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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-sixth Meeting  
Montreal, 9-13 May 2016

**PROJECT PROPOSALS: CHILE**

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

Phase-out

- HCFC phase-out management plan (stage I, fourth and fifth tranches) (UNDP, and UNEP)
- HCFC phase-out management plan (stage II, first tranche) (UNDP, UNIDO and UNEP)

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**

**Chile**

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (stage I)	UNDP (lead), UNEP	63 <sup>rd</sup>	10 per cent by 2015

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2014	74.2 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2014</b>	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-141b	0	30.1	0	0	2.0	0	0	0	32.2
HCFC-142b	0		0	0	0.3	0	0	0	0.3
HCFC-22	0	1.3	0	0	40.5	0	0	0	41.7
HCFC-141b in imported pre-blended polyol	0	6.4	0	0		0	0	0	6.4

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline:	87.5	Starting point for sustained aggregate reductions:	87.5
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	22.0	Remaining:	65.5

<b>(V) BUSINESS PLAN</b>		2016	2017	Total
UNEP	ODS phase-out (ODP tonnes)	0.3	0.5	0.8
	Funding (US \$)	30,535	46,444	76,979
UNDP	ODS phase-out (ODP tonnes)	1.1	0	1.1
	Funding (US \$)	93,266	0	93,266

<b>(VI) PROJECT DATA</b>			2011	2012	2013	2014	2015	2016	Total
Montreal Protocol consumption limits			n/a	n/a	87.5	87.5	78.75	78.75	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	87.5	87.5	78.75	78.75	n/a
Agreed funding (US\$)	UNDP	Project costs	465,566	537,357	295,744	112,540	86,759	0	1,497,966
		Support costs	34,917	40,302	22,181	8,440	6,507	0	112,347
	UNEP	Project costs	153,217	40,127	27,022	27,022	41,101	0	288,489
		Support costs	19,918	5,217	3,513	3,513	5,343	0	37,504
Funds approved by ExCom (US\$)	Project costs	618,783	577,484	322,766	0	0	0	1,519,033	
	Support costs	54,835	45,519	25,694	0	0	0	126,048	
Total funds requested for approval at this meeting (US\$)	Project costs	0	0	0	0	0	<b>267,422*</b>	267,422	
	Support costs	0	0	0	0	0	<b>23,803*</b>	23,803	

\*Requests for funding for the fourth tranche (originally planned for 2014) and the fifth tranche (originally planned for 2015) submitted to the 76<sup>th</sup> meeting.

<b>Secretariat's recommendation:</b>	Individual consideration
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## PROJECT DESCRIPTION

1. On behalf of the Government of Chile, UNDP as the lead implementing agency, has submitted to the 76<sup>th</sup> meeting a request for a combined funding for the fourth and the fifth (final) tranches<sup>1</sup> of stage I of the HCFC phase-out management plan (HPMP), at a total cost of US \$291,225, consisting of US \$199,299, plus agency support costs of US \$14,947 for UNDP, and US \$68,123, plus agency support costs of US \$8,856 for UNEP. The submission also included the verification report on HCFC consumption and the tranche implementation plan for 2016 to 2017.

### Report on HCFC consumption

#### *HCFC consumption*

2. The Government of Chile reported a consumption of 74.23 ODP tonnes of HCFC in 2014. The 2011-2014 HCFC consumption is shown in Table 1.

**Table 1. HCFC consumption in Chile (2011-2014 Article 7 data)**

HCFC	2011	2012	2013	2014	Baseline
<b>Metric tonnes (mt)</b>					
HCFC-22	1,045.30	864.86	606.96	758.56	859.19
HCFC-123	2.53	6.05	1.54	2.00	1.41
HCFC-124	0.41	0.31	0.07	0.68	0.52
HCFC-141b	459.71	514.73	383.66	292.34	357.14
HCFC-142b	8.85	15.72	2.86	3.98	9.66
HCFC-225	4.50	6.30	2.70	0.60	4.2
<b>Sub-total (mt)</b>	<b>1,521.29</b>	<b>1,407.97</b>	<b>997.79</b>	<b>1,058.16</b>	<b>1,232.12</b>
HCFC-141b in imported pre-blended polyols*	78.09	98.91	301.82	58.45	n/a
<b>Total (mt)</b>	<b>1,576.11</b>	<b>1,446.52</b>	<b>1,299.61</b>	<b>1,113.34</b>	<b>1,232.12</b>
<b>ODP tonnes</b>					
HCFC-22	57.49	47.57	33.38	41.72	47.26
HCFC-123	0.05	0.12	0.03	0.04	0.03
HCFC-124	0.01	0.01	0.00	0.01	0.01
HCFC-141b	50.57	56.62	42.20	32.16	39.29
HCFC-142b	0.58	1.02	0.19	0.26	0.63
HCFC-225	0.32	0.44	0.19	0.04	0.29
<b>Sub-total (ODP tonnes)</b>	<b>109.01</b>	<b>105.78</b>	<b>75.99</b>	<b>74.23</b>	<b>87.50</b>
HCFC-141b in imported pre-blended polyols*	8.59	10.88	33.20	6.43	n/a
<b>Total (ODP tonnes)</b>	<b>117.6</b>	<b>116.66</b>	<b>109.19</b>	<b>80.66</b>	<b>87.50</b>

\*Country programme data.

3. The 2014 HCFC consumption of 74.23 ODP tonnes reported under Article 7 was 15 per cent lower than the baseline consumption of 87.5 ODP tonnes. The reduction in HCFC consumption has been associated with the implementation of the quota and licensing system.

#### *Verification report*

4. The verification report confirmed that the Government is implementing a licensing and quota system for imports and exports, and that consumption of HCFC in 2014 was in compliance with the Montreal Protocol and with the targets established in the Agreement between the Government of Chile and the Executive Committee.

<sup>1</sup> Stage I of the HPMP had five funding tranches. Due to delays in tranche submission, requests for funding for the fourth tranche (planned for 2014) and the fifth tranche (planned for 2015), were submitted to the 76<sup>th</sup> meeting.

*Country programme (CP) implementation report*

5. The Government of Chile reported HCFC sector consumption data under the 2014 CP implementation report which is consistent with the data reported under Article 7. The 2015 CP report will be submitted by 1 May 2016.

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

*Legal framework*

6. The Government continued the implementation of the regulatory framework for HCFCs with the modification of Decree N° 37/2007 to include the control of HCFCs in the National Customs Service (NCS) and its harmonization with other institutions. Regulations requiring reporting of imports and exports of products and equipment containing ODS have been drafted, and a web-based platform on the Pollutants Release and Transfer Registry (PRTR) is being finalized to register those products. These activities were implemented to better monitor imports as recommended in the previous verification.

7. Two seminars on the HCFC quota and harmonized system were held for importers and customs agents; 90 customs officers were trained to build capacity to ensure that future imports are closely monitored; five refrigerant identifiers were procured and training on their use was provided for 17 participants.

*Refrigeration servicing sector*

8. The following activities were undertaken:

- (a) Training of 330 technicians on good practices in refrigeration, including the recycling of refrigerants, flushing without use of HCFCs and information on low-GWP alternative refrigerants;
- (b) Implementation of the technician certification programme resulting in 81 certified technicians; an additional 30 technicians await final evaluation;
- (c) Finalization of the guidelines for the pilot conversion of refrigeration equipment in supermarkets to CO<sub>2</sub> technology and distribution of training materials to supermarket owners and operators to facilitate the delayed conversion of the pilot supermarkets;
- (d) Provided 40 tool kits for flushing refrigeration circuits with nitrogen as an alternative to HCFC-141b (e.g., vacuum pumps, gauges, cleaning sets), developed a guide for the use of these kits, and trained 40 technicians on their use. The introduction of these kits resulted in the phase-out of 30 mt (3.3 ODP tonnes) of HCFC-141b; and
- (e) Awareness raising activities to promote good refrigeration practices, and the use of HCFC-free technologies and products.

