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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-seventh Meeting
Bangkok, 16-20 July 2012

PROJECT PROPOSAL: ERITREA

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

Eritrea

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

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2010	0.1 (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									
HCFC-124									
HCFC-141b									
HCFC-142b									
HCFC-22					1.1				1.1

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.1	Starting point for sustained aggregate reductions:	0.1
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	0.07

(V) BUSINESS PLAN		2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)			0.0		0.0		0.0		0.0	0.0
	Funding (US \$)			17,166		20,428	0	20,428	0	10,214	68,236
UNIDO	ODS phase-out (ODP tonnes)	0.0		0.0	0.0						0.0
	Funding (US \$)	35,431			52,706						88,137

(VI) PROJECT DATA			2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	0.1	0.1	0.09	0.09	0.09	0.09	0.09	0.07	n/a
Maximum allowable consumption (ODP tonnes)			n/a	0.1	0.1	0.09	0.09	0.09	0.09	0.09	0.07	n/a
Project Costs requested in principle(US\$)	UNEP	Project costs	40,000	0	0	0	27,000	0	0	0	17,500	84,500
		Support costs	5,200	0	0	0	3,510	0	0	0	2,275	10,985
	UNIDO	Project costs	40,000	0	0	0	40,000	0	0	0	0	80,000
		Support costs	3,600	0	0	0	3,600	0	0	0	0	7,200
Total project costs requested in principle (US \$)			80,000	0	0	0	67,000	0	0	0	17,500	164,500
Total support costs requested in principle (US \$)			8,800	0	0	0	7,110	0	0	0	2,275	18,185
Total funds requested in principle (US \$)			88,800	0	0	0	74,110	0	0	0	19,775	182,685

(VII) Request for funding for the first tranche (2012)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNEP	40,000	5,200
UNIDO	40,000	3,600

Funding request:	Approval of funding for the first tranche (2012) as indicated above
Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Eritrea UNEP, as the lead implementing agency, has submitted to the 67th Meeting of the Executive Committee stage I of an HCFC phase-out management plan (HPMP) at a total cost, as originally submitted, of US \$233,300, consisting of US \$110,000 plus agency support costs of US \$14,300 for UNEP and US \$100,000 plus agency support costs of US \$9,000 for UNIDO. The HPMP covers strategies and activities to achieve a 35 per cent reduction in HCFC consumption by 2020.
2. The first tranche for stage I being requested at this meeting amounts to US \$116,650, consisting of US \$55,000 plus agency support costs of US \$7,150 for UNEP and US \$50,000 plus agency support costs of US \$4,500 for UNIDO, as originally submitted.

Background

ODS regulations

3. The National Ozone Unit (NOU) under the Division of Environmental Resource Assessment and Information coordinates the enforcement of the ozone depleting substances (ODS) regulation and is responsible for the implementation of projects to phase out the use of ODS in Eritrea, as well as for raising awareness to general public on ozone and climate change issues. The ODS licensing system for Eritrea was agreed only in August 2010 after the Regulation for the issuance of quotas for importation/exportation of ODS as well as products containing ODS was published in the national gazette. These regulations control the import and export of ODS as well as products containing ODS. In addition to CFCs and other ODS, these regulations also include measures to control the consumption of HCFCs through a licensing and quota system. The licensing system is operational while the quota system for HCFCs will be operational in 2013.
4. The Government of Eritrea has ratified all of the amendments to the Montreal Protocol.

HCFC consumption

5. All HCFCs used in Eritrea are imported as the country does not produce these substances. The survey confirmed that Eritrea mostly uses HCFC-22 for the refrigeration and air conditioning sector. The use in the air conditioning sector contributes to 64 per cent of the country's total HCFC consumption.

