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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

**TEMPLATE FOR DRAFT AGREEMENTS FOR STAGE II OF HCFC PHASE-OUT  
MANAGEMENT PLANS (DECISION 75/66)**

**Background**

1. At its 59<sup>th</sup> meeting, the Executive Committee considered a template for a draft Agreement for stage I of HCFC phase-out management plans (HPMPs)<sup>1</sup>, which was prepared by the Secretariat on the basis of the templates for agreements on national phase-out plans and terminal phase-out management plans (mainly related to the phase-out of CFCs). The template for a draft Agreement for stage I was discussed at the 59<sup>th</sup>, 60<sup>th</sup> and 61<sup>st</sup> meetings, and approved at the 61<sup>st</sup> meeting (decision 61/46). Since then, the template has been used as the basis for all stage I of HPMPs approved.

2. At its 73<sup>rd</sup> meeting, the Executive Committee considered a template for a draft Agreement for stage II of HPMPs<sup>2</sup>. After a discussion, the Executive Committee requested bilateral and implementing agencies to use the Agreement for stage II of the HPMP for Mexico as a template for stage II of HPMPs, noting that the discussions on the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs, and on the precondition of reaching the 20 per cent disbursement threshold before the release of the subsequent tranche, had not yet concluded. The Executive Committee further requested the Secretariat to review the template once those discussions had been completed (decision 73/33).

3. At its 75<sup>th</sup> meeting, the Executive Committee considered the template for a draft Agreement for stage II of HPMPs<sup>3</sup>, which was based on the template for a draft Agreement for stage II of HPMPs approved at the 73<sup>rd</sup> meeting (decision 73/33). The template included editorial improvements and two substantive modifications, namely a new paragraph 5(e) to expedite the financial completion of stage I once activities were completed, and additional text in Appendix 7-A to apply the penalty clause to a particular funding tranche request rather than to the entire stage of the HPMP.

<sup>1</sup> Presented in the context of the overview of issues identified during project review (UNEP/OzL.Pro/ExCom/59/11).

<sup>2</sup> Presented in the context of the overview of issues identified during project review (UNEP/OzL.Pro/ExCom/73/24). The template for the draft Agreement for stage II of the HPMP was included in the project proposal for Mexico (UNEP/OzL.Pro/ExCom/73/43).

<sup>3</sup> UNEP/OzL.Pro/ExCom/75/76.

4. During the discussion, several members requested clarifications on changes introduced to the previous template and the rationale behind the changes, while others introduced proposals for, *inter alia*, an additional standard clause on consideration of alternatives already used in several stage I agreements, or for consideration of not-in-kind technologies in paragraph 8 of the template. Following the discussion, the Executive Committee requested the Secretariat to resubmit the draft template Agreement for stage II of HPMPs to the 76<sup>th</sup> meeting, taking into account the discussion at the 75<sup>th</sup> meeting and comments received from Executive Committee members no later than 31 December 2015, and including the specific sources of the language included in the draft agreement (decision 75/66).

#### **Actions taken by the Fund Secretariat**

5. In line with decision 75/66, the Secretariat updated the revised template for a draft Agreement for stage II of HPMPs including the source of the language included and the rationale for relevant paragraphs and editorial changes introduced, as shown in Annex I to the present document. The Secretariat also invited Executive Committee members to provide comments or alternative suggestions on the additional text in paragraph 5(e) and Appendix 7-A of the draft template Agreement. All the other text in the template had already been thoroughly discussed at the 59<sup>th</sup>, 60<sup>th</sup>, 61<sup>st</sup> and 73<sup>rd</sup> meetings, and agreed at the 61<sup>st</sup> and 73<sup>rd</sup> meetings, respectively.

#### **Comments received from Executive Committee members**

6. Comments to the revised template for a draft Agreement for stage II of HPMPs were received from four members of the Executive Committee and included as submitted in Annex II to the present document.

#### **Discussion at the Inter-agency coordination meeting (IACM)**

7. The template for a draft Agreement for stage II of HPMPs was discussed at the IACM, held in Montreal from 1 to 2 March 2016. Discussions focused mainly on the text in sub-paragraph 5(e) of the template regarding a precondition for approval of the tranche due for submission just after the completion of the previous stage, as well as the requirements to return unused balances to the Fund and submit project completion reports to the Executive Committee. The Secretariat stressed the need to have a mechanism to ensure that a completed stage of an HPMP had been closed while acknowledging that this mechanism should not affect the implementation of the subsequent stage.

8. After further discussion, it was concluded that the operational and financial completion dates of a stage of an HPMP should be determined at the time of approval of its final tranche. This would not require adding specific text in the Agreement and could be handled on a case-by-case basis. In terms of the template for stage II agreements, paragraph 14 of the Agreement (date of completion of the stage) would not require modification and sub-paragraph 5(e) would not need to be included.

#### **Scope of the document**

9. To facilitate the discussion by the Executive Committee, this document presents the actual text of the Agreement for which a comment has been made; the comments submitted by members of the Executive Committee; and the Secretariat's comments and recommendations. The comments from members of the Executive Committee are divided in the following three parts:

Part I: Comments on the new substantive text introduced in the draft template at the 75<sup>th</sup> meeting by the Secretariat

Part II: Comments on paragraphs of the draft template that were agreed by the Executive Committee at the 61<sup>st</sup> and/or 73<sup>rd</sup> meetings

Part III: Other comments from members of the Executive Committee that do not refer to a particular paragraph, and minor editorial changes

**Secretariat's comments on responses received from Executive Committee members**

**Part I: Comments on new substantive text in the draft template introduced by the Secretariat at the 75<sup>th</sup> meeting**

**New paragraph 5(e).** *That, for the first tranche that is due on a year after the date of completion of the previous stage of the HPMP (as defined in paragraph 14 of the Agreement associated to the previous stage, or as revised in a progress report or Tranche Implementation Plan), all tranches from the previous stage have been completed, remaining funds have been returned to the Multilateral Fund (as established in paragraph 7 of the Agreement associated to the previous stage) and the corresponding project completion reports have been submitted to the Executive Committee.*

**Members' comments:** Delete the entire paragraph; it makes a future second stage tranche conditional on the completion of reporting and financial requirements of stage I, which would bring substantial risk of non-compliance. Stages I and II are relatively separate projects addressing different compliance targets. The paragraph will not help timely completion of reporting and financial requirements of stage I, but will bring difficulties to implement stage II.

Concern about delays generated in the release of funds, as the conditions imposed cannot be completed in one year. In the servicing sector, stage I has to be completed, funds returned and then reapproved (which is not realistic).

