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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-third Meeting
Montreal, 4-8 April 2011

PROJECT PROPOSAL: HONDURAS

This document consists of the comments and recommendation 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

Honduras

(I) PROJECT TITLE	AGENCY
HCFC phase-out management plan (stage I, first tranche)	UNEP, UNIDO (lead)

(II) LATEST ARTICLE 7 DATA	Year: 2009	17.8 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2009			
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption		
				Manufacturing	Servicing						
HCFC123											
HCFC124											
HCFC141b				1.8					1.8		
HCFC142b											
HCFC22					16.0				16.0		

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline (estimate):	19.9	Starting point for sustained aggregate reductions:	20.7
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	13.73

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.8			0.8		0.8			0.8		3.2
	Funding (US \$)	107,000			107,000		106,000			36,000		356,000
UNIDO	ODS phase-out (ODP tonnes)	1.2		0.5			0.6		0.4		0.4	3.2
	Funding (US \$)	108,000		43,000			53,750		37,625		37,625	280,000

(VI) PROJECT DATA		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits (estimate)		n/a	n/a	19.9	19.9	17.9	17.9	17.9	17.9	17.9	12.9	
Maximum allowable consumption (ODP tonnes)		n/a	n/a	19.9	19.9	17.9	17.9	17.9	17.9	17.9	12.9	
Project Costs requested in principle(US\$)	UNEP	Project costs	75,000		50,000		50,000		50,000		25,000	250,000
		Support costs	9,750		6,500		6,500		6,500		3,250	32,500
	UNIDO	Project costs	100,000		90,000		90,000		60,000		40,000	380,000
		Support costs	7,500		6,750		6,750		4,500		3,000	28,500
Total project costs requested in principle (US \$)		175,000	0	140,000	0	0	140,000	0	110,000	0	65,000	630,000
Total support costs requested in principle (US \$)		17,250	0	13,250	0	0	13,250	0	11,000	0	6,250	61,000
Total funds requested in principle (US \$)		192,250	0	153,250	0	0	153,250	0	121,000	0	71,250	691,000

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNEP	75,000	9,750
UNIDO	100,000	7,500

Funding request:	Approval of funding for the first tranche (2011) as indicated above
Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Honduras UNIDO, as the lead implementing agency, has submitted to the 63rd Meeting of the Executive Committee stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$863,875 plus agency support costs of US \$84,206 (i.e., US \$510,875 and agency support costs of US \$38,316 for UNIDO, and US \$353,000 and agency support costs of US \$45,890 for UNEP), as originally submitted, to implement activities that will enable the country to comply with all the Montreal Protocol control targets up to the 35 per cent reduction of HCFC consumption in 2020.

2. The first tranche for stage I being requested at this meeting amounts to US \$308,500 plus agency support costs of US \$23,138 for UNIDO and US \$159,000 plus agency support costs of US \$20,670 for UNEP, as originally submitted.

Background

3. Honduras, with a total population of about 8 million inhabitants, has ratified all the amendments to the Montreal Protocol.

ODS regulations

4. The Government of Honduras, through the Ministry of Natural Resources and the Environment, has adopted regulations for the monitoring and control of ODS. The ODS license system, including a quota system, has been in force since May 2003 and is operating properly. The Government is in the process of modifying the current regulations to include, *inter alia*, information on the sale and import of ODS; certification of refrigeration technicians; incorporation of HCFCs in the quota system, which will be in place as of 1 January 2013; establishment of an import ban on second-hand refrigeration equipment; and improvements to the enforcement mechanism to assist in the complete phase-out of ODS in the country. It is expected that the modifications will be approved by June 2011.

HCFC consumption and sector distribution

5. The two HCFCs imported into the country are HCFC-22 used for servicing refrigeration and air-conditioning systems and HCFC-141b also used in the refrigeration sector as a cleaning agent (this substance is sold in 1 kg cans). HCFC-141b is also imported in pre-blended polyol systems; however it has not been reported under Article 7 of the Montreal Protocol. In 2009, 290.5 metric tonnes (mt) (16.0 ODP tonnes) of HCFC-22 and 16.7 mt (1.8 ODP tonnes) of HCFC-141b were consumed in Honduras. An additional 7.0 mt (0.8 ODP tonnes) of HCFC-141b contained in imported pre-mixed polyol systems were used by six small foam enterprises. Preliminary consumption data indicates that 348.4 mt (19.2 ODP tonnes) of HCFC-22 and 17.8 mt (2.0 ODP tonnes) of HCFC-141b were imported in 2010 (Table 1).

