



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/74/34
16 April 2015

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

PROJECT PROPOSAL: IRAQ

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

Phase-out

- HCFC phase-out management plan (stage I, second tranche) UNEP and UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Iraq

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (stage I)	UNEP (lead), UNIDO	65 th	13.82 per cent by 2015

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	101.75 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				2.8	97.6				101.75

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	108.4	Starting point for sustained aggregate reductions:	108.4
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	14.98	Remaining:	93.4

(V) BUSINESS PLAN		2015	2016	Total
UNIDO	ODS phase-out (ODP tonnes)	0.9	3.3	4.2
	Funding (US \$)	75,250	279,500	354,750
UNEP	ODS phase-out (ODP tonnes)	8.3		8.3
	Funding (US \$)	735,556		735,556

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits			n/a	n/a	108.38	108.38	97.54	97.54	97.54	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	102.2	97.7	93.4	93.4	93.4	n/a
Agreed funding (US \$)	UNEP	Project costs	115,000	0	0	0	325,000	0	220,000	660,000
		Support costs	14,144	0	0	0	40,822	0	27,634	82,600
	UNIDO	Project costs	80,000	0	0	0	230,000	0	210,000	520,000
		Support costs	6,000	0	0	0	17,250	0	15,750	39,000
Funds approved by ExCom (US \$)	Project costs		195,000	0	0	0	0	0	0	195,000
	Support costs		20,144	0	0	0	0	0	0	20,144
Total funds requested for approval at this meeting (US \$)			Project costs					555,000		555,000
			Support costs					58,072		58,072

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Iraq, UNEP as the lead implementing agency, has submitted to the 74th meeting a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP).

Introduction

2. The HPMP for Iraq was approved in principle at the amount of US \$1,180,000, plus agencies support costs for UNEP and UNIDO. Funding requested for the first tranche was US \$195,000 (i.e., only 16.52 per cent of the funding approved in principle) given the political and security situation within the country and the lengthy clearance procedures imposed by the customs authorities on equipment procured under the national phase-out plan (NPP).

3. Implementation of the first tranche (approved in November 2011), was delayed due to the lengthy process involved in the preparation of the agreement between the Government of Iraq and UNEP, which was only signed on 26 March 2015. Consequently, the activities implemented during the first tranche were limited to the establishment of an Enforcement Committee¹, and the purchase and delivery to Iraq in July 2014 of the service tools and materials for the recovery and recycling machine provided under the NPP for on-site recovery/reuse, which was only distributed to beneficiaries in April 2015, due to lengthy procedures for customs clearance.

4. Considering the delays on implementation of the first tranche, the Secretariat drew UNEP's attention to the fact that the Government committed to reduce HCFC consumption from the baseline of 108.39 ODP tonnes to 93.40 ODP tonnes by 1 January 2015; the second tranche request originally programmed for 2013, had been submitted only in 2015; and the third (and last) tranche was programmed for 2015, i.e., two years after the second tranche was approved. On this basis, stage I of the HPMP would not be completed in 2015.

5. Consequently, the Secretariat suggested considering an extension of stage I beyond December 2015 in order to allow the implementation of the activities planned, prepare a revised action plan for stage I for approval by the Executive Committee, and revise the Agreement between the Government of Iraq and the Executive Committee based on the revised plan of action.

6. After further consideration with the Government of Iraq, UNEP submitted a revised plan of action for the remainder of stage I of the HPMP taking into account the Secretariat's suggestion and the experience gained during the implementation of the first tranche. The activities proposed and their funding levels in the revised plan of actions are the same as those proposed in the HPMP as approved. The activities have only been reprogrammed (from 2015 to 2017), and adjustments in the funding distribution between the second and third tranches as well as among the UNEP and UNIDO (particularly for procurement of equipment as UNEP considered that it would be more efficient to entrust the procurement of the additional portable identifiers for blends and the training equipment to upgrade training centres to UNIDO) has been introduced.

7. Based on the revised plan of action, the Government of Iraq is requesting approval of the second tranche of the HPMP at a total cost of US \$613,072, consisting of US \$325,000, plus agency support costs of US \$40,822 for UNEP, and US \$230,000, plus agency support costs of US \$17,250 for UNIDO. The submission includes a progress report on the implementation of the first tranche and the tranche implementation plan for 2015 to 2017.

¹ The Committee comprises representatives from the Ministry of Environment, Ministry of Commerce, Ministry of Industry and Mines, General Authority for Customs, and Central Agency for Standardization and Quality Control.