*Project implementation and monitoring unit (PMU)*

9. Programme management and monitoring continued in the third tranche with the support of a local consultant and technical RAC advisers.

Level of fund disbursement

10. As of February 2016, of the US \$1,519,033 so far approved, US \$654,954 had been disbursed (US \$545,987 for UNDP and US \$108,967 for UNEP), as shown in Table 2. The balance of US \$654,954 will be disbursed in 2016-2017.

**Table 2. Financial report of stage I of the HPMP for Chile (US \$)**

Agency	First tranche		Second tranche		Third tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNDP	465,566	261,017	537,357	190,569	295,744	94,401	1,298,667	545,987
UNEP	153,217	93,261	40,127	15,706	27,022	0	220,366	108,967
<b>Total</b>	<b>618,783</b>	<b>354,278</b>	<b>577,484</b>	<b>206,275</b>	<b>322,767</b>	<b>94,401</b>	<b>1,519,033</b>	<b>654,954</b>
<b>Disbursement rate (%)</b>	57		36		29		43	

Implementation plan for the fourth and fifth tranches of the HPMP

11. The following activities will be undertaken with the level of funding of the fourth and fifth tranches amounting to US \$267,422:

- (a) Continue implementation of the regulatory framework for HCFCs; harmonization of the HCFC control system with regulations of other related agencies and training for an additional 40 customs officers on the implementation of the HCFC control system (UNEP) (US \$31,378);
- (b) Train-the-trainer courses for 100 technicians on good refrigeration practices, use of low-GWP alternatives, recovery and recycling, assessment of energy consumption of HCFC alternatives; continue implementation of the certification programme to certify 70 service technicians; develop guidelines for the safe use of flammable refrigerants (UNDP) (US \$46,914);
- (c) Conduct five training courses on conversion of refrigeration equipment in supermarkets to CO<sub>2</sub> technology and finalize pilot conversion of equipment to use CO<sub>2</sub> in two supermarkets previously funded from the third tranche (UNDP) (US \$32,013);
- (d) Procurement of two sets of recovery and reclaim equipment to support the recovery and recycling of refrigerants (UNDP) (US \$92,872);
- (e) Awareness raising activities for managers and technicians and training for school teachers on issues related to the Montreal Protocol (UNEP) (US \$36,745); and
- (f) Monitor project implementation (UNDP) (US \$27,500).

**SECRETARIAT'S COMMENTS AND RECOMMENDATION****COMMENTS**Verification report

12. The Secretariat noted that the verification report did not include the HCFC consumption for 2015. UNDP explained that the verification on the consumption in 2013 and 2014 was completed in October 2015 as the current tranche of the HPMP was foreseen for submission in 2015. Undertaking an additional verification for the same tranche request would be costly and impossible to submit on time.

The Government had indicated that the 2015 consumption would be below the quota issued (76 ODP tonnes). However the Government could not provide an estimate amount of the HCFCs imported in 2015 as the official review process is ongoing.

### Progress report on the implementation of the third tranche of the HPMP

#### *Legal framework*

13. The Government has already issued HCFC import quotas for 2016 at 76.0 ODP tonnes.

#### *Refrigeration servicing sector*

14. UNDP explained that the delay in the conversion of the refrigeration equipment of two pilot supermarkets was due to internal administrative UNDP procedures that caused the cancellation the contract already issued, therefore requiring a new bidding and proposal preparation. This situation has been resolved, and UNDP had committed to complete this conversion by the end of 2016.

#### *Project implementation and monitoring unit (PMU)*

15. It was noted that the PMU costs for the third tranche exceeded the allocated funding for the PMU by US \$15,000. UNDP explained that some consultants that were hired for other functions had been assigned to the PMU rather than to the institutional strengthening project. UNDP confirmed that this situation will be addressed and that the total approved PMU costs for stage I will be as planned.

#### Plan of action

16. Due to delays in implementation of the activities associated with the first three tranches, the Government of Chile has revised the action plan to take into account the funding available under the fourth and the fifth tranches. Accordingly, funding requests for these activities have been submitted to the 76<sup>th</sup> meeting. UNDP emphasized that the reasons for the delays have been satisfactorily addressed. Furthermore, the Government has committed, in writing, to complete all activities for stage I of the HPMP no later than 31 December 2017, to not incur any financial obligations after that date, and to return remaining balances to the Multilateral Fund.

17. UNDP and UNEP were also requested, in line with decision 74/19, to submit annual tranche implementation reports until all approved activities had been completed, and submit annual verification reports to confirm whether HCFC consumption targets had been met, until the first meeting of the Executive Committee in 2018. The Government has submitted a project proposal for stage II of the HPMP to the 76<sup>th</sup> meeting and committed to initiate implementation of stage II activities in 2016.

18. Based on the new commitment of the Government and upon a request from the Secretariat, a disbursement plan for the remaining activities of the combined tranches for stage I had been submitted, as shown in Table 3.

**Table 3. Disbursement plan for the remaining funding for stage I of the HPMP in Chile (US \$)**

Activity	Balance from previously approved tranches*	2016	2017	Total
Legal framework	0	15,764	15,614	31,378
Technician training and certification	15,376	17,845	44,444	77,665
Activities RAC and supermarket sector	4,026	21,039	15,000	40,065
Pilot centre for recovery and recycling programme	19,140	101,076	10,936	131,152
Flushing activities	86,919	65,319	21,600	173,838
Awareness raising activities	0	0	36,745	36,745

Activity	Balance from previously approved tranches*	2016	2017	Total
Monitoring programme	0	9,167	18,334	27,501
<b>Total</b>	<b>125,461</b>	<b>230,210</b>	<b>162,673</b>	<b>518,344**</b>

\* Only includes activities previously obligated from previous tranches.

\*\* Of which, US \$267,422 is from the fourth and fifth tranches.

### Revision to the Agreement of the HPMP

19. Based on the request to combine funding for the fourth and fifth tranches and to extend the project implementation period for stage I of the HPMP to 31 December 2017, the relevant paragraphs of the Agreement have been updated, including a paragraph to indicate that the updated Agreement supersedes the Agreement approved at the 71<sup>st</sup> meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 76<sup>th</sup> meeting.

### Conclusion

20. The country is in compliance with the Montreal Protocol and its Agreement with the Executive Committee. The country's licensing and quota system for import and export of HCFC is operational, and customs officers and refrigeration technicians have been trained, and equipment and tools have been distributed, thereby addressing recommendations from the verification. All issues that delayed the implementation of activities associated with the first three tranches have been satisfactorily addressed. The Government of Chile is committed to completing stage I of the HPMP by end of December 2017, with any remaining balances to be returned to the Multilateral Fund. As the Government of Chile was unable to provide an estimate for the consumption of HCFCs in 2015, the Secretariat was unable to assess whether the country was in compliance with its obligations under the Montreal Protocol. The Secretariat notes that the Government had indicated that consumption in 2015 will be below the quota issued for that year.

