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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-fifth Meeting
Bali, Indonesia, 13-17 November 2011

PROJECT PROPOSAL: URUGUAY

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)

UNDP/UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Uruguay

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	UNDP (lead), UNIDO

(II) LATEST ARTICLE 7 DATA	Year: 2010	24.70 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2010	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123			0.0		0.0				0.0
HCFC-124					0.1				0.1
HCFC-141b		1.1			1.1				2.2
HCFC-141b in Imported pre-blended Polyol		5.8							5.8
HCFC-142b					0.5				0.5
HCFC-22				1.9	19.9				21.80

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	23.33	Starting point for sustained aggregate reductions:	28.66
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	23.71

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)	3.0	3.0	1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	7.7
	Funding (US \$)	258,712	258,712	125,710	29,236	0	0	0	0	0	0	672,371
UNIDO	ODS phase-out (ODP tonnes)	1.4										1.4
	Funding (US \$)	384,886	0	0	0	0	0	0	0	0	0	384,886

(VI) PROJECT DATA			2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits (estimate)			n/a	n/a	23.33	23.33	21.00	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	23.33	23.33	21.00	n/a
Project Costs requested in principle(US\$)	UNDP	Project costs	100,000	100,000	115,000	20,000	45,004	380,004
		Support costs	7,500	7,500	8,625	1,500	3,375	28,500
	UNIDO	Project costs	82,850					82,850
		Support costs	7,457					7,457
Total project costs requested in principle (US \$)			182,850	100,000	115,000	20,000	45,004	462,854
Total support costs requested in principle (US \$)			14,957	7,500	8,625	1,500	3,375	35,957
Total funds requested in principle (US \$)			197,807	107,500	123,625	21,500	48,379	498,811

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	100,000	7,500
UNIDO	82,850	7,457

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 Uruguay UNDP, as the lead implementing agency had submitted to the 64th Meeting of the Executive Committee, stage I of an HCFC phase-out management plan (HPMP), which was subsequently deferred by UNDP at the meeting upon request by the Government of Uruguay.
2. UNDP, on behalf of the Government of Uruguay, re-submitted stage I of the HPMP for consideration by the 65th Meeting at a total cost of US \$462,854 plus agency support costs of US \$28,500 for UNDP and US \$7,457 for UNIDO. The HPMP covers strategies and activities to meet the freeze and 10 per cent reduction in HCFC consumption by 2013 and 2015 respectively, and includes an investment project for the refrigeration assembly sub-sector.
3. The first tranche for stage I being requested at this meeting amounts to US \$100,000 plus agency support costs of US \$7,500 for UNDP, and US \$82,850 plus agency support cost of US \$7,457 for UNIDO.

ODS policy and regulatory framework

4. Uruguay has an established legal framework, or ozone regime, that promotes, supports and enforces ozone depleting substances (ODS) phase-out activities in the country. The Ministry of Environmental Protection (MVOTMA) through the National Directorate of Environment (DINAMA) is responsible for the implementation of this legal framework through an institutional infrastructure led by the National Ozone Unit (NOU), which coordinates ODS phase-out activities in close cooperation with its strategic partners from other Government offices, the private sector, academia and the organized civil society.
5. The ODS import licensing system has been in place in Uruguay since 2006. The MVOTMA establishes the maximum annual level of ODS imports in the country and gives the authority to the National Environmental Direction to operate, in coordination with the National Direction of Customs, the national registry of ODS imports and exports. This regulation also provides for the registration of import and export of HCFCs. As progress in the implementation of the HCFC phase-out programme takes place, new HCFC specific legislative policies will be introduced, which will include the introduction of a quota system for HCFC imports, as well as controls on imports of HCFC-using equipment by 2013.
6. The Government of Uruguay has ratified all the amendments to the Montreal Protocol.

HCFC consumption

7. Uruguay imports HCFC-22, which represents more than 90 per cent of the total HCFCs imported in 2009 (in ODP tonnes), followed by HCFC-142b (3.5 per cent of total consumption) and HCFC-141b as pure substance (3.5 per cent). Small amounts of HCFC-123 and HCFC-124 were also imported. Uruguay also imports HCFC-141b in pre-blended polyols (Table 1). The HPMP identified 20 registered importers of HCFCs in the country, and the main sources of HCFC imports into the country are Argentina, China, India and Mexico.