Report on HCFC consumption*HCFC consumption*

8. The Government of Iraq reported an estimated consumption of 96.83 ODP tonnes of HCFC in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Iraq (2010-2014 Article 7 data)

HCFC	2010	2011	2012	2013	2014*	Baseline
Metric tonnes						
HCFC-22	1,918.96	2,008	2,040	1,850	1,760.50	1,968.21
HCFC-124	4.65	0	0	0	0	2.73
HCFC-142b	2.79	0	0	0	0	1.40
Total HCFC (mt)	1,926.4	2,008	2,040	1,850	1,760.50	1,972.34
ODP tonnes						
HCFC-22	105.54	110.44	112.20	101.75	96.83	108.25
HCFC-124	0.10	0	0	0	0	0.05
HCFC-142b	0.18	0	0	0	0	0.09
Total HCFC (ODP tonnes)	105.82	110.44	112.2	101.75	96.83	108.39

**Estimated consumption not yet reported under Article 7 of the Montreal Protocol or the country programme data report.

9. Table 1 shows a slight increase in HCFC consumption from 2010 to 2012 followed by a decrease in 2013 and 2014 below the baseline for compliance.

Country programme (CP) implementation report

10. The Government of Iraq reported sector HCFC consumption data for 2013 under the CP implementation report which is consistent with the data reported under Article 7. The 2014 CP data report will be submitted by 1 May 2015.

Progress report on the implementation of the first tranche of the HPMP*Legal framework*

11. The Government of Iraq has a legislative, regulatory and legal framework for controlling the importation and distribution of HCFCs. Moreover, the Ministry of Environment had included the ODS alternatives in the procedures of import permits to strictly control the import and export of ODS.

Manufacturing sector

12. HCFCs in Iraq are used by four enterprises manufacturing air-conditioners, water coolers and showcases and for the servicing refrigeration and air-conditioning (RAC) equipment. The largest manufacturing enterprise is the State Company for Electrical Industries with a consumption of 46 metric tonnes (mt) of HCFC-22 (2013); the other three enterprises had a total consumption of 4 mt.

Project implementation and monitoring unit

13. The project management unit (PMU) of the NPP expanded its mandate to cover the implementation of HPMP and supported the national ozone unit (NOU) in monitoring the activities.

Level of fund disbursement

14. As of March 2015, of the US \$195,000 so far approved, US \$80,000 (41 per cent) had been disbursed for UNIDO only. The balance of US \$115,000 will be disbursed by UNEP in 2015-2016. The

financial report does not take into account the cost of the activities implemented with Government resources to establish the National Legislative Enforcement Committee, estimated at US \$15,000.

Revised plan of action for the remainder of stage I of the HPMP

15. UNEP as lead implementing agency submitted a revised plan of action for the remainder of stage I of the HPMP, as shown in Table 2.

Table 2: Revised plan of action for the remainder of stage I of the HPMP for Iraq (2015-2017)

Activity/Year	2 nd tranche			3 rd tranche			Agency
	Original	Revised	Change	Original	Revised	Change	
Purchase of three laboratories for testing (including moisture tester, leak test of recovery cylinders by pressurised air, air compressor, etc.)	70,000	-	(70,000)	140,000	210,000	70,000	UNIDO
Procurement of 100 sets of recovery units, filter kits, and two cylinders per machine	-	120,000	120,000	120,000	-	120,000	UNIDO
National Legislative Enforcement Committee including conducting national enforcement workshops and training sessions to different governmental authorities and key stakeholders	25,000	20,000	(5,000)	15,000	20,000	5,000	UNEP
Development and implementation of E-licensing system including	40,000	-	(40,000)	-	40,000	40,000	UNEP
Additional portable identifiers for blends and upgrade of older versions	40,000	40,000	-	-	-	-	*
Supporting tools for the updated curricula including development and production of booklets, training manuals and electronic references for different technical educational levels	55,000	40,000	(15,000)	-	15,000	15,000	UNEP
Preparation of the certification admission and testing modules	20,000	20,000	-	-	-	-	UNEP
Conduct pilot training/certification programme for 500 technicians in different servicing sub-sectors particularly HCFC consuming sectors	60,000	50,000	(10,000)	30,000	40,000	10,000	UNEP
Additional training equipment to upgrade training centres to conduct certification programme	70,000	70,000	-	-	-	-	*
Specialized technical awareness programme for addressing large end-users, buildings owners, consultants and technical decision-makers at governmental level about alternatives to HCFC in different applications, particularly zero and low GWP options	30,000	30,000	-	15,000	15,000	-	UNEP
Development of terms of reference and work plan to prepare national standards and codes related to HCFC consuming sectors which could include equipment, refrigerants, refrigerants' containers, hazardous refrigerants	50,000	60,000	10,000	30,000	20,000	(10,000)	UNEP
Extension of NPP/PMU role to implement HPMP and support NOU to monitor implementation including consultancy services and security related costs	90,000	90,000	-	60,000	70,000	10,000	UNEP

Activity/Year	2 nd tranche			3 rd tranche			Agency
	Original	Revised	Change	Original	Revised	Change	
Verification	25,000	15,000	(10,000)	-	-	-	UNEP
Total	575,000	555,000	(20,000)	410,000	430,000	20,000	

(*) Transferred from UNEP to UNIDO.