### **RECOMMENDATION**

21. The Executive Committee may wish to consider:

(a) Noting:

- (i) The progress report on the implementation of the third tranche of stage I of the HCFC phase-out management plan of (HPMP) for Chile;
- (ii) That the Fund Secretariat had updated paragraph 1, Appendix 2-A of the Agreement between the Government of Chile and the Executive Committee, based on the revised funding schedule (combining the fourth (US \$139,562 in 2014) and the fifth (US \$127,860 in 2015) tranches) and the extension of implementation period, and that paragraph 16 had been revised to indicate that the updated Agreement supersedes that reached the at the 71<sup>st</sup> meeting, as contained in Annex I to the present document;
- (iii) That the Government of Chile is committed to complete implementation of stage I of the HPMP by 31 December 2017; that no further extension of project implementation will be requested; and that any funds remaining at the end of 2017 will be returned to the Multilateral Fund at the first meeting of the Executive Committee in 2019;

- (b) Requesting the Government of Chile, UNDP and UNEP to submit the 2015 verification report by the 77<sup>th</sup> meeting; submit progress reports on a yearly basis on the implementation of the work programme associated with the final tranche until the completion of the project and verification reports until the first meeting of 2018, and the project completion report to the second meeting of the Executive Committee in 2018; and
- (c) Approving the fourth and the fifth and final tranches of stage I of the HPMP for Chile, and the corresponding 2016-2017 tranche implementation plan, at the amount of US \$291,225 consisting of US \$199,299, plus agency support costs of US \$14,947 for UNDP; and US \$68,123, plus agency support costs of US \$8,856 for UNEP; on the understanding that funding will not be released by the Treasurer until the Government of Chile submits the 2015 country programme data.



**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**  
**Chile**

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (Stage II)	UNDP (lead), UNIDO, UNEP	n/a	n/a

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2014	74.2 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)				Year: 2014
Chemical	Foam	Refrigeration		Total sector consumption
		Manufacturing	Servicing	
HCFC-141b	30.1	0	2.0	32.2
HCFC-141b in imported pre-blended polyol	6.4	0		6.4
HCFC-142b	0	0	0.3	0.3
HCFC-22	1.3	0	40.5	41.7

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	87.5	Starting point for sustained aggregate reductions:	87.5
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	22.0	Remaining:	65.5

(V) BUSINESS PLAN		2016	2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)	12.6	0	12.6	0	13	38.2
	Funding (US \$)	1,158,615	0	858,615	0	858,615	2,875,845
UNEP	ODS phase-out (ODP tonnes)	2.0	0	2.0	0	1.0	5.0
	Funding (US \$)	197,236	0	197,236	0	99,618	494,090
UNIDO	ODS phase-out (ODP tonnes)	4.0	0	4.0	0	1.0	9.0
	Funding (US \$)	373,527	0	373,527	0	93,382	840,436

(VI) PROJECT DATA			2016	2017	2018	2019	2020	2021	Total
Montreal Protocol consumption limits			78.75	78.75	78.75	78.75	56.88	56.88	n/a
Maximum allowable consumption (ODP tonnes)			78.75	78.75	78.75	78.75	56.88	35.00	n/a
Project costs requested in principle (US \$)	UNDP	Project costs	700,955	0	1,401,911	0	42,181	0	2,145,047
		Support costs	49,067	0	98,134	0	2,952	0	150,153
	UNEP	Project costs	65,481	0	130,962	0	21,827	0	218,270
		Support costs	8,513	0	17,025	0	2,837	0	28,375
	UNIDO	Project costs	309,210	0	618,420	0	103,070	0	1,030,700
		Support costs	21,645	0	43,289	0	7,215	0	72,149
Total project costs requested in principle (US\$)			1,075,646	0	2,151,293	0	167,078	0	3,394,017
Total support costs requested in principle (US\$)			79,225	0	158,448	0	13,004	0	250,677
Total funds requested in principle (US\$)			1,154,871	0	2,309,741	0	180,082	0	3,644,694

(VII) Request for funding for the first tranche (2016)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	700,955	49,067
UNEP	65,481	8,513
UNIDO	309,210	21,645
<b>Total</b>	<b>1,075,646</b>	<b>79,225</b>
<b>Funding request:</b>	Approval of funding for the first tranche (2016) as indicated above	
<b>Secretariat's recommendation:</b>	For individual consideration	

## PROJECT DESCRIPTION

22. On behalf of the Government of Chile, UNDP, as the lead implementing agency, has submitted to the 76<sup>th</sup> meeting stage II of the HCFC phase-out management plan (HPMP) at a total cost of US \$4,518,552, consisting of US \$2,961,736, plus agency support costs of US \$207,321 for UNDP, US \$1,030,700, plus agency support costs of US \$72,149 for UNIDO, and US \$218,270, plus agency support cost of US \$28,375 for UNEP, as originally submitted. The implementation of stage II of the HPMP will phase-out an additional 36.16 ODP tonnes of HCFCs and assist Chile in meeting the Montreal Protocol compliance target of 35 per cent reduction by 2020.

23. The first tranche for stage II of the HPMP being requested at this meeting amounts to US \$1,157,922, consisting of US \$703,807, plus agency support costs of US \$49,266 for UNDP, US \$309,210, plus agency support costs of US \$21,645 for UNIDO, and US \$65,481, plus agency support costs of US \$8,513 for UNEP, as originally submitted.

### **Status of stage I of the HPMP**

24. Stage I of the HPMP for Chile was approved at the 63<sup>rd</sup> meeting to meet a 10 per cent reduction by 2015, at a total cost of US \$1,786,455<sup>2</sup> plus agency support costs to phase-out 22.0 ODP tonnes of HCFCs (i.e., 3.02 ODP tonnes of HCFC-141b and 18.98 ODP tonnes of HCFC-22) used in the refrigeration servicing sector.

#### Progress in implementation of stage I activities

25. The progress on implementation of stage I activities, including a report on the ODS policy and regulation framework, programme management unit and status of disbursement, is described in paragraphs 6 to 10 of the present document.

### **Stage II of the HPMP**

26. The overarching strategy of stage II of the HPMP for Chile proposed to achieve the 35 per cent reduction by 2020 through the phase-out of all HCFC-141b consumption in the foam sector (which was not addressed in stage I), and additional activities in the refrigeration servicing sector to reduce HCFC-22 consumption.

#### ODS policy and regulatory framework

27. A legal framework for the control of ODS, including an enforceable national licensing and quota system for imports and exports of HCFCs, is in place. Since 2007, HCFC importers and exporters must be registered in the national registry. Any import of HCFCs not included in the established baseline for consumption, is prohibited. Monitoring of ODS imports and exports and establishment of import quotas is done by the National Customs Service. HCFCs and HFCs will be included in the harmonized tariff system code by 2017.

#### Remaining eligible consumption in Chile

28. The starting point for aggregate reductions on HCFC consumption established by the Government of Chile is 87.50 ODP tonnes. Through stage I of the HPMP, the Government committed to phase-out 22.00 ODP tonnes of HCFC resulting in a remaining consumption eligible for funding of 65.49 ODP

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<sup>2</sup>Of the five tranches planned in stage I, three have been approved to date (at a total cost of about US \$1,500,000). Funding request for the fourth and fifth tranches has been submitted to the 76<sup>th</sup> meeting.

tonnes. Stage II proposes to phase-out an additional 49.5 ODP tonnes of HCFCs (i.e., 13.24 ODP tonnes of HCFC-22 and 22.92 ODP tonnes of HCFC-141b through projects in the foam and servicing sectors; 2.42 ODP tonnes of HCFC-141b deducted for exports of polyols in line with decision 68/42(b)<sup>3</sup>, and 10.93 ODP tonnes of HCFC-141b to be phased out without assistance from the Fund), as shown in Table 1. The total amount of HCFCs (71.5 ODP tonnes) to be phased out through completion of stages I and II of the HPMP represents 81 per cent of the HCFC baseline for compliance.