Table 1: HCFCs imported into Uruguay (2007-2010)*

HCFC*	2007		2008		2009		2010		Baseline	
	mt	ODP tonnes	mt	ODP tonnes	mt	ODP tonnes	mt	ODP tonnes	mt	ODP tonnes
HCFC-22	286.60	15.76	316.68	17.42	369.67	20.33	397.05	21.84	383.36	21.08
HCFC-142b	6.40	0.42	0.00	0.00	11.88	0.77	7.47	0.49	9.68	0.63
HCFC-141b	16.70	1.84	15.49	1.70	7.04	0.77	20.12	2.21	13.58	1.49
HCFC-123	0.00	0.00	0.91	0.02	1.59	0.03	2.12	0.04	1.86	0.04
HCFC-124	0.00	0.00	0.00	0.00	2.46	0.05	5.82	0.13	4.14	0.09
Total	309.70	18.02	333.20	19.14	392.64	21.92	432.58	24.71	412.61	23.33
HCFC-141b in imported pre-blended polyols	43.16	4.75	53.56	5.89	48.58	5.34	52.32	5.76		

*Article 7 data from Ozone Secretariat

8. The average growth in HCFC consumption from 2007 to 2010 was at 11.5 per cent per year. The highest increase occurred between the years 2008 and 2009 where growth was calculated at 17.9 per cent, mostly attributed to the ongoing replacement of CFCs in servicing applications. The current growth is estimated to stabilize at a level of 9 per cent overall. The forecast for HCFC consumption up to 2015 (based on the data gathered during the preparation of the HPMP) is shown in Table 2.

Table 2: Forecast for HCFC consumption up to 2015

	Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Unconstrained demand	mt	230.00	220.00	281.00	309.7	333.2	392.64	432.58	472.00	514.00	565.40	621.90	684.09
	ODP tonnes	13.04	12.93	15.69	18.02	19.14	21.92	24.71	26.92	29.34	32.20	35.50	39.00
Constrained demand	mt	230.00	220.00	281.00	309.7	333.2	392.64	432.58	472.00	514.00	412.61	412.61	371.35
	ODP tonnes	13.04	12.93	15.69	18.02	19.14	21.92	24.71	26.92	29.34	23.33	23.33	20.99
	HCFC-141b in imported pre-blended polyols (ODP tonnes)						5.34	5.76	6.27	6.84	5.55	5.55	4.99

HCFC sector distribution

9. HCFC-22 is used in the refrigeration industry for servicing refrigeration and air-conditioning systems, with a small amount used in the manufacturing sector for the assembly and installation of large cold rooms. HCFC-141b consumption is attributed to flushing in the servicing sector as well as to one foam enterprise using bulk HCFC-141b to blend systems in-house. Additionally, some 52.32 metric tonnes (mt) of HCFC-141b were also imported in pre-blended polyols used for the manufacture of appliance foam, spray foam, and some flexible and integral skin foams. Some small amounts of other HCFCs are used in refrigerant blends in the country, as well as in some fire fighting applications. Table 3 below summarizes the sector distribution of HCFCs in Uruguay in 2010.

10. There are three enterprises that use HCFC-22 for the installation of cold rooms for supermarkets, processing plants, etc. The companies involved outsource the related insulation panels but are responsible for installing the rooms including the assembly of the cooling system and the filling of the system with HCFC-22. The total consumption attributed to this sector is an average of 35 mt in 2009 and 2010.

Table 3: Sector distribution of HCFCs in Uruguay (2010)

Substance	Consumption by Sector in 2010 (mt/ODP)								Grand Total	
	Foams		Refrigeration and air-conditioning in the manufacturing sector		Refrigeration and air-conditioning in the servicing sector		Fire suppressants			
	mt	ODP	mt	ODP	mt	ODP	mt	ODP	mt	ODP
HCFC-22			35.00	1.93	362.05	19.91			397.05	21.84
HCFC-141b	10.30	1.13			9.82	1.08			20.12	2.21
HCFC-123					0.54	0.01	1.58	0.03	2.12	0.04
HCFC-124					5.82	0.13			5.82	0.13
HCFC-142b					7.47	0.49			7.47	0.49
Total per Sector	10.30	1.13	35.00	1.93	385.70	21.62	1.58	0.03	432.58	24.70
HCFC-141b in pre-blended polyols	52.32	5.76								

11. There are 15 foam manufacturing enterprises in the country, with a total estimated use of 48.58 mt of HCFC-141b contained in imported pre-blended polyols in 2010. One enterprise imported a small amount of pure HCFC-141b (7.04 mt) and blends onsite as well as imports pre-blended systems. Of these, all were associated with enterprises that are locally owned.