Implementation plan for the second tranche of the HPMP

16. During the second tranche of stage I of the HPMP, the Government of Iraq will implement the activities listed in Table 2 above, at a total funding of US \$325,000 for UNEP and US \$230,000 for UNIDO (excluding support costs).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Progress report on the implementation of the first tranche of the HPMP

Legal framework

17. In line with decision 63/17, confirmation has been received from the Government that an enforceable national licensing and quota system for HCFC imports and exports is in place and that the system is capable of ensuring compliance with the Montreal Protocol. The Government of Iraq has issued HCFC import quotas for 2015 in accordance with the Montreal Protocol control targets. For subsequent years and until 2017, the annual quota will be based on the maximum allowable consumption under the revised agreement. The Government of Iraq had proposed to maintain its HCFC consumption to no greater than 93.40 ODP tonnes in 2016 and 2017.

Refrigeration servicing sector

18. With regard to the long-term sustainability of the training programme for technicians, UNEP advised that the trainers trained during implementation of the NPP project are still active and the NOU is updating them with updated information and materials. The training programmes were designed based on special long-term contracts with the respective authorities to ensure continuation of the training activities after the completion of the project. It is believed that the establishment of the certification scheme under the HPMP will ensure the sustainability of all future training activities for the RAC technicians.

19. Upon a request of information on whether retrofits to hydrocarbon are being promoted by the HPMP or taking place outside of the HPMP in Iraq, UNEP did not report any retrofits of HCFC-22 based equipment to hydrocarbon-refrigerants undertaken or planned under stage I. However, it may be considered under stage II of the HPMP.

Project implementation and monitoring unit

20. The monitoring institutions and roles as defined in Appendix 5-A of the Agreement involved three entities, namely:

- (a) The PMU is responsible for the implementation of the HPMP, tracking the promulgation, enforcement of policy and legislation; assisting UNEP and UNIDO with the preparation of annual implementation plans and progress reports;
- (b) An independent local institution to support the PMU in the implementation of the HPMP and report annually on the outcomes and deliverables of the HPMP; and

- (c) The NOU is responsible for providing the independent local institutions with complete information on NOU activities and partners; the necessary support and documentation to ensure its access to relevant official institutions and other organizations; and support during data collection.

21. However, the role of the monitoring institutions has been adjusted during the implementation of the HPMP. Currently, the PMU and the NOU are working jointly to ensure a smooth implementation of HPMP activities. The selection of an independent local institution to support the PMU is no longer considered. With the support of UNEP, the role of the PMU and NOU has been clarified.

22. Funding associated with the operation of the PMU during implementation of the first tranche of the HPMP, was from the funds transferred from the NPP. However, during the second tranche, the PMU will be financed from funding of the HPMP. Appendix 5-A of the Agreement has been revised to reflect the change in the role of the monitoring institutions.

Level of fund disbursement

23. The disbursement rates of the funding of the first tranche reported by UNEP and UNIDO are zero and 100 per cent, respectively. However, the Government of Iraq pre-financed several of the activities under the policy and regulatory enforcement component, on the understanding that the funding spent will be paid after the signing of the agreement between the Government and UNEP. Once the reimbursement of the pre-financing is done the disbursement rate of the funds approved under the first tranche for UNEP would reach 10 per cent.

Revision of the HPMP Agreement

24. In order to reflect the changes in the tranche distribution and the maximum allowable consumption in 2016 and 2017, paragraph 1, Appendix 2-A (“The targets, and funding”) and Appendix 5-A (“Monitoring Institutions and roles”), to the Agreement have been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 65th meeting, as shown in Annex I to the present document. The full revised Agreement will be appended to the final report of the 74th meeting.

Conclusion

25. The Secretariat noted that the country’s import licensing and quota system is operational and will enable HCFC consumption reductions in line with the Montreal Protocol’s phase-out schedule. The HPMP is progressing and the 2013 reported and 2014 estimated consumption are below the maximum allowable consumption. A limited number of activities have been implemented by UNEP and the equipment was procured and delivered by UNIDO. The revised action plan for the implementation period 2015-2017 was developed taking into account the strength of each agency in implementing specific activities. The activities implemented under the first tranche and those planned under the second tranche including training and certification, strengthening of training centres and awareness raising activities will further strengthen the servicing sector and ensure the long term sustainability of the activities proposed under stage I of the HPMP.