**Table 1. Overview of the remaining HCFC consumption in Chile**

Description	HCFC-22		HCFC-141b		HCFC-142b		HCFC-225		Total	
	mt	ODP tonnes	Mt	ODP tonnes	mt	ODP tonnes	mt	ODP tonnes	mt	ODP tonnes
Starting point	859.19	47.30	357.14	39.30	9.23	0.60	4.2	0.30	1,232.12	87.50
Reduction in stage I	345.09	18.98	27.45	3.02	0.00	0.00	0.00	0.00	372.54	22.00
Remaining	514.10	28.32	329.69	36.28	9.23	0.60	10.71	0.30	863.73	65.49
Reduction in stage II	Funded	240.73	13.24	205.64	22.92	0.00	0.00	0.00	448.85	36.16
	Unfunded	0.00	0.00	124.05	13.35*	0.00	0.00	0.00	124.05	13.35
	Total	240.73	13.24	329.69	36.28	0.00	0.00	0.00	570.42	49.50
Remaining for future stages	273.37	15.03	0	0	9.23	0.60	10.71	0.30	293.31	15.99

\*Includes 2.42 ODP tonnes of HCFC-141b exported in polyols.

#### HCFC consumption and sector distribution

29. The Government of Chile reported a consumption of 74.23 ODP tonnes of HCFC in 2014. The 2011-2014 HCFC consumption is shown in Table 2. Consumption data for 2015 is still being compiled and analysed; however, the NOU noted that the 2015 quota allocation and consumption is in line with the Montreal Protocol targets for 2015.

**Table 2. HCFC consumption Chile (2011-2014 Article 7 data)**

HCFC	2011	2012	2013	2014	Baseline
<b>Metric tonnes (mt)</b>					
HCFC-22	1,045.30	864.86	606.96	758.56	859.19
HCFC-123	2.53	6.05	1.54	2.00	1.41
HCFC-124	0.41	0.31	0.07	0.68	0.52
HCFC-141b	459.71	514.73	383.66	292.34	357.14
HCFC-142b	8.85	15.72	2.86	3.98	9.66
HCFC-225	4.50	6.30	2.70	0.60	4.2
<b>Sub-total (mt)</b>	<b>1,521.29</b>	<b>1,407.97</b>	<b>997.79</b>	<b>1,058.16</b>	<b>1,232.12</b>
HCFC-141b in imported pre-blended polyols*	78.09	98.91	301.82	58.45	n/a
<b>Total (mt)</b>	<b>1,576.11</b>	<b>1,446.52</b>	<b>1,299.61</b>	<b>1,113.34</b>	<b>1,232.12</b>
<b>ODP tonnes</b>					
HCFC-22	57.49	47.57	33.38	41.72	47.26
HCFC-123	0.05	0.12	0.03	0.04	0.03
HCFC-124	0.01	0.01	0.00	0.01	0.01
HCFC-141b	50.57	56.62	42.20	32.16	39.29
HCFC-142b	0.58	1.02	0.19	0.26	0.63
HCFC-225	0.32	0.44	0.19	0.04	0.29
<b>Sub-total (ODP tonnes)</b>	<b>109.01</b>	<b>105.78</b>	<b>75.99</b>	<b>74.23</b>	<b>87.50</b>
HCFC-141b in imported pre-blended polyols*	8.59	10.88	33.20	6.43	n/a
<b>Total (ODP tonnes)</b>	<b>117.6</b>	<b>116.66</b>	<b>109.19</b>	<b>80.66</b>	<b>87.50</b>

\*Country programme data

<sup>3</sup> When stage II of the countries' HPMPs were submitted, to deduct the following amounts of HCFC 141b exported in pre blended polyols from the starting point for aggregate reduction in HCFC consumption: 2.42 ODP tonnes for Chile; 137.83 ODP tonnes for China; 12.30 ODP tonnes for Colombia and 28.60 ODP tonnes for Mexico.

30. HCFC-22 and HCFC-141b consumption (measured in ODP tonnes) represent 99 per cent of the HCFC consumption baseline. In 2014, consumption of HCFC-141b was 18 per cent below the baseline consumption (39.3 ODP tonnes), while consumption of HCFC-22 was 12 per cent below the baseline consumption (47.3 ODP tonnes).

31. Table 3 presents the consumption of HCFCs by sector as reported by Chile in their stage II submission, based on the survey taken during project preparation.

**Table 3. HCFC sector consumption in Chile in 2014**

Sector/sub-sector		HCFC	Metric tonnes (mt)	mt per cent	ODP tonnes	ODP tonnes per cent
Foam	Continuous panels	HCFC-141b*	135.95	12.18	14.95	18.54
	Discontinuous panels	HCFC-141b*	116.50	10.43	12.81	15.89
	Spray	HCFC-141b*	70.48	6.31	7.75	9.61
<b>Foam sub-total</b>			<b>322.93</b>	<b>28.92</b>	<b>35.51</b>	<b>44.01</b>
Servicing		HCFC-22	758.56	67.94	41.72	51.74
		HCFC-141b	27.84	2.49	3.06	3.80
		HCFC-142b	3.98	0.36	0.26	0.32
		HCFC-124	0.68	0.06	0.02	0.02
		HCFC-123	2.00	0.18	0.04	0.05
<b>Servicing sub-total</b>			<b>793.06</b>	<b>71.03</b>	<b>45.10</b>	<b>55.93</b>
Fire extinguisher		HCFC-123	0.00	0.00	0.00	0.00
Solvents		HCFC-225	0.60	0.05	0.04	0.02
<b>Subtotal</b>			<b>1,116.59</b>	-	<b>80.65</b>	-
Export of formulated polyols		HCFC-141b*	-44.14	-	-4.86	-
<b>Total</b>			<b>1,072.45</b>	-	<b>75.78</b>	-

\*Includes HCFC-141b contained in imported pre-blended polyols

#### HCFC consumption in manufacturing sectors

##### *Polyurethane (PU) foam manufacturing*

32. There is only one systems house in Chile (owned by non-Article 5 capital) that imports over 200 mt of HCFC-141b for local consumption and exports in pre-blended polyols (i.e., 44.10 mt (4.86 ODP tonnes) in 2014). In 2014, four chemical distributors imported approximately 58 mt (6.38 ODP tonnes) of HCFC-141b contained in pre-blended polyol and distributed them to approximately 30 small- and medium-sized enterprises (SMEs) that manufacture foam for various applications (i.e., discontinuous panels for construction and cooling chambers, refrigerated trucks, pipe and tanks insulation, etc.) and consume less than 20 mt of HCFCs annually.

33. In addition, there are foam enterprises manufacturing panels for thermal insulation applications (domestic, commercial and industrial refrigeration systems) with an estimated 2012-2014 average consumption of 281 mt of HCFC-141b (31 ODP tonnes); and, 80.10 mt (8.8 ODP tonnes) of HCFC-141b used by enterprises manufacturing spray foams.

34. Table 4 presents an estimate of the distribution of the HCFC-141b consumption between 2012 and 2014 by sub-sector for foam applications.