Calculation of the starting point

12. In its HPMP, Uruguay had calculated its HCFC consumption baseline at 23.33 ODP tonnes (412.61 mt) using the average of the actual consumption reported for 2009 of 21.92 ODP tonnes (392.64 mt) and for 2010 of 24.71 ODP tonnes (432.58 mt). The HPMP also indicated that Uruguay has selected its 2010 reported consumption of 24.71 ODP tonnes (432.58 mt) as the basis for calculating its starting point instead of the baseline, plus 5.33 ODP tonnes (48.43 mt) of HCFC-141b contained in imported pre-blended polyol systems (average of 2007-2009) not reported under Article 7. This resulted in a starting point of 30.04 ODP tonnes.

HCFC phase-out strategy and costs

13. The HPMP of Uruguay has been planned for implementation in three stages. Stage I which is currently submitted for funding is proposed to meet the 2013 and 2015 HCFC compliance levels. The HPMP activities will include a combination of activities aimed at strengthening the implementation of the legislative framework, improving servicing and maintenance practices, training for conversions/retrofits, and disincentives to the imports and installation of new equipment containing HCFCs. The HPMP also includes awareness-raising activities geared towards all sectors of the population. Activities planned for stage I take into account lessons learned from CFC phase-out. When appropriate and/or possible, previously implemented activities will be strengthened and will be complemented with new elements that will help lower the demand and use of HCFC-22.

14. The Government of Uruguay has defined stage I into five components under which concrete projects and activities to phase out HCFCs have been developed, as shown in Table 4 below.

Table 4: Phase-out activities proposed in the HPMP for Uruguay to achieve control measures in 2013 and 2015

Activities/Projects	Agency	Cost (US \$)
Component 1: Adapting and promulgating policy instruments and build capacity for HCFC phase-out	UNDP	70,000
Component 2: Support programme for the refrigeration servicing sector	UNDP	208,004
Component 3: Phase-out of HCFC-22 used in assembly of cold rooms	UNIDO	82,850
Component 4: Awareness-raising programme	UNDP	20,000
Component 5: Monitoring programme	UNDP	82,000
TOTAL		462,854

Phase-out of HCFC-22 in the refrigeration manufacturing sector for assembly of cold rooms

15. To meet the 2013 and 2015 phase-out targets, the Government of Uruguay is proposing to partially phase out the consumption of HCFC-22 used in the assembly of cold rooms. The HPMP has identified three enterprises with a total consumption of 35 mt of HCFC-22 in this application, and had included an investment project for the largest enterprise, Frymon, S.A. This project to be implemented by UNIDO will address the phase-out of 14.1 mt (0.77 ODP tonnes) of HCFC-22 in this sub-sector.

16. Frymon S.A. was established in the early 1980's and makes refrigeration chambers based on orders from customers. The company has several production areas and uses various models with different compressor types, all using HCFC-22 as refrigerant. Annually, the company makes a total of 30 chambers, and the operation includes the design of the cold room based on specifications, installation of the necessary panels and cooling and other related equipment which is often assembled onsite.

17. The baseline equipment consists of charging machines, vacuum and oil pumps, and other tools used to assemble these refrigerated cold rooms. Most of this equipment is tailored for the use of HCFC-22. Conversion to alternative refrigerants including possibly hydrocarbons would require a change in the baseline equipment and in the tubing machinery. The cost for conversion was submitted at US \$82,850 plus support costs.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

18. The Secretariat reviewed the resubmitted HPMP for Uruguay 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 and the 2011-2014 business plan of the Multilateral Fund.

HCFC consumption

19. The Secretariat noted the discrepancy between the HCFC survey results and HCFC consumption data reported under Article 7, particularly for 2009. UNDP had indicated that in verifying the figures using the survey methodology, the country gathered figures for 2009 that were higher than those reported in Article 7. This was attributed to errors in recording import figures at the customs office. Noting this discrepancy, UNDP had initially indicated that the country was considering to revise the 2009 data submitted to the Ozone Secretariat; however, in evaluating the situation, UNDP informed at a later stage that the country will not request data correction and will use the submitted Article 7 data for 2009 as reference. Corrective measures were taken at customs to avoid similar mistakes in the reports.