Alternative text: "That, for the first tranche that is due on a year after the date of completion of the previous stage of the HPMP (as defined in paragraph 14 of the Agreement associated to the previous stage, or as revised in a progress report or Tranche Implementation Plan), all tranches from the previous stage have been completed." The return of funds is covered by other processes and decisions of the Executive Committee, and is addressed under recurring agenda items.

Agrees on the importance of promoting expeditious financial completion of stage I once activities are completed, but at the same time shares concerns that this precondition could generate delays in tranche release, given the time required to return balances. Need to demonstrate some flexibility.

**Secretariat's comments:** There is a need to establish a process to close a stage of an HPMP, return fund balances (held by the bilateral and/or implementing agencies, and/or the country) to the Multilateral Fund, and submit the project completion report to the Executive Committee. The operational and financial completion dates should be determined at the time of approval of the last tranche of the stage of the HPMP and, therefore, no additional text is required in the Agreement. Each HPMP could be handled on a case-by-case basis. Therefore paragraph 5(e) could be removed.

**Recommendation:** The Executive Committee might wish to consider deleting sub-paragraph 5(e) in the draft template of the Agreement, and to note that no changes are required to the text in paragraph 14.

**Appendix 7-A.** *In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$[figure [for non-LVC countries the figure would be 2 times the cost-effectiveness of the project in \$/ODP kg; for LVC countries the amount would be US \$180]] per ODP kg of consumption*

*beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.*

Members' comments: No comments received.

Secretariat's comments: In several cases of approved HPMPs, the penalty clause would result in funding reduction levels larger than the value of the complete stage (e.g., Guatemala). To avoid this situation, it is proposed to include the underlined text in Appendix 7-A of the Agreement as shown in the above paragraph.

Recommendation: The Executive Committee might wish to approve the new text proposed in Appendix 7-A (as indicated in the underlined text in the above paragraph).

## **Part II: Comments on paragraphs that were agreed at the 61<sup>st</sup> and/or 73<sup>rd</sup> meetings**

**Paragraph 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").*

Member's comment: Delete the words "in principle". Countries agree to meet the compliance target and the Committee agrees to provide stable and sufficient funding for HCFC phase-out activities.

Secretariat's comments: The Executive Committee has introduced the term "approved in principle" for multiyear projects, as the Executive Committee cannot commit resources in advance of the receipt of contributions, in line with the terms of reference of the Multilateral Fund<sup>4</sup>.

The guidelines for the preparation, implementation and management of performance-based sector and national ODS phase-out plans approved at the 38<sup>th</sup> meeting<sup>5</sup>, apply to all plans entered into by the Executive Committee that entail a financial commitment by the Executive Committee. In such cases, the Executive Committee approves specific amounts agreed to in principle, to be disbursed over a number of years according to performance targets as agreed and specified in such plans. The general information to be provided by Article 5 countries should include, *inter alia*, name of country; type of plan (sector or national phase-out plan); ODS covered by the agreement; duration of the agreement; and total funding level agreed in principle.

Recommendation: The Executive Committee might wish to maintain the words "in principle" in paragraph 3 of the Agreement in line with existing policies and decisions of the Multilateral Fund.

**Paragraph 5(b).** *That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required.*

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<sup>4</sup> Decisions II/8 and IV/18.

<sup>5</sup> Decision 38/65.

Member's comment: Alternative text: "That the meeting of these Targets has been independently verified before the submission of the last tranche request by the country." Verification for each year may not be required as it increases the workload, delaying the implementation process.

Secretariat's comments: The guidelines for the preparation, implementation and management of performance-based sector and national ODS phase-out plans, state that "as the verification of the achievement of the target in the preceding year is the condition for release of funding for the year of the plan, the annual implementation programme should be submitted together with the performance verification report."

Subsequently, guidelines for the verification of national consumption targets for multi-year agreements were approved at the 46<sup>th</sup> meeting<sup>6</sup>. The guidelines state that "since 1999, multi-year agreements have become a predominant funding modality of the Multilateral Fund to assist Article 5 countries in achieving the ODS phase-out targets under the Montreal Protocol. Under these agreements, the responsible implementing agencies are required to submit a verification report on the achievement of the ODS reduction targets specified in the agreements as a prerequisite for the release of the next tranche of funds."

Furthermore, in a performance-based agreement, verification of the consumption and production (where applicable) sectors should be provided on an annual basis<sup>7</sup>.

Recommendation: The Executive Committee might wish to maintain verification of HCFC consumption for all years where there is a consumption target as specified in paragraph 5(b) of the Agreement, in line with existing policies and decisions of the Multilateral Fund.

**New subparagraph 7(a)(v) proposed by a member.** *"Changes due to change in national circumstances", as any changes in national circumstances could have an impact on project implementation and may need appropriate changes in the implementation modalities including cost and timelines.*

Secretariat's comments: The proposed text (i.e., "changes due to change in national circumstances") is already covered under clauses 7(a) (ii), (iii) and/or (iv) of the draft template Agreement.

Recommendation: The Executive Committee might wish not to add a new paragraph 7(a)(v), as "changes due to change in national circumstance;" are already included under clauses 7(a)(ii), (iii) and/or (iv) of the draft template Agreement.

**Paragraph 7(c).** *Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly.*

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<sup>6</sup> Decision 46/38.

<sup>7</sup> The verification report is mandatory for all non-low-volume-consuming (non-LVC) countries and for a representative sample of LVC countries.

Members' comments: Delete, as this item may come from specific issues under specific circumstances of some countries, and should not be reflected in the template. It should not be used as a standard clause or starting point of the template (if necessary, these issues should be considered on a case-by-case basis). The country should have the flexibility within the overall framework of the Agreement signed with the Executive Committee.

To be included only in the Agreements of HPMPs with industrial conversions.

To move to paragraph 7(a)(v), as this should be considered a "major change" to the Agreement requiring approval by the Executive Committee.

Secretariat's comments: The Agreement should provide general guidance to key stakeholders to address specific circumstances. The incremental cost of conversions is calculated and approved based on the specific needs of introducing the alternative technology selected. If the technology is changed, the incremental cost may change. Accordingly, paragraph 7(c) could be included only in Agreements of HPMPs which include conversion of the manufacturing sector (as proposed by one member); or it could be included under sub-paragraph 7(a)(v) (as proposed by another member), given that the change "would require approval by the Executive Committee".

Recommendation: The Executive Committee might wish to maintain, in cases where conversions in the manufacturing sector are included, the text in paragraph 7(c), either as part of the text in paragraph 7(a) ("major changes") or as a separate paragraph 7(c).

***Paragraph 7(d).*** Any enterprise to be converted to non-HCFC technology included in the Plan and that would be found to be ineligible under the policies of the Multilateral Fund (i.e., due to foreign ownership or establishment post the 21 September 2007 cut-off date), would not receive financial assistance. This information would be reported as part of the Tranche Implementation Plan.