Table 1. HCFC consumption in Honduras (2007-2010)*

HCFCs	2007	2008	2009**	2010
Metric tonnes				
HCFC-141b(*)	30.2	39.2	16.7	17.8
HCFC-22	252.7	295.6	290.5	364.3
Total (mt)	282.9	334.8	307.2	382.1
ODP tonnes				
HCFC-141b(*)	3.3	4.3	1.8	2.0
HCFC-22	13.9	16.3	16.0	20.0
Total (ODP tonnes)	17.2	20.6	17.8	22.0

(*) Article 7 data for 2007 to 2009. Consumption data for 2010 is estimated.

(**) An additional 7.0 mt (0.8 ODP tonnes) were contained in pre-mixed polyols imported in 2009.

6. About 90 per cent of the total installed capacity of HCFC-22 in the country is in air-conditioning systems which are located in hotels and hospitals. The remaining installed capacity is evenly distributed in commercial, industrial, and marine and fishing refrigeration systems as shown in Table 2. Although importation of refrigeration and air-conditioning equipment had been constant throughout the years, customs registers show that air-conditioning system imports increased by 280 per cent between 2009 and 2010. This increase in imports is due to various factors, including improved living conditions supported by the recovery of the national economy after the national political crisis and global financial crisis (the 2009 internal crisis experienced in Honduras severely affected the economic activities of the population).

Table 2. Installed capacity of refrigeration equipment in Honduras (2009)

Refrigeration system	Installed capacity (mt)				
	HCFC-22	CFC-12	R-404A	HFC-134a	R-410
Commercial/industrial refrigeration	91.9	0.4	6.6	194.9	-
Air-conditioning	673.8	0.2	0.9	0.9	0.7
Total installed capacity	765.7	0.6	7.4	195.8	0.7

7. The distribution of the installed capacity of HCFC-22 based equipment is presented in Table 3.

Table 3. Installed capacity of HCFC-22 based refrigeration equipment in Honduras (2009)

Refrigeration systems	Refrigeration	Air-conditioning	Total
Metric tonnes			
Commercial	32.1	186.3	218.4
Industrial	29.1	8.7	37.8
Marine and fishery	30.7	-	30.7
Domestic	-	478.7	478.7
Total (mt)	91.9	673.7	765.6
ODP tonnes			
Commercial	1.8	10.2	12.0
Industrial	1.6	0.5	2.1
Marine and fishery	1.7	-	1.7
Domestic	-	26.3	26.3
Total (ODP tonnes)	5.1	37.0	42.1

8. Based on the survey conducted during the preparation of the HPMP and the imported amounts of HCFCs during the 2005-2010 period, consumption of HCFC-22 and HCFC-141b has been estimated at 448.0 mt (24.6 ODP tonnes) and 31.2 mt (3.4 ODP tonnes) respectively by 2013.

9. There are 350 registered refrigeration service workshops in Honduras, more than 60 per cent of which are small, with 1 to 5 technicians; with limited formal technical training (under the CFC phase-out projects, more than 3,000 technicians received training and 80 technicians were certified in good servicing practices in refrigeration and air-conditioning). There is also a network of 23 refrigerant recovery and recycling centres currently in operation (140 service workshops are part of the recovery/recycling network).

10. The price per kg of HCFCs and alternative refrigerants is as follows: US \$8.36 for HCFC-22; US \$15.00 for HFC-134a; US \$10.29 for HCFC-141b; US \$18.46 for R-404A; US \$9.27 for R-410A; US \$7.56 for R-409A; and US \$16.29 for R-414A.

HCFC phase-out strategy and costs

11. The Government of Honduras has decided to adopt the following strategy for HCFC phase-out in the country: stage I, to meet the freeze of HCFC consumption in 2013 on time, the 10 per cent reduction

from the baseline by 2015, and the 35 per cent reduction from the baseline by 2020; stage II, to completely phase-out HCFC consumption by 2030.