Starting point for aggregate reduction in HCFC consumption

20. The Secretariat noted that the Government of Uruguay selected the actual reported 2010 consumption of 432.58 mt (24.71 ODP tonnes) as its option for the starting point based on decision 60/44(d), which would be added to the consumption of imported pre-blended polyols. It informed UNDP that, as the HCFC baseline consumption for Uruguay had already been established under Article 7 data reporting, this value should be used (i.e. 23.33 ODP tonnes or 412.61 mt). It also drew UNDP's attention to decision 60/44(c) where the Committee agreed, *inter alia*, "to establish the starting points for aggregate reductions in HCFC consumption, for those Article 5 countries that submit projects in advance of their assessed baseline, at the time of submission of either the HCFC investment project or the HPMP, whichever is first submitted for the consideration of the Executive Committee". The Secretariat further reiterated that in decision 63/14, the Executive Committee decided that "calculation of the starting points for aggregate reductions in HCFC consumption for HCFC phase-out management plans should be based on the latest accepted HCFC consumption data reported under Article 7, consistent with decision 60/44 of the Executive Committee". In both cases, as the latest accepted HCFC consumption for the years 2009-2010 are known, and a baseline had been established on the Ozone Secretariat's website and confirmed by the country, the baseline should be used for calculating the starting point for aggregate reduction in HCFC consumption. This would result in a starting point of 28.66 ODP tonnes when adding the value for the imported pre-blended polyols.

21. UNDP advised the Secretariat that it had explained the above situation to the country but that Uruguay would still like to use its 2010 actual reported consumption as the basis for the starting point for sustained aggregate reduction in HCFC consumption in line with the country's understanding of decision 60/44(d), calculated at 24.71 ODP tonnes (432.58 mt), plus 5.33 ODP tonnes of HCFC-141b contained in imported pre-blended polyol systems not reported under Article 7, resulting in a starting point for aggregate reduction of 30.04 ODP tonnes.

HPMP strategy

22. In its review of the HPMP, the Secretariat noted that the HCFC reductions proposed in stage I will address more than 10 per cent of the baseline (i.e. 19 per cent). The Secretariat drew UNDP's attention to discussions and decisions on this issue at the 63rd and 64th meetings where the Executive Committee had noted that in such cases where the HPMP proposed to address more than 10 per cent of the baseline by 2015, an extended commitment beyond 2015 should be solicited from the government concerned. This commitment was noted in the respective decisions approving these HPMPs.

23. In responding to the Secretariat, UNDP indicated that the activities included in the current HPMP proposal are urgently needed to support the country to comply with the 2013 and 2015 compliance targets. UNDP also reiterated that the country requires to reduce more tonnage than only 10 per cent of the baseline in order to meet both the freeze and the reduction in 2015 because of growth in the consumption of HCFC-22 in the servicing sector. According to UNDP, this justifies the need for additional tonnage to be phased out in the current HPMP. UNDP also indicated that the views of the Secretariat and subsequent decisions of the Executive Committee on an extended commitment beyond 2015 were communicated to the country. However the Government is not in a position to make such commitment at this time.

24. In explaining what the HPMP intends to do with the small foam enterprises that use HCFC-141b in imported pre-blended polyols, UNDP mentioned that this sector will be addressed in line with decision 63/15, and could be submitted as part of stage I when proven cost-effective and commercially available low-GWP technology made it possible to replace the HCFC-141b used by small enterprises.

Technical and cost issues

25. The Secretariat discussed the funding requested for the regulatory framework for HCFCs, as it related to decision 54/39, the guidelines for HPMP preparation. UNDP explained that during the preparation of the HPMP, the NOU organized a number of consultations with several stakeholders to better understand the regulatory implications of accelerating the phase-out of HCFCs, thereby identifying additional measures that will have to be established and reinforced during the next five years. The current need would be to modify the existing regulatory framework to allow the establishment of a quota system that will set the maximum import volumes. The HPMP also proposes to implement an HCFC control system, training, and a system to extend control to ODS-based equipment in order to achieve an effective monitoring system within Uruguay.