Member's comments: Delete as it refers to Executive Committee decisions and policies.

Secretariat's comments: Sub-paragraph 7(d) is required in cases where funding has been approved for enterprises whose eligibility could not be fully verified at the time of the submission and approval of the HPMP given the amount of enterprises included in the plan. This clause has been successfully applied in several stage I of approved HPMPs (e.g., HPMPs for Brazil<sup>8</sup> and Mexico<sup>9</sup>).

Recommendation: The Executive Committee might wish to maintain paragraph 7(d) in the Agreement on a case-by-case basis when a large number of enterprises are included in an HPMP, and verification of their eligibility could not be completed at the time the HPMP was submitted for consideration by the Executive Committee.

***Paragraph 7(e).*** The Country commits to examining the possibility of using pre-blended hydrocarbon systems with low-global warming potential blowing agents instead of blending them in-house, for those foam enterprises covered under the Plan umbrella project, should this be technically viable, economically feasible and acceptable to the enterprises.

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<sup>8</sup> UNEP/OzL.Pro/ExCom/64/25 and Add.1.

<sup>9</sup> UNEP/OzL.Pro/ExCom/64/39 and Add.1.

Member's comment: Delete, as the Agreement is no place to bring technology preferences for purposes that go beyond the Agreement's scope and purpose; and technical issues of projects are negotiated with the Secretariat.

Secretariat's comments: This clause would be only applicable to HPMPs that included conversion of foam enterprises to hydrocarbon-based technology. Accordingly, it could be included only in those specific cases.

Recommendation: The Executive Committee might wish to continue including paragraph 7(e) on a case-by-case basis where an HPMP includes conversion of foam enterprises to hydrocarbon-based technology.

**Paragraph 7(f).** *The Country agrees, in cases where HFC technologies have been chosen as an alternative to HCFCs, and taking into account national circumstances related to health and safety: to monitor the availability of substitutes and alternatives that further minimize impacts on the climate; to consider, in the review of regulations, standards and incentives, adequate provisions that encourage introduction of such alternatives; and to consider the potential for adoption of cost-effective alternatives that minimize the climate impact in the implementation of the HPMP, as appropriate, and inform the Executive Committee on the progress accordingly in tranche implementation reports.*

Members' comments: Delete, as monitoring is already addressed in clause 6 of the Agreement.

Suggest including it as an "additional" clause that could be used upon discussion with the country, not a clause for all Agreements (HFC is a sensitive issue not agreed within the Parties).

Suggest making reference to decision XIX/6 and including it in a separate section on "consideration of alternatives".

Secretariat's comments: The clause in paragraph 7(f) has been applied to stage I of HPMPs that included foam and/or refrigeration and air-conditioning enterprises to be converted to HFC-based technology (e.g., the introduction of HFC-245fa as a foam blowing agent in several enterprises in Indonesia)<sup>10</sup>. Accordingly, it could be included only on those specific cases.

Recommendation: The Executive Committee might wish to continue including paragraph 7(f) on a case-by-case basis where an HPMP includes conversion of foam and/or refrigeration and air-conditioning enterprises to an HFC-based technology.

**Paragraph 7(g).** *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.*

Member's comments: Alternative text: "Any remaining funds held by the bilateral or implementing agencies under the Plan will be returned to the Multilateral Fund only after completion of all the activities relating to the project and after the consent of the concerned National Ozone Unit. If the funding approved in the Agreement is not sufficient, the country could make a request for further financial assistance to the Executive Committee." The original language is not in line with the policies of the Fund. It should not only consider the remaining funding issues but also cases where the approved funding is not sufficient. The consent of the concerned

<sup>10</sup> UNEP/OzL.Pro/ExCom/64/34.

National Ozone Unit should be mandatory, as implementing agencies do not return the balance of funds directly.

Secretariat's comments: The clause in paragraph 7(g) is in line with the policies of the Multilateral Fund. Procedures for the return of funds from completed projects have been in place from the early years of the Multilateral Fund (e.g., decisions 28/7(a)<sup>11</sup> and 31/2(a)(i)<sup>12</sup>).

Recommendation: The Executive Committee might wish to maintain the text of paragraph 7(g) as currently stands.

**Paragraph 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;*
- (b) *The Country would take into consideration relevant actions that could minimize adverse climate impact when phasing out HCFC in the refrigeration servicing sector; and*
- (c) *The Country would be encouraged to consider, as needed and feasible, the development of regulations and codes of practice; the adoption of standards for the safe introduction of flammable and/or toxic refrigerants; the implementation of measures to limit the import of HCFC-based equipment and to facilitate the introduction of energy-efficient and climate-friendly alternatives; and implementation of activities in the refrigeration servicing sector on training of technicians and introduction of good service practices such as the safe handling of refrigerants, containment and recovery and recycling and reuse of refrigerants rather than retrofitting.*

Member's comments: Delete paragraph 8(c), as this matter should be dealt with at the HPMP approval stage. It does not make sense to have this section in HPMPs not dealing with the servicing sector.

No modifications to 8(a). Keep 8(b) as current version: "The country and relevant bilateral and/or implementing agencies will take into consideration decision 72/41 during the implementation of the Plan".

Not sure that it is necessary to repeat a decision in the Agreement. All guidance on HPMPs provided by Executive Committee decisions remains valid whether or not they are incorporated in the Agreement (selecting certain paragraphs from certain decisions may inadvertently lessen the importance of other decisions).

Secretariat's comments: The additional text added to paragraph 8 was extracted from decision 72/41 (on the refrigeration servicing sector), to replace the reference to the decision with the actual text of the decision. Based on the comments from members of the Executive Committee, reference could be made to all relevant decisions on the refrigeration servicing sector.

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<sup>11</sup> Project balances should be returned to the Multilateral Fund at the latest 12 months after project completion.

<sup>12</sup> To adopt the following guidelines for the return of unobligated balances from completed projects: implementing agencies should return remaining unobligated (unencumbered) balances as soon as possible, but not later than one year following project completion, specifying the amount returned by project.



Recommendation: The Executive Committee may wish to consider replacing paragraphs 8(b) and 8(c) with the following text: “The country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigerant servicing sector during the implementation of the Plan”. This text includes decision 72/41 as well as previous decisions relevant to the refrigeration servicing sector.

**Paragraph 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 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 decisions are taken, the specific case of non-compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.*

Member’s comments: Alternative paragraph (new text underlined for easy reference): “Should the Country, for any reason, including reasons attributing to delay on the part of Ex-Com in approving the tranche or delay in release of funds by the Implementing Agencies not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise not comply with this Agreement, then the Country agrees that it ~~will~~ may not be entitled to the Funding in accordance with the Funding Approval Schedule provided, however, that said non-compliance is not the result of actions of the Executive Committee, including, but not limited to, delays in approving and releasing the Funding associated with this Agreement. At the discretion of the Executive Committee, funding will be reinstated “[...] (text as in the draft template).