RECOMMENDATION

26. The Executive Committee may wish to consider:

- (a) Noting:
 - (i) The progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in Iraq;
 - (ii) That the Fund Secretariat had updated paragraph 1, Appendices 2-A and 5-A of the Agreement between the Government of Iraq and the Executive Committee, to extend the implementation period of stage I of the HPMP, reallocate funds between UNEP and UNIDO and tranches, and revise the role of monitoring institutions, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 65th meeting, as contained in Annex I to the present document.
- (b) Approving the second tranche of stage I of the HPMP for Iraq, and the corresponding 2015-2017 tranche implementation plans, at the amount of US \$613,072 consisting of US \$325,000, plus agency support costs of US \$40,822 for UNEP; and US \$230,000, plus agency support costs of US \$17,250 for UNIDO on the understanding that the approved funds would not be transferred to UNEP and UNIDO until the Secretariat had reviewed the verification report and confirmed that the Government of Iraq was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee.

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF IRAQ AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

1. This Agreement represents the understanding of the Government of the Republic of Iraq (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 93.40 ODP tonnes by 1 January **2017** in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of the Republic of Iraq and the Executive Committee at the 65th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	2016	2017	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	108.38	108.38	97.54	97.54	97.54	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	102.2	97.70	93.40	93.40	93.40	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	115,000	0	0	0	325,000	0	220,000	660,000
2.2	Support costs for Lead IA (US \$)	14,144	0	0	0	40,822	0	27,634	82,600
2.3	Cooperating IA (UNIDO) agreed funding (US \$)	80,000	0	0	0	230,000	0	210,000	520,000
2.4	Support costs for Cooperating IA (US \$)	6,000	0	0	0	17,250	0	15,750	39,000
3.1	Total agreed funding (US \$)	195,000	0	0	0	555,000	0	430,000	1,180,000
3.2	Total support costs (US \$)	20,144	0	0	0	58,072	0	43,384	121,600
3.3	Total agreed costs (US \$)	215,144	0	0	0	613,072	0	473,384	1,301,600
4.1.1	Total phase-out of HCFC-22 and under this Agreement (ODP tonnes)								14.98
4.1.2	Phase-out of HCFC-22 in previously approved projects (ODP tonnes)								0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								93.40

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Project Management Unit (PMU) will be responsible for implementation of the HPMP, tracking the promulgation, and enforcement of policy and legislation. It will assist the Lead IA and the Cooperating IA with the preparation of annual implementation plans and progress reports to the Executive Committee.

2. The PMU will be responsible for:

- (a) Managing and co-ordinating implementation, of all Montreal Protocol projects, with the various Governmental ministries, authorities and relevant private sectors;

- (b) Proposing, contracting (in consultation with the national ozone unit (NOU), Lead IA and Cooperating IA) and managing teams of national experts that can undertake the responsibility of implementing all Montreal Protocol projects in different sectors;
- (c) Developing and implementing training, awareness and capacity-building activities for key government departments, legislators, decision-makers and other institutional stakeholders, to ensure a high-level commitment to the Plan's objectives and obligations;
- (d) Raising awareness in all sectors among consumers and the public, through workshops, media publicity and other information dissemination measures;
- (e) Preparing annual implementation plans including determining the sequence of enterprise participation in planned sub-projects;
- (f) Reporting to the NOU on implementation progress of the Plan for the annual performance based; and
- (g) Establishing and operating a decentralized mechanism for monitoring and evaluation of projects' outputs, in association with provincial regulatory environmental bodies to ensure sustainability.

Monitoring and validation

3. The NOU in close cooperation with relevant authorities will monitor the consumption data of all HCFCs. The Lead IA and Cooperating IA will work together in the future on consumption data reconciliation. The PMU will provide detailed information to the NOU and to both agencies about the progress of each component and their deliverables, who in turn will work together to monitor the implementation and validate the outcomes of the project, this will be done through:

- (a) Reviewing and approving the detailed implementation plan for each activity as developed by the project implementation team;
- (b) Receiving and verifying periodic reports, from the PMU, about the progress of each activity;
- (c) Ensuring that each tranche objectives are met as planned and reviewing the end of tranche report;
- (d) Providing technical advice to the PMU in problems/obstacles faced during implementation;
- (e) Facilitating the communication of the PMU with local decision-makers as needed;
- (f) Reviewing implementation status in accordance with the Country's contracts with both implementing agencies; and
- (g) Ensuring the timely implementation of the HPMP components.

Verification and reporting

4. Based on discussions with the Country, the Lead IA should arrange to carry out the annual verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A and this independent monitoring programme.