26. With regard to the proposed activities for the phase-out of HCFC-141b used in flushing activities, the Secretariat notes that as flushing is part of the servicing sector, funding should be calculated within the activities eligible for the servicing sector. UNDP indicated that the country will ensure that the phase-out of this application is prioritized.

27. The Secretariat queried the training activities in the refrigeration servicing sector and how could these build upon those already done under the terminal phase-out management plan. UNDP explained that these activities have been designed to build on the structures put in place by the CFC project and provide specialized training to convert equipment in areas of high consumption of HCFC-22 that were not eligible for conversion under the CFC phase-out framework, such as applications in refrigeration, and air conditioning.

28. The Secretariat and UNDP discussed the final funding for the costs of stage I of the HPMP based on the strategy of the Government of Uruguay to address HCFC consumption in both the refrigeration servicing and refrigeration manufacturing sector, which would meet only the freeze in HCFC consumption and the 10 per cent reduction by 2015. The funding agreed for the non-investment component including activities for the servicing sector was calculated at a total of US \$380,004, plus support costs for UNDP out of which US \$298,000 was calculated at US \$4.5/kg to phase-out 66.2 mt of HCFCs in the servicing sector.

Phase-out of HCFC-22 in the refrigeration manufacturing sector for assembly of cold rooms

29. With regard to the investment component for the conversion of the manufacturers of cold rooms, the Secretariat and UNIDO discussed the initial funding proposal in detail and reiterated the need to apply decision 62/14 where the Executive Committee, *inter alia*, “requested agencies when submitting projects related to the installation, assembly and charging sub-sector to demonstrate that each of those enterprises participating in the project had invested in equipment, development of products, or training of personnel specific to HCFC technology significantly exceeding the level of such investments prevalent in the service sector; and that these represent incremental costs”.

30. In addition, the Secretariat also raised issues on the choice of technology for the conversion, in particular, on the use of R-507 and R-404A as replacement for HCFC-22, UNIDO explained that these blends will be used as they are compatible with the current systems being installed for cold rooms. UNIDO also indicated that it will encourage the country to explore the possible use of hydrocarbons as an alternative for the remaining two enterprises.

31. Following these discussions, UNIDO adjusted the costs originally submitted to the 64th Executive Committee of US \$100,000 accordingly, and an agreement was reached that the total cost of the project will not be more than US \$82,850 plus support costs based on the components shown in Table 5 below, to phase out 14 mt of HCFC-22.

Table 5: Agreed costs for the conversion of Frymon enterprises

Equipment item	Quantity	Unit cost (US \$)	Total cost (US \$)
Tools to replace and assembly new electronic valves & controllers, drivers	5 sets	1,720	8,600
Vacuum pump	5 sets	3,000	15,000
Oil pump	5 sets	250	1,250
Leak detectors	5 sets	500	2,500
Charging machine	5	700	3,500
Tube bending machinery modification (tools)	2	10,000	20,000
Training (Technical workshops)	2	10,000	20,000
On the job training (Nat Expert)	4 months	3,000	12,000
Total			82,850
UNIDO support costs	9%		7,457
TOTAL COST MLF			90,307

2011-2014 business plan of the Multilateral Fund

32. Based on the above, the total funding for stage I of the HPMP for Uruguay is at the level of US \$462,854 plus support costs to phase out a total of 80.2 mt of HCFCs to meet the 10 per cent reduction in consumption by 2015. The total value requested for the period 2011-2014 of US \$450,432 including support costs is lower than that in the business plan.

Impact on the climate

33. The HPMP indicated that Government of Uruguay will use whenever and wherever feasible low global warming potential (GWP) replacement technologies for HCFCs, and will strive to achieve energy neutrality by selecting technologies that match insulation efficiency as close as possible—but within the context of minimizing the GWP.

34. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices, enforcement of HCFC import controls and conversion of the assembly sector, 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 approximately 1.8 CO₂-equivalent tonnes saved. Although a calculation of the impact on the climate was not indicated in the HPMP, the activities planned by Uruguay, in particular, the phase-out of HCFC-22 in the servicing and assembly sectors and its above average efforts to improve servicing practices and reduce refrigerant emissions indicate that it is likely that the country will achieve the 10,528 CO₂-equivalent tonnes saved in emissions into the atmosphere estimated in the 2011-2014 business plan.

35. 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.