Secretariat’s comments: The Executive Committee has deferred approval of the entire stage of an HPMP when consensus has not been reached among all members of the Executive Committee (e.g., stage I of the HPMPs for China, Indonesia and Thailand). However, the Executive Committee has not delayed the approval of tranches of HPMPs, provided that they fulfil all the preconditions for their approval. Moreover in several cases, the Executive Committee has approved tranches when a country was at potential risk of non-compliance with its obligations under the Montreal Protocol, although not all the preconditions for approving the tranche had been met (e.g., second tranche of stage I of the HPMP for Bahrain<sup>13</sup>).

In general, funding of an approved project is disbursed from the Treasurer to the relevant implementing agencies soon after the meeting of the Executive Committee is concluded. Disbursement of funding between the relevant implementing agencies and the countries concerned is subject to conditions that are beyond the control of the Executive Committee (e.g., signature of bilateral agreements; opening of bank accounts).

<sup>13</sup> UNEP/OzL.Pro/ExCom/75/37.

Recommendation: The Executive Committee might wish to maintain the text of paragraph 11 as it currently stands.

**New paragraph 16 suggested by a member.** *This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.*

Secretariat's comments: This new paragraph 16 could be added, as Agreements between countries and the Executive Committee have already been modified by mutual agreement (e.g., Islamic Republic of Iran, Malaysia, Peru).

Recommendation: The Executive Committee might wish to include new paragraph 16 in the template Agreement.

**Appendix 4-A, paragraph 1(c).** *A written description of the activities to be undertaken until and including the year of the planned submission of the next tranche request during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and 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.*

Member's comments: Delete the words "implementation milestones", as the template should not focus on detailed information such as the milestone of an activity.

Secretariat's comments: Milestones are proposed in a stage of an HPMP; however, the milestones referred to in Appendix 4 are related to the tranche implementation reports and plans. Progress achieved (a pre-condition for release of tranches) can be objectively assessed and demonstrated against these specific milestones (e.g., sector plans included in stage I of the HPMP for China).

Recommendation: The Executive Committee might wish to maintain the text of paragraph 1(c) of Appendix 4-A as currently stands.

**New paragraphs suggested by a member in Appendix 6-A**

- (a) *Timely release of funds to the country/participating enterprises for completing the activities related to the project; and*
- (b) *Verification should be done before the submission of the last tranche report of the concerned calendar years. Verification may be done once in two calendar years.*

Secretariat's comments: Sub-paragraph (a) proposed above by one member could be included in Appendix 6-A of the Agreement. However, verification of HCFC consumption for all years where there is a consumption target should be maintained in line with existing policies and decisions of the Multilateral Fund (as explained under paragraph 5(b) above).

Recommendation: The Executive Committee might wish to add a new paragraph "Timely releasing funds to the country/participating enterprises for completing the activities related to the project" in Appendix 6-A of the template Agreement.

**Part III: Other comments from members of the Executive Committee**

Member's comments: Including in the Executive Committee decision adopting the Agreement the option to add text to the Agreement when the country is proposing total HCFC phase-out.

Secretariat's comments: No comments.

Recommendation: The Executive Committee might want to consider whether it would like to include the option to add text to Executive Committee decision adopting the Agreement when the country is proposing total HCFC phase-out.

Member's comments: Separating special clauses that do not apply to all cases (i.e., sub-paragraphs 7(c), (d), and (e)).

Secretariat's comments: The template Agreement includes several sub-paragraphs as reference. Only sub-paragraphs that are relevant to an HPMP are included in the draft Agreement submitted together with the HPMP for consideration by the Executive Committee.

Recommendation: The Executive Committee might wish to maintain the text of paragraph 7 and its sub-paragraphs as currently stands.

**Paragraph 7(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.*

Member's comments: Add the word "Report" to "Tranche Implementation Plan". It should then read "Tranche Report and Implementation Plan".

Secretariat's comments: As major changes are documented in advance for consideration on the Executive Committee, they should be included in the Tranche Implementation Plan, while Tranche Implementation Report includes activities already implemented.

Recommendation: The Executive Committee might wish to maintain paragraph 7(a) as currently stands.

**Paragraph 7(a)(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.*

Member's comments: Delete the words "programmes or".

Secretariat's comments: Agree.

Recommendation: The Executive Committee might wish to delete the words "programmes or" in paragraph 7(a)(iv) of the template Agreement.

**Secretariat's recommendation**

10. The Executive Committee may wish to consider:
- (a) Finalizing the template for draft agreements for stage II of HCFC phase-out management plans (HPMPs) in light of the comments made by the members of the Executive Committee and the Secretariat, and the specific recommendations by the Secretariat with regard to those comments; and
  - (b) Allowing flexibility to add text to the Agreement between the Government and the Executive Committee in cases where the country is proposing total HCFC phase-out.
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**Note:** Highlighting has been added to this template for a Draft Agreement to facilitate its completion. Once it is completed, it should be submitted without any highlighted text:

- Pink is used for all needed entries in the text and the tables.
- Green is used for optional additions related to manufacturing sector or technology, where applicable.
- Turquoise is used for the differentiation between one and several implementing agencies.

**Annex I**

**DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF [COUNTRY NAME] 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**

Text	Source
<p><b>Purpose</b></p> <p>1. This Agreement represents the understanding of the Government of [Country name] (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 [figure] ODP tonnes by 1 January [year] in compliance with Montreal Protocol schedule.</p> <p>2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in row [s] 4.1.3 [ , 4.2.3, ...] (remaining consumption eligible for funding).</p> <p>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”).</p> <p>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.</p>	<p>Text in this version has no changes from the previously agreed template for stage II (decision 73/33).</p> <p>Text in paras. 1 to 4 comes originally from stage I template (decision 61/46). Stage II template approved by decision 73/33 added in paragraph 4 the definition of “The Plan” for clarity (stage II template approved by decision 73/33 is in document 73/43 with the additions highlighted in yellow).</p>
<p><b>Conditions for funding release</b></p> <p>5. The Executive Committee will <del>not only</del> provide the Funding in accordance with the Funding Approval Schedule <del>unless when</del> 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:</p>	<p>Text in paragraph 5 (a), (b), (c) and (d) has no changes from the previously agreed template for stage II (decision 73/33), which is essentially the same</p>