12. The overarching phase-out strategy by the Government will be supported by the implementation of the following phase-out actions:

- (a) Promote ODS control among stakeholders, as well as the introduction of high energy-efficiency equipment to replace HCFC-based equipment;
- (b) Extend the economic life of the HCFC-based equipment in operation and gradually replace it with economically feasible and environmentally friendly equipment available in the country;
- (c) Continue to promote the implementation of good practices in the refrigeration and air-conditioning sectors, thus reducing HCFC consumption;
- (d) Control imports and exports of ODS and ODS-based equipment through cooperation among major stakeholders in the country (i.e., Ozone Unit, Customs officers, highway and border police, parties linked to environmental justice, including the Special Prosecutor's Office for the Environment);
- (e) Establish a link with the customs system that enables the review and transmittal of information among key stakeholders;
- (f) Increase awareness about HCFC phase-out (including HCFC-141b used by small foam enterprises) in the country, and about the need to adopt non-ODS and low global warming potential (GWP) alternative technologies.
- (g) Seek the Government's support in all ODS phase-out initiatives to be implemented to achieve the goals proposed in the overarching strategy; and
- (h) Monitor all proposed activities to ensure the implementation of a successful phase-out plan.

13. The phase-out strategy to comply with the Protocol's control levels up to and including the 35 per cent reduction in HCFC consumption by 2020 has been developed in conformity with existing demand, prevention of future demand, and consists of the following four components:

- (a) Strengthening and socialization by sector of the reforms, within the legal framework related to the ODS. Elements to discourage and control the use of HCFCs and HCFC-based equipment will be included or updated in the applicable ODS laws or regulations;
- (b) Technical and institutional assistance to the Government and the refrigeration servicing sector to, *inter alia*, monitor imports of ODS and ODS-based equipment; enhance the technical and institutional capability of the refrigeration servicing sector; and raise awareness to the end-users and the public;
- (c) Investment activities for end-users and the refrigeration servicing sector through the implementation of an incentive programme for end-users of HCFC-based refrigeration systems, the establishment of an excellence centre on refrigeration and air-conditioning, and technical assistance to the recovery and recycling centres; and

- (d) Monitoring and evaluation of the activities proposed in the HPMP.

14. The total cost of the four components of the strategy as submitted is US \$863,875 with the following distribution:

- (a) US \$26,000 for the strengthening and socialization by sector of the reforms within the legal framework related to the ODS (to be implemented by UNEP);
- (b) US \$327,000 for the technical and institutional assistance to the Government and the refrigeration servicing sector (to be implemented by UNEP);
- (c) US \$375,875 for the investment activities for end-users and the refrigeration servicing sector (to be implemented by UNIDO); and
- (d) US \$135,000 for monitoring and evaluation of the activities proposed in the HPMP (to be implemented by UNIDO).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

15. The Secretariat reviewed the HPMP for Honduras in the context of the guidelines for the preparation of HPMPs (decision 54/39), the criteria for funding HCFC phase-out in the consumption sector agreed at the 60th Meeting (decision 60/44), subsequent decisions on HPMPs made at the 62nd Meeting and the 2011-2014 business plan of the Multilateral Fund.

Delay in implementation of CFC phase-out activities

16. The HPMP document reported that the political difficulties in the country and the change of Government in 2010 delayed the implementation of the planned CFC phase-out activities, with a completion date during the second semester of 2011. UNIDO reported that the CFC activities that are currently being implemented are: the completion of conversion of CFC-12-based domestic refrigerators to hydrocarbon-based refrigerants; technical assistance to phase-out of CFC-12 in the two public hospitals; delivery of tools and spare parts for the recovery/recycling machines delivered through the refrigerant management plan (RMP) and the terminal phase-out management plan (TPMP); the strengthening of the recovery/recycling centres and training on hydrocarbon technology; start-up of the storage centres and network monitoring at the national level; and additional training for customs officers, updating the customs manual and on-line collaboration with the Ozone Unit.

17. Currently, CFC-12 demand for servicing domestic and commercial refrigerators, as well as in industrial applications (in centres for collection and cooling of milk), is provided through the recovery and recycling centres and from previously imported stocks still available on the market. Some other end users are also replacing CFC-12 with drop-in refrigerants. Most of the recovery and recycling machines purchased through the RMP and the TPMP (all of which have been distributed to the recovery and recycling centres, certified technicians and training centres) are only able to recover CFC-12 refrigerant.

18. The Government of Honduras has noted an acceptance from major stakeholders on the transition from CFCs to non-HCFCs. The last training programme in the refrigeration servicing sector implemented in the country addressed issues related to natural refrigerants, thus facilitating the transition to non-ODS technologies. UNIDO also stated that it expects no delays in the implementation of the HPMP after approval by the Executive Committee despite the country currently completing the remaining activities

under the TPMP. The Government is committed to the completion of the TPMP and timely implementation of the activities proposed in the HPMP.