Co-financing

36. The Secretariat noted that co-financing opportunities for mobilizing additional resources to maximize the environmental benefits of the HPMP for Uruguay were not clearly indicated in the HPMP document except that this will be through in-kind Government contributions and co-funding by recipients for non-eligible items such as structures, infrastructure and technology upgrades. The Secretariat encouraged UNDP to ensure Uruguay to explore more opportunities for co-funding especially in stage II of the HPMP.

Draft Agreement

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

RECOMMENDATION

38. In light of the Secretariat's comments above, in particular paragraphs 20, 21 and 22 to 24 above, the Executive Committee may wish to consider whether:

- (a) To approve, in principle, stage I of the HCFC phase-out management plan (HPMP) for Uruguay for the period 2011 to 2015, meet the 10 per cent reduction in HCFC consumption, at the amount of US \$498,811, consisting of US \$380,004 plus agency support costs of US \$28,500 for UNDP, and US \$82,850 plus agency support costs of US \$7,457 for UNIDO, on the understanding that:
 - (i) US \$380,004 were provided to address HCFC consumption in the refrigeration servicing sector to reach up to and include the 10 per cent reduction in 2015 in line with decision 60/44; and
 - (ii) US \$82,850 were provided for the investment component for the phase-out of 0.77 ODP tonnes of HCFC-22 in the assembly and installation of refrigerated cold rooms for the refrigeration manufacturing sector.
- (b) To note that the Government of Uruguay chose to use its actual 2010 HCFC consumption of 24.71 ODP tonnes as the basis for calculating its starting point for sustained aggregate reduction in HCFC consumption; and noting further that the baseline for HCFC consumption of 23.33 ODP tonnes had been established for Uruguay by the Ozone Secretariat under Article 7 of the Montreal Protocol, calculated using the average of actual consumption of 21.92 ODP tonnes and 24.71 ODP tonnes in reported in 2009 and 2010 respectively, and that this has been confirmed by the Government of Uruguay.
- (c) To reiterate that as the HPMP is being considered when an established baseline had been calculated for Uruguay, the starting point would be the sum of 23.33 ODP (baseline) tonnes plus 5.33 ODP tonnes of HCFC-141b in pre-blended polyols, resulting in a value of 28.66 ODP tonnes.
- (d) To deduct 4.95 ODP tonnes of HCFCs from the starting point for sustained aggregate reduction in HCFC consumption in (c) above;
- (e) To approve the draft Agreement between the Government of Uruguay and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;

- (f) To approve the first tranche of the stage I of the HPMP for Uruguay and the corresponding implementation plan at the amount of US \$197,807 consisting of US \$100,000 plus agency support costs of US \$7,500 for UNDP; and US \$82,850 plus agency support costs of US \$7,457 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF URUGUAY 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 Uruguay (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 21.00 ODP tonnes by 1 January 2015 in compliance with Montreal Protocol schedules.
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 that exceeds the level defined in row 1.2 of Appendix 2-A 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 that exceeds the level defined in rows 4.1.3, 4.2.3, 4.3.3, 4.4.3, 4.5.3 and 4.6.3 (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 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 agrees to implement this Agreement in accordance with the HCFC phase-out sector plans submitted. In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.
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 eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country had met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. 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 are exempted;
 - (b) That the meeting of these Targets has been independently verified, unless the Executive Committee decided that such verification would not be required;
 - (c) That the Country had submitted annual implementation reports in the form of Appendix 4-A (“Format of 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;
 - (d) That the Country has submitted an annual implementation plan in the form of

Appendix 4-A) 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; and

- (e) That, for all submissions from the 68th meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the Country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this Agreement.

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 annual implementation plans 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 paragraph 4 above.

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 reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

- (a) Reallocations categorized as major changes must be documented in advance either in an annual implementation plan submitted as foreseen in sub-paragraph 5(d) above, or as a revision to an existing annual implementation plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:
 - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
 - (ii) Changes which would modify any clause of this Agreement;
 - (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches; and
 - (iv) Provision of funding for programmes or activities not included in the current endorsed annual implementation plan, or removal of an activity in the annual implementation plan, with a cost greater than 30 per cent of the total cost of the last approved tranche;
- (b) Reallocations not categorized as major changes may be incorporated in the approved annual implementation plan, under implementation at the time, and reported to the Executive Committee in the subsequent annual implementation report; and
- (c) Any remaining funds will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

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. UNDP has agreed to be the lead implementing agency (the “Lead IA”) and UNIDO has agreed to be the 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 ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, 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 reached consensus on the arrangements regarding inter-agency 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 amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each ODP kg 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 above.