**Table 4. Estimated 2012-2014 average consumption of HCFC-141b, by sub-sector**

Subsector	mt	ODP tonnes	Percentage (%)
<b>Panels</b>			
Continuous panels	153.8	16.9	42.5
Discontinuous panels	128.1	14.1	35.4
<b>Sub-total</b>	<b>281.9</b>	<b>31.0</b>	<b>77.9</b>
Spray	80.1	8.8	22.1
<b>Total</b>	<b>362.0</b>	<b>39.9</b>	<b>100.0</b>

#### HCFC consumption in the refrigeration servicing sector

35. The 2014 consumption of HCFC-22 in the refrigeration servicing sector (45.10 ODP tonnes) is comprised mostly of HCFC-22 (93 per cent) used for servicing commercial and industrial refrigeration equipment (72 per cent) and for servicing air-conditioning equipment (28 per cent).

#### **Proposed activities in stage II of the HPMP**

##### Regulatory support

36. The regulatory component aims to continue enforcement of the licensing and quota system (through the provision of training and equipment for customs officers at a cost of US \$131,000); support the conversion of the PU foam sector; and facilitate the introduction of flammable and/or toxic refrigerants in the RAC sector. It will include a ban on import and use of HCFC-141b for the PU foam sector after all foam enterprises have been converted, no later than 1 January 2020; and, strengthen the HCFC import quotas and implement import restrictions on HCFC-based products.

##### Activities in the manufacturing sector

##### *Foam sector*

37. Stage II proposes to phase-out 22.92 ODP tonnes of HCFC-141b used as a foam blowing agent through:

- (a) Conversion of five PU discontinuous panel foam enterprises, to cyclopentane (one enterprise) and reduced HFO technology (four enterprises), with associated phase-out of 12.43 ODP tonnes (112.91 mt); and
- (b) Conversion of 36 SME downstream users to HFO blowing technology with an associated phase-out of 10.49 ODP tonnes (95.28 mt) through a systems house and a chemical distributor.

38. Incremental costs were calculated based on each enterprise's requirements for conversion to the selected technologies. For Inema, S.A, the only enterprise converting to cyclopentane, ICC included the installation of hydrocarbon storage and mixing stations, replacement of foam dispensers; safety related equipment; and training, trials and safety audit at a cost of US \$705,100. IOCs were estimated at US \$86,693 (i.e., US \$1.39/kg).

39. For the four enterprises converting to reduced HFO formulation, ICC included costs for mould heating systems to avoid friability; k-factor testers; and training, trials and tests (at a total cost of US \$407,000). IOC was estimated at US\$ 485,972 (i.e., ranging from US \$8.63kg to US \$13.18/kg). For non-SMEs, funds requested for IOCs are equal to or below US \$5.00/kg.

40. For the systems house and the chemical distributor, costs to support the downstream SME users included trials (US \$3,000/SME when consumption of HCFC-141b is above 500 kg and US \$1,300/SME when consumption is below 500 kg); technology transfer (US \$35,000) and project management (an additional US \$1,000/SME); and IOCs were estimated at US \$869,243.

41. A summary of the foam sector plan is presented in Table 5.

**Table 5. Total cost for the conversion of the PU foam sector**

<b>Individual projects</b>							
<b>Enterprise*</b>	<b>Applications/No. enterprise</b>	<b>mt</b>	<b>ODP</b>	<b>ICC</b>	<b>IOC</b>	<b>Total cost (US \$)</b>	<b>C.E. (US \$/kg)</b>
Danica Termointustrial Chile S.A	Discontinuous panels	30.71	3.38	104,500	153,543	258,043	8.40
Inema S.A.	Discontinuous panels	45.18	4.97	705,100	86,693	791,793	17.52
Poliuretanos Polchile Ltda.	Discontinuous panels	20.44	2.25	126,500	187,179	313,679	15.35
Refricentro S.A.	Discontinuous panels	7.07	0.78	71,500	61,068	132,568	18.75
Superfrigo ingenieria y Refrigeracion Ltda.	Discontinuous panels	9.51	1.05	104,500	84,192	188,692	19.84
<b>Sub-total</b>	Discontinuous panels	<b>112.91</b>	<b>12.43</b>	<b>1,112,100</b>	<b>572,675</b>	<b>1,684,775</b>	<b>14.92</b>
<b>Group projects through a systems houses and distributor</b>							
Austral Chemicals Chile S.A.- group project (chemical distributor)	8 SME manufacturing foam for various applications	61.32	6.75	103,570	554,694	658,264	<b>10.73</b>
Ixom Chile S.A. -group projects (systems house)	28 SME manufacturing foam for various applications	33.96	3.74	71,030	314,549	385,579	<b>11.35</b>
<b>Sub-total</b>	<b>36</b>	<b>95.28</b>	<b>10.49</b>	<b>174,600</b>	<b>869,243</b>	<b>1,043,843</b>	<b>10.96</b>
<b>Grand total</b>		<b>208.19</b>	<b>22.92</b>	<b>1,286,700</b>	<b>1,441,918</b>	<b>2,728,618</b>	<b>13.11</b>
<b>Funds requested to the Multilateral Fund</b>						<b>2,728,618</b>	

\*All enterprises will be converted to HFO formulations except for Inema, S.A., that will be converted to cyclopentane technology.

42. The cost of the PU foam sector has been estimated at US \$2,728,618 with a cost-effectiveness of US \$13.11/kg.

#### Activities in the servicing sector

43. The following activities in the refrigeration servicing sector, with an associated phase-out of 11.74 ODP tonnes of HCFC-22 at a total cost of US \$1,024,270, will be implemented:

- (a) Train 150-200 refrigeration servicing technicians on best refrigeration practices, leak prevention and safe handling of flammable alternatives (i.e. HFC-32 and HC-290) and certification of 100 servicing technicians (US \$298,000);
- (b) Technical assistance to SMEs (i.e., assemblers of cold rooms) in the selection of low-GWP and high-energy efficient alternative refrigerants for cold rooms (US \$232,000);
- (c) Establishment of three regional refrigerant recovery, recycling, reclaiming and storage centres, including equipment (i.e., recovery machines, pumps, gauges, and tanks) and

training to staff (US \$407,000); and

- (d) Awareness and promotion of low-GWP refrigerants (i.e., HFC-32 and HC-290) among end-users and refrigerant technicians (US \$87,270).

#### Programme for implementation and monitoring

44. The NOU under the Ministry of the Environment (MME) will coordinate the activities proposed in stage II of the HPMP, at an estimated cost of US \$326,818.

#### Total cost of stage II of the HPMP

45. The total cost of stage II of the HPMP for Chile has been estimated at US \$4,210,706, as originally submitted (excluding agency support costs), resulting in the phase-out of 49.52 ODP tonnes of HCFCs (including the export of HCFC-141b contained in pre-blended polyols), at a cost effectiveness of US \$7.38/kg. Detailed activities and cost break down are shown in Table 6.

**Table 6. Summary of the total cost of stage II of the HPMP for Chile**

Sector	Application	Agency	HCFC	mt	ODP tonnes	Cost (US \$)	C.E. (US \$/kg)
All	Regulatory actions	UNEP	All	27.27	1.50	131,000	4.80
PU foam	Individual projects (discontinuous panels)	UNDP	HCFC-141b	112.91	12.43	1,684,775	14.92
	Group conversion of a systems house and chemical distributor for SME manufacturers of PU foam for various uses			95.28	10.49	1,043,843	10.82
	Export of HCFC-141b contained in pre-blended polyols*			22.05	2.42	-	-
	Voluntary phase-out**			99.45	10.94	-	-
	<b>Sub-total PU foam</b>			<b>329.69</b>	<b>36.28</b>	<b>2,728,618</b>	<b>8.08</b>
RAC servicing		UNIDO	HCFC-22	195.21	10.74	937,000	4.80
		UNEP	HCFC-22	18.18	1.00	87,270	4.80
All	PMU	UNDP		n/a	n/a	233,118	n/a
		UNIDO				93,700	
<b>Total stage II</b>				<b>570.35</b>	<b>49.52</b>	<b>4,210,706</b>	<b>7.38</b>

\*Decision 68/42(b)

\*\*Ineligible enterprises that will completely phase-out of HCFC-141b without assistance from the Multilateral Fund.

