <li>• Training of customs officers</li> </ul>	104,000		104,000
Information exchange and advocacy programme	79,000		79,000
Servicing technician training and certification programme	124,400		124,400
Technical assistance for the refrigeration servicing sector		210,600	210,600

<b>Description</b>	<b>UNEP (US\$)</b>	<b>UNDP (US\$)</b>	<b>Total (US\$)</b>
<ul style="list-style-type: none"> <li>• Reclaim programme</li> <li>• End-user retrofit/ replacement pilot incentive programme</li> </ul>			
Monitoring and management of the HPMP	82,000		82,000
<b>Total</b>	<b>389,400</b>	<b>210,600</b>	<b>600,000</b>
Technical assistance for the AC assembly sub-sector*		49,000*	49,000*

\*pending discussion under Agenda item 7(a) – Overview of issues identified during project review

### Impact on the climate

21. 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 23 mt of HCFC-22 (see table 2) is replaced with HFC-407C, the potential CO<sub>2</sub> equivalent saved could be 253 tonnes.

22. 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

23. UNEP and UNDP are requesting US \$600,000 plus support costs for the full implementation of the HPMP to phase-out all consumption in 2025. The total value requested for the period 2010-2014 of US \$523,354 including support cost is 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 (25.45 mt) and to account for the phase-out up to the 2020 control measures only, while that in the HPMP was based on the submitted estimated baseline using the HCFC consumption ceiling set by the country as its starting point (23.04 mt) and for a complete phase-out of HCFCs. UNDP did not provide any allocation in the adjusted business plan for Nepal for the period. Based on the estimated baseline of Nepal of 23.04 mt, the country's allocation up to the 2020 phase-out should be US \$210,000 in line with decision 60/44.

### Draft agreement

24. A draft agreement between the Government of Nepal and the Executive Committee for phase-out of consumption of HCFCs is contained in Annex I to the present document.

## **RECOMMENDATION**

25. The HPMP for Nepal is submitted for individual consideration and in light of decision 61/51 and the lack of ratification of the Copenhagen Amendment, the Executive Committee may wish to consider:



- (a) Noting with appreciation the submission of the HCFC phase-out management plan (HPMP) for Nepal to achieve the complete phase-out of HCFCs at an estimated total cost of US \$600,000 (excluding agency support costs) on the understanding that no more funds will be eligible for HCFC phase-out in the country after 2025;
- (b) Noting that the Government of Nepal agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the official consumption ceiling set by the country 23.04 mt, and not based on 2009 nor 2010 estimated consumption;
- (c) Whether to approve in principle, the HPMP for Nepal for the period 2010-2024, at the amount of US \$600,000 plus agency support costs of US \$50,622 for UNEP and US \$18,954 for UNDP;
- (d) Whether to approve the Agreement between the Government of Nepal 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;
- (f) Whether to approve the first implementation plan for 2011-2014, and the first tranche of the HPMP for Nepal at the amount of US \$160,000 plus agency support costs of US \$20,800 for UNEP, and US \$ 150,000 plus agency support costs of US \$13,500 for UNDP; and
- (g) Whether or not to fund the technical assistance activities for the refrigeration and air conditioning assembly sub-sector outside decision 60/44 in line with the discussion under agenda item 7(a).

## Annex I

### **DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF NEPAL AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR PHASE-OUT OF CONSUMPTION OF HYDROCHLOROFLUROCARBONS**

1. This Agreement represents the understanding of the Government of Nepal (the “Country”) and the Executive Committee with respect to reductions of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (the “Substances”) to a sustained level of 0.03 ODP tonnes from 01 January 2025 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 UNDP has agreed to be cooperating implementing agency/agencies (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, 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**

<b>Substance</b>	<b>Annex</b>	<b>Group</b>	<b>Starting point for aggregate reductions in consumption (ODP tonnes)</b>
HCFC-22	C	I	1.26

**APPENDIX 2-A: TARGETS AND FUNDING**

Row	Parameter/Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	1.26	1.26	1.26	1.26	1.13	1.13	1.13	1.13	1.13	0.8	0.8	0.8	0.8	0.8	0.41	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	1.26	1.26	1.26	1.26	1.13	1.13	1	1	1	0.63	0.63	0.5	0.5	0.5	0.03	
2.1	Lead IA (UNEP) agreed funding (US\$)	160,000				100,000				75,000			29,400				25,000	389,400
2.2	Support costs for Lead IA (US\$)	20,800				13,000				9,750			3,822				3,250	50,622
2.3	Cooperating IA (UNDP) agreed funding (US\$)	150,000				60,600												210,600
2.4	Support costs for cooperating IA (US\$)	13,500				5,454												18,954
3.1	Total agreed funding (US\$)	310,000				160,600				75,000			29,400				25,000	600,000
3.2	Total support costs (US\$)	34,300				18,454				9,750			3,822				3,250	69,576
3.3	Total agreed costs (US\$)	344,300				179,054				84,750			33,222				28,250	669,576
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)																	1.23
4.1.2	Phase-out of HCFC-22 to be achieved through previously approved projects (ODP tonnes)																	-
4.1.3	Remaining eligible consumption of HCFC-22 (ODP tonnes)																	0.03

### **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 overall monitoring will be the responsibility of NOU, Ministry of Industries.
2. The consumption will be monitored based on data collected from relevant government departments and crosschecking it with data collected from the distributors and consumers.
3. The NOU will be responsible for reporting and shall submit the following reports in a timely manner:
  - (a) Annual reports on consumption of Substances to be submitted to the Ozone Secretariat;
  - (b) Annual reports on progress of implementation of this Agreement to be submitted to the Executive Committee of the Multilateral Fund; and
  - (c) Project-related reports to the Lead IA.

## **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 metric ton 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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