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 the information necessary to verify compliance with this Agreement.

14. The completion of stage I 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 level has been specified in Appendix 2-A. Should there at that time still be activities that are outstanding, and 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 sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion unless otherwise specified by the Executive Committee.

15. All of the conditions 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	21.08
HCFC-141b	C	I	1.49
HCFC-123	C	I	0.04
HCFC-124	C	I	0.09
HCFC-142b	C	I	0.63
Sub-total			23.33
HCFC-141b in imported pre-blended polyols	C	I	5.33
TOTAL-HCFCs	C	I	28.66

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	23.33	23.33	21.00	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	23.33	23.33	21.00	n/a
2.1	Lead IA UNDP agreed funding(US \$)	100,000	100,000	115,000	20,000	45,004	380,004
2.2	Support costs for Lead IA(US \$)	7,500	7,500	8,625	1,500	3,375	28,500
2.3	Cooperating IA UNIDO agreed funding (US \$)	82,850	0	0	0	0	82,850
2.4	Support costs for Cooperating IA (US \$)	7,457	0	0	0	0	7,457
3.1	Total agreed funding (US \$)	182,850	100,000	115,000	20,000	45,004	462,854
3.2	Total support cost (US \$)	14,957	7,500	8,625	1,500	3,375	35,957
3.3	Total agreed costs (US \$)	197,807	107,500	123,625	21,500	48,379	498,811
4.1.1	Total phase-out of HCFC-141b agreed to be achieved under this agreement (ODP tonnes)						1.08
4.1.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)						n/a
4.1.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)						0.41
4.2.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)						3.11
4.2.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)						n/a
4.2.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)						17.97
4.3.1	Total phase-out of HCFC-123 agreed to be achieved under this agreement (ODP tonnes)						0.04
4.3.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)						n/a
4.3.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)						0
4.4.1	Total phase-out of HCFC-124 agreed to be achieved under this agreement (ODP tonnes)						0.09
4.4.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)						n/a
4.4.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)						0
4.5.1	Total phase-out of HCFC-142 agreed to be achieved under this agreement (ODP tonnes)						0.63
4.5.2	Phase-out of HCFC-142 to be achieved in previously approved projects (ODP tonnes)						n/a

4.5.3	Remaining eligible consumption for HCFC-142 (ODP tonnes)	0
4.6.1	Total phase-out of HCFC-141b in imported pre-blended polyols agreed to be achieved under this agreement (ODP tonnes)	n/a
4.6.2	Phase-out of HCFC-141b in imported pre-blended polyols to be achieved in previously approved projects (ODP tonnes)	n/a
4.6.3	Remaining eligible consumption for HCFC-141b in imported pre-blended polyols (ODP tonnes)	5.33

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the last meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Implementation Report and Plan for each tranche request will consist of five parts:

- (a) A narrative report, with data provided by calendar year, regarding the progress since the year prior to the previous report, reflecting 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 include ODS phase-out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Annual Implementation Plan(s), 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 on 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 until and including the year of the planned submission of the next tranche request, highlighting the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan that are foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the

narrative report under sub-paragraph (b) above;

- (d) A set of quantitative information for all annual implementation reports and annual implementation plans, submitted through an online database. 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), the annual implementation plan and any changes to the overall plan, and will cover the same time periods and activities; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The monitoring activities will be carried out within the HPMP implementation, monitoring and control project, and will include the implementation of all the projects within the HPMP; the regular monitoring of the project implementation and results; the production of periodic reports on project results in order to facilitate corrective actions; the production of timely project progress reports to the Executive Committee; and regular monitoring of market developments and trends at the national and international levels.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including 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 HPMP;
 - (b) Assisting the Country in preparation of the Implementation Plans and subsequent reports as per Appendix 4-A;
 - (c) Providing independent verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the 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 annual implementation plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
 - (e) Fulfilling the reporting requirements for the annual implementation reports, annual implementation plans and the overall plan as specified in Appendix 4-A 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 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 entity 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 THE COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will be responsible for a range of activities. These activities are specified in the overall plan, including at least the following:

- (a) Providing assistance for policy development 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 \$187.02 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.