<p>(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;</p> <p><u>(b)</u> That the meeting of these Targets has been independently verified <u>for all relevant years</u>, unless the Executive Committee decided that such verification would not be required;</p> <p><del>(b)</del><u>(c)</u> 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</p> <p><del>(e)</del><u>(d)</u> 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 <u>and</u>.</p>	<p>text used in stage I (decision 61/46), with editorial improvements (see highlighted text in document 73/43).</p> <p>No changes in 5(a) were required based on decision 74/18 on the 20% threshold required for fund disbursement.</p> <p>There are only few minor editorial improvements in this new template, which are marked as track changes.</p> <p>The Agreement for China stage I (document 67/39 Annex 10) includes additional conditions for the release of tranches for sector plans. It is not part of the template as it only applies in China.</p>
<p><del>(d)</del><u>(e)</u> <u>That, for the first tranche that is due on a year after the date of completion of the previous stage of the HPMP (as defined in paragraph 14 of the Agreement associated to the previous stage), all tranches from the previous stage have been completed, remaining funds have been returned to the Multilateral Fund (as established in paragraph 7 of the Agreement associated to the previous stage) and the corresponding project completion reports have been submitted to the Executive Committee.</u></p>	<p>New text added to encourage expeditious financial completion of stage I once activities are completed. While the need to monitor completion of stage I is recognized, some members and agencies expressed concerns that this condition could generate delays in tranche release given the time required for financial completion and return of balances of more than a year. Need to explore other options.</p>

<p><del>(e) That, for all submissions from the 68th meeting onwards, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and, where applicable, production and exports is in place and that the system is capable of ensuring the Country's compliance with the Montreal Protocol HCFC phase-out schedule for the duration of this Agreement.</del></p>	<p>This was a standard sub-paragraph in all stage I agreements. It was established by decision 63/17, and it has now been deleted in the present template as it is no longer relevant.</p>
<p><b>Monitoring</b></p> <p>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 the same appendix.</p>	<p>Text in this section has no changes from previously agreed template for stage II (decision 73/33), which does not differ from stage I (decision 61/46).</p>
<p><b>Flexibility in the reallocation of funds</b></p> <p>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:</p> <p>(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:</p> <ul style="list-style-type: none"> <li>(i) Issues potentially concerning the rules and policies of the Multilateral Fund;</li> <li>(ii) Changes which would modify any clause of this Agreement;</li> <li>(iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches; and</li> <li>(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;</li> </ul> <p>(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;</p>	<p>The text on flexibility in phase-out agreements was originally prepared based on decision 46/37. Text in this section (paragraph 7(a) and (b) has no changes from the previously agreed template for stage II (decision 73/33).</p>

<p>(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 <del>in incremental costs</del> related to the change of technology would decrease the overall funding level under this Agreement accordingly;</p>	<p>During the implementation of stage I, additional optional sub-paragraphs (in green) were included for cases with manufacturing sectors ((c), (d), (e)), or when HFCs were proposed as alternative (f). They are optional only to be used when needed. New edits proposed are in track changes.</p>
<p>(d) Any enterprise to be converted to non-HCFC technology included in the Plan and that would be found to be ineligible under the <u>guidelines policies</u> of the Multilateral Fund (i.e., due to foreign ownership or establishment post the 21 September 2007 cut-off date), <u>will would</u> not receive <u>financial</u> assistance. This information would be reported as part of the Tranche Implementation Plan;</p>	<p>As examples, text in (d) was used in Brazil, Dominican Republic, Egypt and Saudi Arabia; text in (e) was used in India and Mexico (stage I); and (f) was used in Bahamas, Indonesia Suriname and Thailand.</p>
<p>(e) The Country commits to examining the possibility of using pre-blended <del>hydrocarbon</del> systems <u>with low-global warming potential blowing agents</u> instead of blending them in-house, for those foam enterprises covered under the <u>Plan umbrella project</u>, should this be technically viable, economically feasible and acceptable to the enterprises;</p>	<p>Text in (f) is similar to the text proposed by one member at the 75<sup>th</sup> meeting; however, the proposal includes reference to decision XIX/6 and it would go in a separate section called</p>
<p>(f) The Country agrees, in cases where HFC technologies have been chosen as an alternative HCFC, and taking into account national circumstances related to health and safety: to monitor the availability of substitutes and alternatives that further minimize impacts on the climate; to consider, in the review of regulations standards and incentives adequate provisions that encourage introduction of such alternatives; and to consider the potential for adoption of cost-effective alternatives that minimize the climate impact in the implementation of the HPMP, as appropriate, and inform the Executive Committee on the progress accordingly in tranche implementation reports.</p>	<p>“Consideration of alternatives” in all Agreements. One member also suggested adding to the text “not-in-kind technologies in line with decision 75/40”.</p>
	<p>Please also note that the Secretariat recommends making sub-paragraphs (c) and (d) part of the</p>



	<p>template for all agreements rather than optional subparagraphs.</p>
<p>(g) 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.</p>	<p>Text in this version has no changes from the previously agreed template for stage II (decision 73/33). The original text comes from the stage I template (decision 61/46) with a few precisions (underlined for reference).</p>
<p><b>Considerations for the refrigeration servicing sector</b></p> <p>8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector included in the Plan, in particular:</p> <p>(a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; <del>and</del></p> <p><del>(b) The Country and the relevant bilateral and/or implementing agencies will</del> would take into consideration <u>relevant actions that could minimize adverse climate impact when phasing out HCFC in the refrigeration servicing sector; and</u></p> <p><del>(c) The Country would be encouraged to consider, as needed and feasible, the development of regulations and codes of practice; the adoption of standards for the safe introduction of flammable and/or toxic refrigerants; the implementation of measures to limit the import of HCFC-based equipment and to facilitate the introduction of energy-efficient and climate-friendly alternatives; and implementation of activities in the refrigeration servicing sector on training of technicians and introduction of good service practices such as the safe handling of refrigerants, containment and recovery and recycling and reuse of refrigerants rather than retrofitting.</del></p>	<p>Stage I version included reference to old decisions in the refrigeration servicing sector (41/100 and 49/6). Agreed template for stage II (decision 73/33) was updated to reflect the most recent decision (72/41).</p> <p>Proposed text included extracts from decision 72/41 in order to have the relevant text in the Agreement for reference.</p> <p>One member suggested at the 75<sup>th</sup> meeting to delete the text and simply make reference to the decision number as in the previous versions, including the agreed template for stage II (decision 73/33).</p>
<p><b>Bilateral and implementing agencies</b></p> <p>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. <u>[Lead agency name]</u> has agreed to be the lead implementing agency (the “Lead IA”) <u>[and [Cooperating agency name/names] has/have agreed to be the cooperating implementing agency/agencies (the “Cooperating IA[s]”) under the lead of the Lead IA]</u> in respect of the Country’s activities under this Agreement. The</p>	<p>Original text comes from stage I template (decision 61/46) and was used in the template for stage II (decision 73/33).</p>