## SECRETARIAT'S COMMENTS AND RECOMMENDATION

### COMMENTS

46. The Secretariat reviewed stage II of the HPMP for Chile in light of stage I, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2016-2018 business plan of the Multilateral Fund.

#### Commitment from the Government of Chile

47. Stage II of the HPMP proposes to phase-out 36.16 ODP tonnes of HCFCs in PU foam and the refrigeration servicing sector with assistance from the Multilateral Fund, an additional 2.42 ODP tonnes of HCFC-141b deducted for exports of polyols in line with decision 68/42(b), and 10.93 ODP tonnes of HCFC-141b to be phased out without assistance from the Fund, for a total phase out of 49.5 ODP tonnes

of HCFCs. This, together with the phase-out associated with stage I (22.00 ODP tonnes) represents a reduction of 81 per cent (i.e., 71.5 ODP tonnes) from the HCFC baseline.

48. The Secretariat and UNDP therefore discussed the possibility of an extended commitment from the Government, beyond the 35 per cent reduction currently proposed. The Government of Chile has committed to achieving a reduction of 60 per cent of the baseline for compliance by 2021.

### Verification

49. The verification of HCFC consumption in 2014 confirmed that Chile has a consistent compliance policy in relation to the phase-out and control of national ODS consumption. The NCS maintains procedures to regulate importers and exporters, allocate quotas, and monitor ODS import and export activities, which are duly registered and controlled.

### Issues related to the PU foam sector plan

50. In line with decision 74/20<sup>4</sup>, UNDP provided a letter from an HFO supplier confirming the commercial availability of HFOs in Chile during 2016.

51. The Secretariat and UNDP discussed in detail cost items related to retrofit of foam equipment, hydrocarbon storage and blending, pre-mixer, buffer tanks and cyclopentane transfer systems, safety related equipment, and trials and training, associated with the foam enterprise converting to cyclopentane; and k-factor testers, heating moulds, technical assistance, trials and training for those foam enterprises converting to HFO. As a result, ICC was reduced by US \$542,226.

52. The IOC costs proposed for the conversion to reduced HFO formulations was based on a cost of US \$17.00/kg for HFO-1233zd(E). In discussing these, the Secretariat used US\$ 8.60/kg (i.e., the cost in other similar projects) as the basis for calculating IOCs for SMEs and the individual enterprises converting to HFO. This resulted in a reduction of IOC by US \$248,258 for the individual enterprises.

53. With regard to the group projects, as one of the enterprises assisting with the phase out of HCFC-141b used by SMEs was a chemical distributor and not a systems house, it was agreed that no incremental cost should be requested for supplying HFO-based systems. A similar agreement was reached with the foreign-owned systems house. On this basis it was agreed to provide only downstream technical assistance to the 28 SMEs and IOCs.

54. A summary of the agreed costs for the PU foam sector plan is presented in Table 7.

**Table 7. Total agreed cost for the conversion of the PU foam sector**

<b>Individual projects</b>							
<b>Enterprise*</b>	<b>Applications/ No. enterprises</b>	<b>mt</b>	<b>ODP</b>	<b>ICC</b>	<b>IOC</b>	<b>Agreed funding (US \$)</b>	<b>C.E. (US \$/kg)</b>
Danica Termointustrial Chile S.A	Discontinuous panels	30.71	3.38	78,714	115,656	194,370	6.33
Inema S.A.	Discontinuous panels	45.18	4.97	359,537	44,206	403,743	8.94
Poliuretanos Polchile Ltda.	Discontinuous panels	20.44	2.25	54,715	80,960	135,674	6.64
Refricentro S.A.	Discontinuous panels	7.07	0.78	43,970	37,549	81,519	11.53
Superfrigo ingenieria y	Discontinuous	9.51	1.05	57,154	46,047	103,201	10.85

<sup>4</sup> Information from the suppliers on how and when an adequate supply of the technology would be made available to the country for the technologies selected (i.e., HFO-1233zd(E))



<b>Individual projects</b>							
<b>Enterprise*</b>	<b>Applications/ No. enterprises</b>	<b>mt</b>	<b>ODP</b>	<b>ICC</b>	<b>IOC</b>	<b>Agreed funding (US \$)</b>	<b>C.E. (US \$/kg)</b>
Refrigeracion Ltda.	panels						
<b>Sub-total</b>	Discontinuous panels	<b>112.91</b>	<b>12.43</b>	<b>594,090</b>	<b>324,417</b>	<b>918,507</b>	<b>8.13</b>
<b>Group projects through a systems houses and distributor</b>							
Austral Chemicals Chile S.A.- group project (chemical distributor)	8 SME manufacturing foam for various applications	61.32	6.75	96,504	554,694	651,198	10.62
Ixom Chile S.A. - group project. (systems house)	28 SME manufacturing foam for various applications	33.96	3.74	53,880	314,549	368,429	10.85
<b>Sub-total</b>	<b>36</b>	<b>95.28</b>	<b>10.49</b>	<b>150,384</b>	<b>869,243</b>	<b>1,019,627</b>	<b>10.70</b>
<b>Grand total</b>		<b>208.19</b>	<b>22.92</b>	<b>744,474</b>	<b>1,193,660</b>	<b>1,938,134</b>	<b>9.31</b>
Additional phase-out of remaining eligible consumption		121.50*	13.36	-	-	-	-
<b>Total phase-out in the foam sector</b>		<b>329.69</b>	<b>36.28</b>	<b>744,474</b>	<b>1,193,660</b>	<b>1,938,134</b>	<b>5.88</b>

\*Includes 22.05 mt (2.42 ODP tonnes) of HCFC-141b to account for export in pre-blended polyols.

#### Issues related to the refrigeration servicing sector

55. In response to the possibility of reducing the number and scope of the activities in the servicing sector component, UNDP explained that the servicing sector strategy contains training activities for the safe and efficient use of low-GWP refrigerants, which are critical for the introduction of alternative refrigerants into the local market, and to reduce dependence on HCFCs. Any change in the current strategy will hinder the progress made in stage I.

#### Issues related to the PMU

56. The Secretariat requested a rationalization of the project monitoring components, noting that in addition to the US \$233,118 requested for the PMU (UNDP), US \$93,700 was requested for project management in the RAC servicing component (UNIDO). After discussion, the cost of the PMU component was agreed at US \$300,613 (US \$206,913 for UNDP and US \$93,700 for UNIDO).

#### Revised overall cost of the HPMP stage II

57. The agreed cost of the activities proposed in stage II of the HPMP amounts to US \$3,394,017 (excluding agency support cost). Detailed activities and the cost breakdown are shown in Table 8.