Starting point for aggregate reduction in HCFC consumption

19. The HCFC baseline for compliance has been estimated at 19.9 ODP tonnes. The Government of Honduras has agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average level of actual consumption in 2009 reported under Article 7 (17.8 ODP tonnes) and that estimated for 2010 (22.0 ODP tonnes), plus 0.8 ODP tonnes of HCFC-141b contained in imported pre-blended polyol systems not reported under Article 7 of the Montreal Protocol resulting in 20.7 ODP tonnes. The business plan indicated a baseline of 18.5 ODP tonnes. The difference is due to the fact that the actual consumption of HCFCs in 2010 as officially reported under the HPMP is higher than that in the business plan, and the calculation of the starting point for aggregate reduction in the HPMP has included the HCFC-141b contained in imported pre-blended polyols.

Technical and cost-related issues

20. With regard to the consumption of HCFC-141b, UNIDO explained that about 17.8 mt (2.0 ODP tonnes) of HCFC-141b were imported into the country in 2010 for servicing refrigeration equipment. An additional 7.0 mt (0.8 ODP tonnes) of HCFC-141b were contained in pre-blended polyol systems imported in 2009 by small foam enterprises (no data is available for 2010); however, this amount was not reported as consumption under Article 7 of the Protocol. The Government is planning to address the HCFC-141b in pre-blended polyols during stage II of the HPMP.

21. A number of technical issues were discussed and subsequently settled with the implementing agencies. Noting the relatively high consumption of HCFC-141b used for cleaning refrigeration systems (2.0 ODP tonnes representing over 9 per cent of the total consumption in Honduras in 2010), and considering that this entire amount reaches the atmosphere once it is emitted, it was suggested that a phase-out activity be implemented soon after the HPMP has been approved by the Executive Committee. Implementation of the first work programme of the HPMP will be coordinated with the ongoing activities approved under the TPMP. To the extent possible, all existing equipment will be allowed to operate until it reaches its end of life. However, given the availability of hydrocarbon-based refrigerants and training provided on retrofit techniques, retrofit of HCFC-equipment will be a voluntary choice by the end-users in consultation with the trained technicians. Based on the above consideration, and in light of decision 60/44, the level of funding for stage I of the HPMP was adjusted from US \$863,875 to US \$630,000, with the following breakdown.

- (a) US \$26,000 for the strengthening and socialization by sector of the reforms within the related legal framework;
- (b) US \$224,000 for the technical and institutional assistance to the Government and the refrigeration servicing sector;
- (c) US \$290,000 for the investment activities for end-users and the refrigeration servicing sector, including the phase-out of HCFC-141b used for servicing refrigeration systems; and
- (d) US \$90,000 for monitoring and evaluation of the activities proposed in the HPMP.

Impact on the climate

22. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amounts of HCFC-22 and

HCFC-141b used for refrigeration servicing. Each kilogram (kg) of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO₂-equivalent tonnes saved, while the phase-out of 6.1 mt of HCFC-141b from emissive uses and in the servicing sector results in over 4,340 CO₂-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Honduras, in particular its efforts to improve servicing practices and reduce refrigerant and HCFC-141b emissions indicate that it is likely that the country will achieve the reduction of 21,023.1 CO₂-equivalent tonnes in emissions to the atmosphere as estimated in the 2011-2014 business plan. However, at this time, the Secretariat is not in a position to quantitatively estimate the impact on the climate. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

2011-2014 business plan of the Multilateral Fund

23. UNIDO and UNEP are requesting US \$630,000 plus support costs for implementation of stage I of the HPMP. The total value requested for the period 2011-2014 of US \$345,500 including support cost is within the total amount in the business plan. Furthermore, based on the estimated HCFC baseline consumption in the servicing sector of 19.9 ODP tonnes, Honduras' allocation up to the 2020 phase-out should be US \$630,000 in line with decision 60/44.

Draft Agreement

24. A draft Agreement between the Government of Honduras and the Executive Committee for HCFCs phase-out is contained in Annex I of the present document.