Table 1: Level of HCFC consumption in Eritrea

Year	Article 7 data		Survey data	
	mt	ODP tonnes	mt	ODP tonnes
2005	14.91	0.8	14.91	0.82
2006	15.86	0.9	15.86	0.87
2007	16.87	0.9	16.87	0.93
2008	17.95	1.0	17.95	0.99
2009*	1.80	0.1	19.1	1.05
2010*	1.90	0.1	20.31	1.12

*Eritrea had officially requested a change of data of 2005 to 2010; however 2009 and 2010 data are pending approval by the Implementation Committee

6. Table 1 shows the level of HCFC consumption in Eritrea from 2005-2010. The figures from the survey were originally higher than the initial reported Article 7 data for the years 2005 - 2010. The Government of Eritrea requested the reported data to be adjusted to reflect realistic consumption levels of

HCFCs as gathered through the survey. Subsequently, Article 7 data for 2005 to 2008 was adjusted, and revision for 2009 and 2010 is pending approval by the Implementation Committee. The survey undertaken during the HPMP preparation showed that HCFCs consumption increased from 14.91 metric tonnes (mt) in 2005 to 20.31 mt in 2010 representing an increase of 6 per cent annually. The increase was attributed to a number of industries found to be using cooling systems extensively in their process such as food and mining industries which were not earlier accounted for when Article 7 data was reported.

Sectoral distribution of HCFCs

7. HCFCs in Eritrea are used in domestic, commercial and industrial air conditioning refrigeration sectors. Domestic refrigeration equipment in the country includes refrigerators, air conditioners, freezers, and water coolers. There were approximately 19,062 domestic air-conditioning units in the country in 2010. A summary of HCFC consumption by sector is shown in Table 2.

Table 2: HCFC consumption by sector for 2010

Type	Number of units	Charge (tonnes)		Servicing consumption		Annual leakage rate
		Metric	ODP	Metric	ODP	
Air conditioning (unitary-split systems)	19,062	87.5	4.81	12.54	0.69	14%
Commercial refrigeration and food processing	6,138	34	1.87	4.85	0.27	14%
Industrial and other equipment	4,849	6	0.33	2.92	0.16	49%
TOTAL	30,049	127.5	7.01	20.31	1.12	

Estimated baseline for HCFC consumption

8. The estimated baseline for compliance was calculated as 19.71 mt (1.1 ODP) tonnes by Eritrea using the average of consumption of 19.1 mt (1.05 ODP tonnes) in 2009 and 20.31 mt (1.12 ODP tonnes) in 2010 based on the survey data submitted to the Ozone Secretariat to revise earlier reported Article 7 data under the Montreal Protocol. However, based on the official Article 7 data reported for 2009 and 2010, the baseline would be 1.85 mt (0.10 ODP tonnes).

Forecast of future HCFC consumption

9. Eritrea estimated its future demand for HCFCs at a 6 per cent annual growth rate based on an extrapolated value comparing the reported Article 7 data with data gathered from the survey. The growth in HCFC consumption in Eritrea was also based on the current status of economic development and the needs for charging new equipment. Table 3 below provides a summary of the forecast of HCFC consumption in Eritrea, showing the difference between constrained growth (i.e. in line with the Protocol) and unconstrained growth.

Table 3: Forecast consumption of HCFCs

Year	units	2009*	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Constrained HCFC consumption	mt	19.10	20.31	21.34	22.64	19.71	19.71	17.73	17.73	17.73	17.73	17.73	12.81
	ODP t	1.05	1.12	1.17	1.25	1.08	1.08	0.98	0.98	0.98	0.98	0.98	0.70
Unconstrained HCFC consumption	mt	19.10	20.31	21.34	22.64	23.69	25.58	27.63	29.84	32.22	34.81	37.59	40.60
	ODP t	1.05	1.12	1.17	1.25	1.30	1.41	1.52	1.64	1.77	1.91	2.07	2.23

*Based on revised Article 7 data submitted to the Ozone Secretariat

HCFC phase-out strategy

10. The Government of Eritrea is proposing to meet the Montreal Protocol's HCFC control targets, i.e. freeze in 2013, 10 per cent reduction by 2015 and 35 per cent reduction by 2020. Stage I of the HPMP overarching strategy will be achieved through training of customs and law enforcement officers; incentive programme and strengthening capacity of recovery, recycling and retrofitting centres; training of refrigeration service technicians and strengthening of the refrigeration association; coordination, monitoring and reporting of HPMP activities. Table 4 provides a description of the specific activities and implementation time frame for stage I of the HPMP.