**Table 8. Agreed cost for stage II of the HPMP for Chile**

<b>Sector</b>	<b>Application</b>	<b>Agency</b>	<b>HCFC</b>	<b>mt</b>	<b>ODP tonnes</b>	<b>Funds requested (US \$)</b>	<b>C.E. (US \$/kg)</b>
All	Regulatory actions	UNEP	HCFC-22	27.27	1.50	131,000	4.80
PU foam	Enterprise conversion	UNDP	HCFC-141b	208.19	22.92	1,938,134	9.31
	Export of HCFC-141b contained in pre-blended polyols*	-	-	22.05	2.42	-	-
	Voluntary phase-out*	-	-	99.45	10.94	-	-
	<b>Subtotal PU foam</b>	<b>-</b>	<b>-</b>	<b>329.69</b>	<b>36.28</b>	<b>1,938,134</b>	<b>5.88</b>
RAC servicing		UNIDO	HCFC-22	195.21	10.74	937,000	4.80

Sector	Application	Agency	HCFC	mt	ODP tonnes	Funds requested (US \$)	C.E. (US \$/kg)
Awareness raising		UNEP	HCFC-22	18.18	1.00	87,270	4.80
Implementation and monitoring (PMU)		UNDP		n/a	n/a	93,700	
		UNIDO		n/a	n/a	206,913	n/a
<b>Total stage II</b>				<b>570.35</b>	<b>49.52</b>	<b>3,394,017</b>	<b>5.95</b>

\* Decision 68/42(b)

\*\*All remaining consumption of HCFC-141b

58. Activities included in stage II of the HPMP for Chile will result in the phase-out of 49.52 ODP tonnes of HCFCs with an overall cost-effectiveness of US \$5.95/kg which includes 2.42 ODP tonnes of HCFC-141b exported in pre-blended polyols<sup>5</sup>, and a voluntary phase out of 10.94 ODP tonnes of HCFC-141b.

59. The Government is committing in stage II to reduce HCFC consumption by 35 per cent of the baseline by 2020 and a 60 per cent by 2021, and to introducing a ban for import and use of HCFC-141b in the PU foam sector, and import and export of HCFC contained in pre-blended polyols, by 1 January 2020.

#### Impact on the climate

60. The conversion of HCFC consumption in 2014 of the remaining PU foam manufacturing enterprises in Chile would avoid the emission into the atmosphere of some 220,579 tonnes of CO<sub>2</sub> equivalent per year, as shown in Table 9.

**Table 9. Impact on the climate PU foam projects**

Substance	GWP	Tonnes/year	CO <sub>2</sub> -eq (tonnes/year)
<b>Before conversion</b>			
HCFC-141b*	725	307.64	223,039
<b>Total before conversion</b>	<b>725</b>	<b>307.64</b>	<b>223,039</b>
<b>After conversion</b>			
Cyclopentane, HFO, water	~20	123.00	2,460
<b>Impact</b>			<b>220,579</b>

(\*) Consumption associated with foam enterprises and voluntary phase-out. It does not include 22.50 mt of HCFC-141b contained in exported pre-blended polyols deducted from the starting point

61. In addition, the proposed technical assistance activities and activities in the servicing sector, which include training and assistance to reduce leakage rates and to facilitate the adoption of low-GWP alternatives in Chile, would reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO<sub>2</sub> equivalent tonnes.

#### **Co-financing**

62. No co-financing from beneficiary enterprises is expected for stage II of the HPMP. The Government through the MME has committed to set aside US \$280,000 as contribution for the implementation of some activities under the policy and regulatory component of the HPMP.

#### **2016-2018 business plan of the Multilateral Fund**

63. UNDP, UNEP and UNIDO are requesting US \$3,644,694, including agency support costs for implementation of stage II of the HPMP (2016-2020). The total funding requested for stage II in the business plans for UNDP, UNEP, and UNIDO is US \$4,210,371.

<sup>5</sup> Decision 68/42(b)

## Draft Agreement

64. A draft Agreement between the Government of Chile and the Executive Committee for the phase-out of HCFCs in stage II of the HPMP is contained in Annex II to the present document.

## RECOMMENDATION

65. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Chile for the period from 2016 to 2021 to reduce HCFC consumption by 60 per cent of its baseline, in the amount of US \$3,644,694 consisting of US \$2,145,047 plus agency support costs of US \$150,153 for UNDP, US \$1,030,700 plus agency support costs of US \$72,149 for UNIDO and US \$218,270 plus agency support costs of US \$28,375 for UNEP;
- (b) Noting:
  - (i) That the Government of Chile has committed to reducing HCFC consumption by 60 per cent of its baseline by 2021;
  - (ii) The Government of Chile will issue a ban on import and use of HCFC-141b for the polyurethane foam manufacturing sector and on imports and exports of HCFC-141b contained in imported pre-blended polyols by 1 January 2020;
- (c) Deducting 47.1 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Deducting a further 2.42 ODP tonnes of HCFC-141b from the remaining consumption eligible for funding to account for exports of pre-blended polyols containing HCFC-141b, in line with decision 68/42(b);
- (e) Approving the draft Agreement between the Government of Chile and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II of the HPMP, contained in Annex II to the present document; and
- (f) Approving the first tranche of stage II of the HPMP for Chile, and the corresponding tranche implementation plans, at the amount of US \$1,154,871 consisting of US \$700,955 plus agency support costs of US \$49,067 for UNDP, US \$309,210 plus agency support costs of US \$21,645 for UNIDO and US \$65,481 plus agency support costs of US \$8,513 for UNEP.



**Annex I**

**TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF CHILE 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 Chile (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 78.75 ODP tonnes prior to **1 January 2017** in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of Chile and the Executive Committee at the **71<sup>st</sup>** meeting of the Executive Committee.

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

Row	Particulars	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	87.50	87.50	78.75	<b>78.75</b>	<b>78.75</b>	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	87.50	87.50	78.75	<b>78.75</b>	<b>78.75</b>	n/a
2.1	Lead IA UNDP agreed funding(US \$)	465,566	537,357	295,744	<b>0</b>	<b>0</b>	<b>199,299</b>	<b>0</b>	1,497,966
2.2	Support costs for Lead IA(US \$)	34,917	40,302	22,181	<b>0</b>	<b>0</b>	<b>14,947</b>	<b>0</b>	112,347
2.3	Cooperating IA UNEP agreed funding (US \$)	153,217	40,127	27,022	<b>0</b>	<b>0</b>	<b>68,123</b>	<b>0</b>	288,489
2.4	Support costs for Cooperating IA (US \$)	19,918	5,217	3,513	<b>0</b>	<b>0</b>	<b>8,856</b>	<b>0</b>	37,504
3.1	Total agreed funding (US \$)	618,783	577,484	322,766	<b>0</b>	<b>0</b>	<b>267,422</b>	<b>0</b>	1,786,455
3.2	Total support cost (US \$)	54,835	45,519	25,694	<b>0</b>	<b>0</b>	<b>23,803</b>	<b>0</b>	149,851
3.3	Total agreed costs (US \$)	673,618	623,003	348,460	<b>0</b>	<b>0</b>	<b>291,225</b>	<b>0</b>	1,936,306
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)								13.24
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								18.98
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								15.08
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this agreement (ODP tonnes)								0.00
4.2.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)								0.00
4.2.3	Remaining eligible consumption of HCFC-123 (ODP tonnes)								0.00
4.3.1	Total phase-out of HCFC-124 agreed to be achieved under this agreement (ODP tonnes)								0.00
4.3.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)								0.00
4.3.3	Remaining eligible consumption of HCFC-124 (ODP tonnes)								0.00
4.4.1	Total phase-out of HCFC-141b agreed to be achieved under this agreement (ODP tonnes)								36.28
4.4.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								0.00
4.4.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								0.00
4.5.1	Total phase-out of HCFC-142b agreed to be achieved under this agreement (ODP tonnes)								0.00
4.5.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)								0.00
4.5.3	Remaining eligible consumption of HCFC-142b (ODP tonnes)								0.60
4.6.1	Total phase-out of HCFC-225 agreed to be achieved under this agreement (ODP tonnes)								0.00
4.6.2	Phase-out of HCFC-225 to be achieved in previously approved projects (ODP tonnes)								0.00
4.6.3	Remaining eligible consumption of HCFC-225 (ODP tonnes)								0.30