<p>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 IA[s]] taking part in this Agreement.</p> <p>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). <del>[This responsibility includes the necessity to co-ordinate coordination with the Cooperating IA[s] to ensure appropriate timing and sequence of activities in the implementation.</del> The Cooperating IA[s] will support the Lead IA by implementing the <del>Plan activities listed in Appendix 6-B</del> under the overall co-ordination of the Lead IA. <del>The roles of the Lead IA and Cooperating IA[s] are contained in Appendix 6-A and Appendix 6-B, respectively.</del> The Lead IA and Cooperating IA[s] 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 IA[s]] with the fees set out in row[s] 2.2 [and 2.4...] of Appendix 2-A.</p>	<p>Minor editorial changes are now included for clarity (see track changes). Part of the text was moved to Appendix 6-A and 6-B on roles and responsibilities of the lead and cooperating agencies.</p>
<p><b>Non-compliance with the Agreement</b></p> <p>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 decisions are taken, the specific case of not compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.</p> <p>12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decisions that may affect the funding of any other consumption sector projects or any other related activities in the Country.</p> <p>13. The Country will comply with any reasonable request of the Executive Committee, [and] the Lead IA [and the Cooperating IA[s]] to facilitate implementation of this Agreement. In particular, it will provide the Lead IA [and the Cooperating IA[s]] with access to the information necessary to verify compliance with this Agreement.</p>	<p>Original text comes from stage I template (decision 61/46) and also used in the agreed template for stage II (decision 73/33).</p> <p>No changes have been introduced in this version.</p>
<p><b>Validity</b></p> <p>14. 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.</p>	<p>Original text comes from stage I template (decision 61/46) and also used in agreed template for stage II (decision 73/33).</p> <p>No changes have been introduced in this version.</p>

**APPENDICES**

**APPENDIX 1-A: THE SUBSTANCES**

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	
HCFC-123	C	I	
HCFC-124	C	I	
HCFC-141b	C	I	
HCFC-142b	C	I	
HCFC-225			
Sub-total			
HCFC-141b contained in imported pre-blended polyols	C	I	
Total	C	I	

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

Row	Particulars	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)							
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)							
2.1	Lead IA ([Lead agency name]) agreed funding (US \$)							
2.2	Support costs for Lead IA (US \$)							
2.3	Cooperating IA ([Cooperating agency name]) agreed funding (US \$)							
2.4	Support costs for Cooperating IA (US \$)							
3.1	Total agreed funding (US \$)							
3.2	Total support costs (US \$)							
3.3	Total agreed costs (US \$)							
4.1.1	Total phase-out of [substance 1] agreed to be achieved under this Agreement (ODP tonnes)							
4.1.2	Phase-out of [substance 1] to be achieved in the previous stage by approved projects (ODP tonnes)							
4.1.3	Remaining eligible consumption for [substance 1] (ODP tonnes)							
4.2.1	Total phase-out of [substance 2] agreed to be achieved under this Agreement (ODP tonnes)							
4.2.2	Phase-out of [substance 2] to be achieved in the previous stage by approved projects (ODP tonnes)							
4.2.3	Remaining eligible consumption for [substance 2] (ODP tonnes)							
4.3.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)							
4.3.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in the previous stage by approved projects (ODP tonnes)							
4.3.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyols (ODP tonnes)							

Text	Source
<p>*Date of completion of stage I <u>as per stage I Agreement</u>:</p>	<p>Footnote added to APPENDIX 2-A. It relates to the paragraph 5 (e) added above.</p>
<p><b>APPENDIX 3-A: FUNDING APPROVAL SCHEDULE</b></p> <p>15. Funding for the future tranches will be considered for approval at the <u>[first/second]</u> meeting of the year specified in Appendix 2-A.</p>	<p>Original text comes from stage I template (decision 61/46) and also used in agreed template for stage II (decision 73/33). No changes proposed.</p>
<p><b>APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS</b></p> <p>1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of five parts:</p> <p>(a) A narrative report, with data provided by <u>calendar-year tranche, regarding-describing</u> the progress <u>achieved</u> since <u>the year prior to</u> 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 the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, <u>to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions.</u> 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;</p> <p>(b) An independent verification report of the Plan results and the consumption of the Substances, 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;</p> <p>(c) A written description of the activities to be undertaken <u>until and including the year of the planned submission of the next tranche request during the period covered by the requested tranche,</u> highlighting <u>implementation milestones, the time of completion and</u> 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. <u>The description should cover the years specified in sub-paragraph 5(d) of the Agreement.</u> 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;</p>	<p>Original text comes from stage I template (decision 61/46) and also used in agreed template for stage II (decision 73/33).</p> <p>Editorial changes introduced for clarity are marked in track changes.</p> <p>In paragraph 1(c) the words “implementation milestones and time of completion” have been added as part of the information to include in the tranche implementation reports and plans.</p> <p>One member questioned at the 75<sup>th</sup> meeting the need for the text underlined in 1(a). In the Secretariat’s view this estimation could be undertaken at the end of the project rather than for each tranche. Therefore, the text could be adjusted accordingly.</p>

<p>(d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database. <del>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;</del> and</p> <p>(e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).</p>	<p>Text was reduced taking into account modifications to the MYA Table.</p>
<p>2. In the event that in a particular year <del>more than two one or more</del> stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:</p> <p>(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</p> <p>(b) If the stages under implementation have different HCFC consumption targets <u>under Appendix 2-A of each Agreement in a particular year</u>, the lower HCFC consumption target will be used as reference for compliance with <del>the HPMP</del> <u>these</u> Agreements and <u>will be the basis</u> for the independent verification.</p>	<p>Text in this paragraph was agreed with the stage II template (decision 73/33) in order to provide determine the approach to report when two stages are being implemented at the same time. It is now part of the template.</p>
<p><b>APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES</b></p> <p>1. <b>[THIS SECTION MUST BE COMPLETED BY THE COUNTRY AND THE LEAD AGENCY. It must provide a detailed and credible indication of how progress is to be monitored and which organizations will be responsible for the activities. Experience gained from implementing stage I of the HPMP should be taken into account, introducing the relevant updates and improvements.]</b></p>	<p>No changes from template for stage II (decision 73/33) or stage I (decision 61/46).</p>
<p><b>APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY</b></p> <p>1. The Lead IA will be responsible for a range of activities, including at least the following:</p> <p>(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;</p> <p>(b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;</p> <p>(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;</p>	<p>Subparagraph (f) was added in this version to reflect ExCom decision 74/19 on progress and verification reports required after the approval of the last tranche.</p> <p>Also, text removed from paragraph 10 was added here (subparagraphs (j) and (n)).</p>