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

Description of Activities	Time frame
Further training of customs and other law enforcement officers and strengthening the customs training schools. Dissemination of the amended ODS regulations	2012-2020
Strengthening of the three regional retrofitting centres through provision of technical assistance, equipment and incentive programme for access of tool kits, spare parts, alternative fluid and conversion and development of a comprehensive program for reduction of HCFC and carbon emissions in the refrigeration and air conditioning sector	2012-2020
Strengthening of the Association, technical colleges and training of refrigeration technicians in good refrigeration practices	2012-2020
Coordination, monitoring and reporting of HPMP activities	2012-2020

11. The total cost of stage I of the HPMP for Eritrea has been estimated at US \$210,000 to achieve a 35 per cent reduction in HCFC consumption by 2020. The detailed cost breakdown for activities is listed in Table 5. This is submitted in line with the country's eligible funding under decision 60/44 based on the revised Article 7 data submitted to the Ozone Secretariat.

Table 5: Proposed activities and cost of stage I of the HPMP for UNEP

Description of Activities	Total (US \$)
Further training of customs and other law enforcement officers and strengthening the customs training schools. Dissemination of the amended ODS regulations	40,000
Strengthening of the three regional retrofitting centres	100,000
Strengthening of the Association, technical colleges and training of refrigeration technicians in good refrigeration practices	50,000
Coordination, monitoring and reporting of HPMP activities	20,000
Total	210,000

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

12. The Secretariat reviewed the HPMP for Eritrea 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 2012-2014 business plan of

the Multilateral Fund. The Secretariat discussed with UNEP technical and cost related issues, which were satisfactorily addressed as summarized below.

Issues related to consumption

13. The Secretariat noted that the consumption data provided in the HPMP was not consistent with that initially reported under Article 7 by the Government of Eritrea, and sought clarification from UNEP on reasons for this discrepancy. In addition, it also requested UNEP to provide an explanation on the assumptions made which led to the revision of the consumption data for the years 2005-2010, where data for 2005 and 2010 were used as the basis to extrapolate data in the mid-years 2006-2009. UNEP explained that the initial data reported under Article 7 was not accurate as it was based on estimates of imports. The survey on HCFC consumption during the preparation of the HPMP revealed that there was higher actual use of HCFCs for servicing as compared to that had been reported. This prompted the Government to officially request a change of the data previously recorded under Article 7 with the Ozone Secretariat. As of the date of writing this document, the consumption data for the years of 2005 to 2008 had been revised by the Ozone Secretariat. However, the revision of the data for 2009 and 2010 consumption is pending a decision by the Parties to the Montreal Protocol.

14. The Secretariat also drew the attention of UNEP to the fact that the licensing system of Eritrea was effective only in August 2010, and queried whether the 2011 consumption data was based on licenses issued in line with the newly approved system. UNEP confirmed that this was so; however, some adjustments were made to reflect data collected by the NOU when verifying the actual imports. UNEP also mentioned that the current population of equipment was what determined the requirement for servicing. Future servicing demand was therefore based on the current servicing need with a small growth rate calculated.

Starting point for aggregate reduction in HCFC consumption

15. The Government of Eritrea initially established an estimated baseline for compliance of 19.71 mt (1.1 ODP tonnes) based on consumption for 2009 and 2010 (see paragraph 8). However, as the change in the data for these two years still requires a decision of the Meeting of the Parties, the Government of Eritrea agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the baseline of 1.85 mt (0.10 ODP) tonnes calculated using the average of reported consumption of 1.80 mt (0.10 ODP tonnes) in 2009 and 1.90 mt (0.10 ODP tonnes) in 2010. However, if the Parties of the Montreal Protocol approve the request for modification of the HCFC consumption previously reported for 2009 and 2010, the resulting baseline would be 19.71 mt (1.1 ODP tonnes) with an associated funding of US \$210,000 in line with decision 60/44(f)(xii). This adjustment would be made when the second tranche is requested.