RECOMMENDATION

25. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage I of the HCFC phase-out management plan (HPMP) for Honduras for the period 2011 to 2019, at the amount of US \$691,000, comprising of US \$380,000 and agency support costs of US \$28,500 for UNIDO, and US \$250,000 and agency support costs of US \$32,500 for UNEP;
- (b) Noting that the Government of Honduras had agreed at the 63rd Meeting to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline of 19.9 ODP tonnes calculated using actual consumption for 2009 and estimated consumption for 2010, plus 0.8 ODP tonnes of HCFC-141b contained in imported pre-blended polyol systems, resulting in 20.7 ODP tonnes;
- (c) Approving the draft Agreement between the Government of Honduras and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (d) Requesting the Fund Secretariat, once the baseline data were known, to update Appendix 2-A to the draft Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed being made when the next tranche was submitted; and

- (e) Approving the first tranche of stage I of the HPMP for Honduras, and the corresponding implementation plan, at the amount of US \$192,250, comprising of US \$100,000 plus agency support costs of US \$7,500 for UNIDO and of US \$75,000 plus agency support costs of US \$9,750 for UNEP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF HONDURAS AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of Honduras (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 12.94 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”; the Target) 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 rows 4.1.3 and 4.2.3 (remaining eligible consumption).
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 (“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 (“Funding Approval Schedule”).
4. The Country will accept independent verification, to be commissioned by the relevant bilateral or implementing agency, of achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) of this Agreement 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 (“Format of Tranche Implementation Reports and Plans”) 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 (“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 (“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. UNIDO has agreed to be the lead implementing agency (the “Lead IA”) and UNEP 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 agencies 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

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	18.01
HCFC-141b	C	I	2.69

APPENDIX 2-A: THE TARGETS, AND FUNDING

		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	19.91	17.92	17.92	17.92	12.94	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	19.91	17.92	17.92	17.92	12.94	n/a	
2.1	Lead IA UNIDO agreed funding(US \$)	100,000	90,000	0	90,000	60,000	40,000	380,000	
2.2	Support costs for Lead IA(US \$)	7,500	6,750	0	6,750	4,500	3,000	28,500	
2.3	Cooperating IA UNEP agreed funding (US \$)	75,000	50,000	0	50,000	50,000	25,000	250,000	
2.4	Support costs for Cooperating IA (US \$)	9,750	6,500	0	6,500	6,500	3,250	32,500	
3.1	Total agreed funding (US \$)	175,000	140,000	0	140,000	110,000	65,000	630,000	
3.2	Total support cost (US \$)	17,250	13,250	0	13,250	11,000	6,250	61,000	
3.3	Total agreed costs (US \$)	192,250	153,250	0	153,250	121,000	71,250	691,000	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)								6.30
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								0.00
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								11.71
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this agreement (ODP tonnes)								0.67
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								0.00
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								2.02

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 the Lead IA; 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 Honduras Ozone Technical Unit (UTOH), under the Natural Resources and Environment Secretariat, will coordinate the project implementation including the activities proposed in the HPMP.
2. UTOH as focal point will be responsible for the national coordination of the whole HPMP programme with the assistance of UNIDO as the main implementation agency and UNEP as cooperating implementation agency. The Unit will be responsible for the monitoring of the phase-out implementation plan, of making the follow up of the promulgation, and the enforcement of the policies and legislation. The Unit will support UNIDO and UNEP in the preparation the annual implementation plans and progress reports for the Executive Committee.
3. The Government will create strategic alliances with specialized training institutions to carry out the whole training programme to the sectors involved in the use of the refrigerants to be phased out to all the service providers.

4. The phase-out plan will be managed by a team dedicated to this job that consists of a coordinator that will be designated by the UTOH and have the support of the representatives and experts of the implementation agencies and the necessary support infrastructure. The component of support to the management and update of the legal instruments of the phase-out plan will include the following activities:

- (a) Management and coordination of the implementation of the plan;
- (b) Establishment of a policy development and application programme to allow the Government to exercise the required mandates and ensure the industry fulfillment with the obligations of the ODS consumption reduction;
- (c) Development and implementation of training, awareness and capacity building activities to ensure a high level commitment to the Plan objectives and obligations;
- (d) Preparation of annual implementation plans including the determination of the sequence of participation of the companies in the activities;
- (e) Establishment and operation of a report system on the ODS use /substitutes by the users;
- (f) Report on the progress of the plan implementation for the annual disbursement based on performance; and
- (g) Establishment and operation of the decentralized mechanism to monitor and evaluate the plan results, in association with local environmental regulatory entities to ensure sustainability.

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 Cooperating IA, 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 \$180 per ODP kg 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.