- (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, ~~and should~~ ~~[-The reporting requirements include the reporting about activities undertaken-~~ ~~implemented~~ by the Cooperating IA[s];
- ~~(e)~~(f) In the event that the last funding tranche is requested one or more years prior to the last year for which a consumption target had been established, annual tranche implementation reports and, where applicable, verification reports on the current stage of the Plan should be submitted until all activities foreseen had been completed and HCFC consumption targets had been met;
- ~~(f)~~(g) Ensuring that appropriate independent technical experts carry out the technical reviews;
- ~~(g)~~(h) Carrying out required supervision missions;
- ~~(h)~~(i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- ~~(i)~~(j) [Co-ordinating the activities of the Cooperating IA[s], and ensuring appropriate sequence of activities;]
- ~~(j)~~(k) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country [and the Cooperating IA[s]], the allocation of the reductions to the different budget items and to the funding of the Lead IA and each Cooperating IA;
- ~~(k)~~(l) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (m) Providing assistance with policy, management and technical support when required.
- ~~(l)~~(n) Reaching consensus with the Cooperating IA[s] on the any planning, coordination and reporting arrangements required ~~regarding inter-agency planning including regular co-ordination meetings, reporting and responsibilities under this Agreement in order to facilitate~~ the a co-ordinated implementation of the Plan.

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 IA[s] 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 IA[s], and refer to the Lead IA to ensure a co-ordinated sequence in the activities; and

<p>(c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A.]</p> <p>(e)(d) Reaching consensus with the Lead IA on <del>the any planning, coordination and reporting arrangements required to facilitate the implementation of the Plan.</del></p>	
<p><b>APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY</b></p> <p>1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$[figure [for non-LVC the figure would be 2 times the cost-effectiveness of the project in \$/ODP kg; for LVC the amount would be US \$180]] per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, <u>on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.</u></p> <p>2. 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 <del>related that lead</del> 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.</p>	<p>Modifications to Appendix 7A were agreed for the stage II template (decision 73/33) to establish the basis to calculate the penalty when two stages are being implemented at the same time.</p> <p>For this new version, the text added in track changes establishes a cap to the size of the penalty. One member suggested removing the new text.</p>
<p><b>APPENDIX 8-A: SECTOR SPECIFIC ARRANGEMENTS</b></p> <p>1. Appendix 8-A is foreseen for situations where the Country and/or the Lead IA/Cooperating IA[s] wish to include in the Agreement any sector specific arrangements. This will be mostly the case for non-LVC's. Specifically, this Appendix can be used in cases where there have been sector plans or sector phase-out projects prior to the submission of the HPMP, which are subsumed into the HPMP and where the related conditions require reflection in this Agreement. The Appendix can also be used if the Country requests to extend the provisions of Appendix 2-A by adding sector-specific funding, phase-out schedules or additional responsibilities for the Lead IA/Cooperating IA[s]. In cases where Appendix 8-A is needed, a reference should be included at an appropriate point of the Agreement. If only minor arrangements are to be included, the reference could be included in one of the Appendices, in particular Appendix 6.</p> <p>2. <del>The heading for this Appendix 8-A should be deleted if no such additional arrangements are necessary.]</del></p>	<p>No changes from template for stage II (decision 73/33) or stage I (decision 61/46).</p>

## Annex II

### COMMENTS RECEIVED FROM MEMBERS OF THE EXECUTIVE COMMITTEE ON THE TEMPLATE FOR A DRAFT AGREEMENT FOR STAGE II OF HCFC PHASE-OUT MANAGEMENT PLANS

#### The Government of Australia

With respect to paragraph 5(e) of the draft template, we understand that the date of completion “as defined in paragraph 14 of the Agreement”, could include not only the date of completion in the original Agreement but a revised date of completion included in a progress report or a Tranche Implementation Plan. In order to make this point more clear, we suggest that this sentence reads as follows (addition in bold):

*That, for the first tranche that is due on a year after the date of completion of the previous stage of the HPMP (as defined in paragraph 14 of the Agreement associated to the previous stage, **or as revised in a progress report or Tranche Implementation Plan**), all tranches from the previous stage have been completed.*

We do not believe it is necessary to include the requirements about the remaining funds having been returned or the project completion reports being submitted before the tranche concerned is submitted. These requirements are covered by other processes and decisions of the ExCom and addressed under recurring agenda items. If there are delays in returning funds or submitting completion reports, these should be addressed within the context of these agenda items.

With respect to paragraph 7(c), since this paragraph says that a change of technology would require approval by the ExCom as part of a Tranche Implementation Plan, it essentially belongs as a sub-paragraph under 7(a) as one of the “major changes” to the Agreement requiring ExCom approval. The sub-paragraph could simply read:

*Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly.*

With respect to paragraph 8(c), while we recognize the importance of this paragraph, which originates from decision 72/41, we are not sure that it is necessary to repeat this paragraph in all HPMP agreements. All guidance on HPMPs provided by ExCom decisions remain valid whether or not they are incorporated in an Agreement, and selecting certain paragraphs from certain decisions may inadvertently lessen the importance of other ExCom decisions.

We note that while this template has been developed on the basis of experience with stage II HPMPs that aim to achieve an interim HCFC reduction, it is possible that it is also used for HPMPs that aim to achieve total phase-out. In such cases, it is possible that some changes to the template may be needed to reflect the fact that it would be a final rather than an interim stage agreement. Therefore, in adopting this format, the ExCom may want to note that in the case of stage II HPMPs which aims to achieve total phase-out, the Committee may consider some additional modifications to the format at the time such an HPMP is submitted.



### The Government of Brazil

The proposed Stage II draft agreement uses the clauses adopted by Mexico Stage II plus other changes identified during the process of approving HPMPs.

In fact, one can trace an evolution in the Stage I agreements from the earliest approvals to the last approvals – however those gradual changes were discussed and accepted by Countries individually and should not be used as starting point for additional changes for Stage II agreement that will become mandatory for all countries, once it is approved.

Therefore, we suggest that these special clauses are separated from the general agreement to be approved, and in a separate clause of the decision, include those that will be added if the HPMP to be approved is related to them.

We are concerned about some changes that may present some difficulties when implementing projects.