Technical and cost issues

16. The Secretariat raised queries on some of the activities included in the HPMP as they related to those already implemented in the terminal phase-out management plan (TPMP) for CFCs. It drew UNEP's attention to the fact that Eritrea's TPMP was approved at the same time as its country programme to allow the country to implement its CFC phase-out activities without delay, considering its late accession to the Montreal Protocol but noted that as of the 63rd Meeting, little progress had been made. UNEP clarified that as the ODS licensing system was only approved in August 2010, the country could not disburse funds for almost two years, and therefore managed implementation only on a small scale, and consisted mostly of laying the groundwork for the training programmes that were to be completed. These are now being implemented, tools have been delivered and training is on-going.

17. UNEP further indicated that all funds are now obligated and, in consideration of the HCFC phase-out, the equipment that had been purchased could also be used for HCFCs. It also mentioned that

the equipment units were of limited number, it is important that the HPMP consider additional equipment for technicians to enable better distribution and wider dissemination of good servicing practices.

18. The Secretariat sought an explanation on the incentive programme for retrofitting, taking into account the lack of low-GWP alternatives for retrofitting equipment in Eritrea, and on what improvements were being made compared to previous customs/servicing training programmes (i.e. use of trained trainers, institutions, etc) implemented during the CFC phase-out to be carried out under the HPMP; list of equipment to be provided and a justification for the need for additional equipment. An elaboration on the activity to strengthen vocational schools to promote good practices for technicians was also sought. It also considered discussions at the 66th meeting of the Executive Committee with regard to activities in the servicing sector and whether retrofitting is the best option for stage I or if it can be postponed to a later stage. The Secretariat also asked what approach was being taken to ensure sustainability for the retrofitting component taking into account the fact that HCFC-22 is still cheaper than other alternatives.

19. UNEP explained that the revised training material and training programme would build upon what has already been done in the CFC phase-out and focus on HCFC regulations and equipment. It provided additional information and justification for some budget items in these training programmes. UNEP also supplied a list of the tools to be provided to the service technicians and training centres as well as the corresponding cost breakdown and a justification for the need of new equipment. With regard to strengthening the vocational schools, UNEP indicated that the NOU is working closely in collaboration with the Ministry of Education for Technical Institutes and has developed ozone modules that will be incorporated into the training curriculum and syllabus for refrigeration and air-conditioning. A programme to build the capacity of the lecturers involved with the training and provide them with new teaching materials would also be implemented. This will ensure that all technicians graduating from the national technical institutes would have undergone basic training on ozone protection and good practice modules. UNEP also indicated that the Government fully supports this initiative and the Ministry is expected to start allocating funds from their annual budget to run the system when HPMP funding runs out.

20. The Secretariat informed UNEP that the HPMP was reviewed on the basis of the data reported under Article 7 on which compliance with the Montreal Protocol is assessed and not the data reported in the HPMP. Accordingly, the eligible funding would be US \$164,500 for a low-volume-consuming (LVC) country with baseline consumption between 0 to 15 mt in the refrigeration servicing sector to achieve a 35 per cent reduction by 2020. The funding could be adjusted if the HCFC consumption baseline is revised (see paragraph 15).

21. The adjusted funding is reflected in the table below:

Description of Activities	Total (US \$)
Further training of customs and other law enforcement officers and strengthening the customs training schools. Dissemination of the amended ODS regulations	32,500
Strengthening of the three regional retrofitting centres	80,000
Strengthening of the Association, technical colleges and training of refrigeration technicians in good refrigeration practices	35,000
Coordination, monitoring and reporting of HPMP activities	17,000
Total	164,500

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 amount of HCFC-22 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. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Eritrea, in particular training for technicians on improved servicing practices, and refrigerant recovery and reuse, indicate that the implementation of the HPMP will reduce the emission of refrigerants into atmosphere therefore resulting in benefits in climate. 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.