## Annex II

### **DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF CHILE AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN**

1. This Agreement represents the understanding of the Government of Chile (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 35.0 ODP tonnes by 1 January 2021 in compliance with Montreal Protocol schedule.
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 consumption eligible for funding).
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 stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). 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 has 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 there are no due country programme implementation reports 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 a Tranche Implementation Report in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year; that it had achieved a significant level of implementation of

activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and

- (d) That the Country has submitted a Tranche 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.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (“Monitoring Institutions and Roles”) will monitor and report on implementation of the activities in the previous Tranche Implementation 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 part or all of the approved 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 a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche 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 Tranche Implementation Plan, or removal of an activity in the Tranche 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 Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report;
- (c) Should the Country decide during implementation of the Agreement to introduce an alternative technology other than that proposed in the Plan, this would require approval by the Executive Committee as part of a Tranche Implementation Plan or the revision of the approved plan. Any submission of such a request for change in technology would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable. The Country agrees that potential savings in incremental costs related to the change of technology would decrease the overall funding level under this Agreement accordingly;
- (d) Any enterprise to be converted to non-HCFC technology included in the Plan and that would be found to be ineligible under the guidelines of the Multilateral Fund (i.e., due to



foreign ownership or establishment post the 21 September 2007 cut-off date), will not receive assistance. This information would be reported to the Executive Committee as part of the Tranche Implementation Plan;

- (e) The Country commits to examining the possibility of using pre-blended hydrocarbon systems instead of blending them in-house, for those foam enterprises covered under the umbrella project, should this be technically viable, economically feasible and acceptable to the enterprises; and
- (f) Any remaining funds held by the bilateral or implementing agencies or the country under the Plan 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 included in the Plan, 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 relevant bilateral and/or implementing agencies will take into consideration decision 72/41 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 and UNEP have agreed to be the cooperating implementing agencies (the “Cooperating IAs”) 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 the Lead IA and/or Cooperating IAs 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 IAs to ensure appropriate timing and sequence of activities in the implementation. The Cooperating IAs 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 IAs will reach consensus on the arrangements regarding inter-agency planning including regular co-ordination meetings, reporting and responsibilities under this Agreement in order to facilitate a co-ordinated implementation of the Plan. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IAs with the fees set out in rows 2.2, 2.4 and 2.6 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 kilogram 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 of not compliance will not be an impediment for the provision of funding 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 IAs to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IAs with access to the information necessary to verify compliance with this Agreement.

14. The completion of the Plan 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 at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion of the Plan 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 of the Plan 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	47.30
HCFC-123	C	I	0.00
HCFC-124	C	I	0.00
HCFC-141b	C	I	39.30
HCFC-142b	C	I	0.60
HCFC-225			0.30
Total			87.50

## APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2016	2017	2018	2019	2020	2121	Total	
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	78.75	78.75	78.75	78.75	56.88	56.88	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	78.75	78.75	78.75	78.75	56.88	35.00	n/a	
2.1	Lead IA (UNDP) agreed funding (US \$)	700,955	0	1,401,911	0	42,181	0	2,145,047	
2.2	Support costs for Lead IA (US \$)	49,067	0	98,134	0	2,952	0	150,153	
2.3	Cooperating IA UNEP agreed funding (US \$)	65,481	0	130,962	0	21,827	0	218,270	
2.4	Support costs for Cooperating IA (US \$)	8,513	0	17,025	0	2,837	0	28,375	
2.5	Cooperating IA UNIDO agreed funding (US \$)	309,210	0	618,420	0	103,070	0	1,030,700	
2.6	Support costs for Cooperating IA (US \$)	21,645	0	43,289	0	7,215	0	72,149	
3.1	Total agreed funding (US \$)	1,075,646	0	2,151,293	0	167,078	0	3,394,017	
3.2	Total support costs (US \$)	79,225	0	158,448	0	13,004	0	250,677	
3.3	Total agreed costs (US \$)	1,154,871	0	2,309,741	0	180,082	0	3,644,694	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								13.24
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								18.98
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								15.08
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)								0.00
4.2.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)								0.00
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)								0.00
4.3.1	Total phase-out of HCFC-124 agreed to be achieved under this Agreement (ODP tonnes)								0.00
4.3.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)								0.00
4.3.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)								0.00
4.4.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)								36.28
4.4.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								3.02
4.4.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								0.00
4.5.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)								0.00
4.5.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)								0.00
4.5.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)								0.60
4.6.1	Total phase-out of HCFC-225 agreed to be achieved under this Agreement (ODP tonnes)								0.00
4.6.2	Phase-out of HCFC-225 to be achieved in previously approved projects (ODP tonnes)								0.00
4.6.3	Remaining eligible consumption for HCFC-225 (ODP tonnes)								0.30

## 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 TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plans 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 Tranche 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) An independent verification report of the Plan 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 Tranche Implementation Reports and 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 Tranche 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).
2. In the event that in a particular year more than one stage of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:
- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will

exclusively refer to activities and funds covered by this Agreement; and

- (b) If the stages under implementation have different HCFC consumption targets in a particular year, the lower HCFC consumption target will be used as reference for compliance with the HPMP Agreements and for the independent verification.

#### **APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES**

1. The national ozone unit (NOU) of the Ministry of Environment shall be responsible for coordinating the actions associated with each Strategic Line through collaborating with various areas of the Ministry such as Air Quality and Climate Change Division, Legal Division, Studies and Environmental Economics Division, and Communications Division, among others; as well as with other Government agencies such as National Customs Service and Ministry of Health, between others.
2. To support the implementation of projects in different sectors, national and/or international consultants will be hired, if necessary, to implement the various activities and offer support to the NOU in coordination with key actors, including other Ministries, Agencies and the private sector.
3. The NOU will have the full support of the Government. The Ministry of Environment has ensured the adoption of the laws and the implementation of necessary national regulations to guarantee the country's compliance with the Montreal Protocol agreements.
4. For the implementation of these projects, it is essential to continue to have the active participation of relevant public sector counterparts, such as the National Customs Service, which actively participates in the definition and implementation of import and export control processes of HCFC.
5. The Government of Chile has appointed UNDP to be the Leading Implementing Agency to spearhead the implementation of HPMP, and has appointed UNIDO and UNEP as Cooperating Implementing Agencies. The Lead IA shall also have the overall responsibility of reporting to the Executive Committee, and of supporting the Country in the implementation of the investment and non-investment components that are not implemented by Cooperating IAs.
6. Before each Executive Committee meeting is held to discuss a tranche to receive funding, the NOU will prepare a report on the status of activities and progress together with the Lead IA and with the help of the Cooperating IAs, including the milestones and other key performance indicators, as well as any other information of interest for the implementation of HPMP. This report will be reviewed and verified by the Lead IA and will then be sent to the Executive Committee through the Secretariat of the Multilateral Fund.

#### **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 Tranche Implementation Reports and Plans as per Appendix 4-A;
  - (c) Providing independent verification to the Executive Committee that the Targets have

been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;

- (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
- (e) Fulfilling the reporting requirements for the Tranche Implementation Reports and 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 IAs;
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (i) Co-ordinating the activities of the Cooperating IA[s], 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 IAs, the allocation of the reductions to the different budget items and to the funding of the Lead IA and each Cooperating IA;
- (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 AGENCIES**

1. The Cooperating IAs will be responsible for a range of activities. These activities are specified in the 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 IAs, 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 \$137 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. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors related to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.

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