Co-financing

23. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, UNEP explained that Eritrea will provide personnel and other resources as an in-kind contribution, which could be considered as the Government's share of co-financing for the HPMP. The Secretariat proposed that UNEP should encourage Eritrea to explore other co-financing opportunities especially for stage II of the HPMP.

2012-2014 business plan of the Multilateral Fund

24. UNEP and UNIDO are requesting US \$164,500 plus support costs for implementation of stage I of the HPMP. The total value requested for the period 2012-2014 of US \$88,800 including support cost is above the total amount in the business plan. Based on the HCFC baseline consumption in the servicing sector of 1.85 mt, Eritrea's allocation up to the 2020 phase-out should be US \$164,500 in line with decision 60/44.

Draft Agreement

25. A draft Agreement between the Government of Eritrea and the Executive Committee for HCFC phase-out is contained in Annex I to the present document.

RECOMMENDATION

26. The Executive Committee may wish to consider:
- (a) Approving, in principle, stage I of the HCFC phase-out management plan (HPMP) for Eritrea for the period 2012 to 2020 to reduce HCFC consumption by 35 per cent of the baseline, at the amount of US \$182,685, consisting of US \$84,500 plus agency support costs of US \$10,985 for UNEP and US \$80,000 plus agency support costs of US \$7,200 for UNIDO;
 - (b) Noting that the Government of Eritrea had agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the baseline of 0.1 ODP tonnes, calculated using consumption of 0.1 ODP tonnes reported for 2009 and 2010, under Article 7 of the Montreal Protocol;

- (c) Deducting 0.03 ODP tonnes of HCFCs from the starting point for sustained aggregate reduction in HCFC consumption;
- (d) Approving the draft Agreement between the Government of Eritrea and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (e) Requesting the Fund Secretariat, in the event that the baseline consumption for compliance for Eritrea is amended based on revised Article 7 data, to update Appendix 2-A to the Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting change in the 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
- (f) Approving the first tranche of stage I of the HPMP for Eritrea, and the corresponding implementation plan, at the amount of US \$88,800, consisting of US \$40,000 plus agency support costs of US \$5,200 for UNEP and US \$40,000 plus agency support costs of US \$3,600 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF ERITREA 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 Eritrea (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 0.07 ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedules, with the understanding that this figure is to be revised one single time, in the event that the baseline consumption for compliance is amended based on revised 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 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 row 4.1.3 (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. UNEP 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	0.1

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	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	0.1	0.1	0.09	0.09	0.09	0.09	0.09	0.07	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	0.1	0.1	0.09	0.09	0.09	0.09	0.09	0.07	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	40,000	0	0	0	27,000	0	0	0	17,500	84,500
2.2	Support costs for Lead IA (US \$)	5,200	0	0	0	3,510	0	0	0	2,275	10,985
2.3	Cooperating IA (UNIDO) agreed funding (US \$)	40,000	0	0	0	40,000	0	0	0	0	80,000
2.4	Support costs for Cooperating IA (US \$)	3,600	0	0	0	3,600	0	0	0	0	7,200
3.1	Total agreed funding (US \$)	80,000	0	0	0	67,000	0	0	0	17,500	164,500
3.2	Total support costs (US \$)	8,800	0	0	0	7,110	0	0	0	2,275	18,185
3.3	Total agreed costs (US \$)	88,800	0	0	0	74,110	0	0	0	19,775	182,685
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)										0.03
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)										0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)										0.07

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the first 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. All the monitoring activities will be coordinated and managed through the National Ozone Unit (NOU) which is included within this HPMP.
2. The Lead IA will have a particularly prominent role in the monitoring arrangements because of its mandate to monitor ODS imports, whose records will be used as a crosschecking reference in all the monitoring programmes for the different projects within the HPMP. The Lead IA, along with the Cooperating IA, will also undertake the challenging task of monitoring illegal ODS imports and exports, and advising the appropriate national agencies through the NOU.

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 \$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.

APPENDIX 8-A: SECTOR SPECIFIC ARRANGEMENTS

N/A