5(e)	<p>We believe that it will create lots of delays in the release of funds. The country and the progress phase out will be punished.</p> <p>Frequently many of the criteria cannot be fulfilled in one year after the closure of the previous stage. This could be a result of the delay of the implementing agency (not fault of the country), or the delay of the audit (IA and Country fault), or ongoing activities overarching the phases (refrigeration servicing) etc.</p> <p>If all activities have to be finished as suggested by the Secretariat - "<i>all tranches from the previous stage have been completed, remaining funds have been returned to the Multilateral Fund (as established in paragraph 7 of the Agreement associated to the previous stage) and the corresponding project completion reports have been submitted to the Executive Committee</i>", it would mean that e.g. in refrigeration servicing all activities in the first stage have to be completed and the funds returned. After this the same project has to be restarted again. This is not realistic (e.g. if you have a long term agreement with a training institute, then it has to finish, the remaining funds have to be de-obligated and a new one has to be concluded. This might cause legal problems and serious delays).</p>
7 (c)	<p>We propose to include this paragraph only in the agreements of countries whose HPMP contains industrial conversions.</p>
7 (d)	<p>We think it is not necessary to repeat what is already established as MLF policies. The issue is related to ExCom decisions and not to an agreement with a Country. Therefore, we think it is not necessary to have this clause in the agreements.</p>
7 (e) Using pre-blended systems	<p>We consider that the technical aspects of the projects are negotiated with the Secretariat and we should not include new different technical aspects in the text of the agreements. We propose to remove this clause.</p>
7 (f) HFC alternatives	<p>Considering that HFC issues are still sensitive and not a consensus within the Parties even though this clause had already been included in few Stage II HPMP agreement we propose to add it to the "additional" clauses, so it can be re-written considering national circumstances and after discussion with the Country involved.</p>
8 (b and c) Servicing sector	<p>We propose to maintain the original version including decision 72/41 as reference as was for the Brazilian Agreement.</p> <p>8. "Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector included in the Plan, in particular:</p> <p>(a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and</p> <p>(b) The Country and the relevant bilateral and/or implementing agencies will take into consideration decision 72/41 during the implementation of the Plan."</p>

### **The Government of India**

According to decision 75/66 of the Executive Committee, we would like to submit our comments on the template for draft agreement for stage II HPMP. Generally speaking, we think the template should be simple and streamlined with standard clauses, and it should be a reference for drafting an agreement between a country and the ExCom. We noticed that there are some comments at the MOP that the ExCom should provide more flexibility for countries in preparation and implementation of HPMPs. When preparing the template for the draft agreement for stage II HPMP, we should keep in mind that the agreement should be performance-based and that the country-driven approach should be followed to allow countries to retain the flexibility to determine the type of approach that would best enable Article 5 countries to meet their obligations under the Montreal Protocol. If there are specific issues under specific circumstances of a country that the ExCom thinks necessary to include in the agreement, it could be added to the agreement between the ExCom and the country instead of the template used for all countries.

Original clause	Proposed revision	Reason/comments
<p><b>Para. 3</b> 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”).</p>	<p>Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, <del>in principle,</del> to provide the funding set out in row 3.1 of Appendix 2-A to the Country. The Executive Committee will, <del>in principle,</del> provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).</p>	<p>Countries agree to meet the compliance target and the ExCom agrees to provide stable and sufficient funding for HCFC phase-out activities. It is not balanced with the word “in principal”.</p>
<p>Para. 5 (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required.</p>	<p>That the meeting of these Targets has been independently verified before the submission of the last tranche request by the country</p>	<p>Verification for each year may not be required as this would not only unnecessary increase the workload for both the country and the Implementing Agencies, but also delay the implementation process.</p>
<p><b>Para. 5 (e)</b> That, for the first tranche that is due on a year after the date of completion of the previous stage of the HPMP (as defined in paragraph 14 of the Agreement associated to the previous stage), all tranches from the previous stage have been completed, remaining funds have been returned to the Multilateral Fund (as established in paragraph 7 of the Agreement associated to the previous stage) and the corresponding project completion reports have been submitted to the Executive Committee.</p>	<p>Delete</p>	<p>This paragraph makes a future second stage tranche conditional on the completion of reporting and financial requirement of stage I, which would bring substantial risks of non-compliance for countries. Stage I HPMP and stage II HPMP are relatively separate projects addressing different compliance target. This paragraph would not help timely completion of reporting and financial requirement of stage I HPMP, on the contrary, it would bring a lot of difficulties and impede the implementation of stage II HPMP. What would happen if the country could not meet its subsequent target because new funds not approved?</p>
<p><b>Para 7.</b> 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:</p> <p>(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:</p> <p>(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;</p>	<p><b>Para 7.</b> 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:</p> <p>(a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation <del>Plan</del> <b>Report and</b> Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation <del>Plan</del> <b>Report and</b> Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:</p> <p>(iv) Provision of funding for <del>programmes or</del> activities not included in the current endorsed Tranche Implementation <del>Plan;</del> 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;</p> <p>(v) Changes due to change in national circumstances.</p>	<p>The language is not clear. Does that mean provision funding for or removal of those activities with a cost greater than 30 per cent of the total cost of the last approved tranche should be considered as major change? Please clarify.</p> <p>It is proposed to add this sub clause as any changes in national circumstances could have an impact on the project implementation and may need appropriate changes in the implementation modalities including cost and timelines.</p>

Original clause	Proposed revision	Reason/comments
<p><b>Para 7.(c)</b> 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 <del>Report and Plan or the revision of the approved Plan</del>. 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</p>	Delete	<p>This item may come from specific issues under specific circumstances of some countries, which should not be reflected in the template. The paragraph should not be used as standard clause or starting point of the template. If necessary, these issues should be considered on a case-by-case basis.</p> <p>Moreover, the country should have the flexibility within the overall framework of the agreement signed with the Ex-Com.</p>
<p><b>Para 7. (d)</b> Any enterprise to be converted to non-HCFC technology included in the Plan and that would be found to be ineligible under the <del>guidelines</del> policies of the Multilateral Fund (i.e., due to foreign ownership or establishment post the 21 September 2007 cut-off date), <del>will</del> would not receive financial assistance. This information would be reported as part of the Tranche Implementation Plan;</p>	Delete	<p>This language should not be in agreement. There is clear decision by Ex-Com that foreign owned enterprises are not eligible for funding. It is unnecessary to put the language here.</p> <p>Partial foreign owned enterprises in a few countries could be eligible.</p>
<p><b>Para 7. (e)</b> The Country commits to examining the possibility of using pre-blended <del>hydrocarbon</del> systems with low-global warming potential blowing agents instead of blending them inhouse, for those foam enterprises covered under the Plan <del>umbrella</del> project, should this be technically viable, economically feasible and acceptable to the enterprises; and</p>	Delete  The country would explore the possibility of using pre blended systems with technically viable, economically feasible, environmentally safe and non-ODS blowing agents.	<p>The paragraph should not be used as standard clause or starting point of the template. In addition, the agreement is not the place to bring in technology preferences for purposes that go beyond the agreement's scope and purpose.</p> <p>Technology issues are already addressed while approving the project. Hence the clause can be retained with the proposed modification.</p>
<p>Para 7. (f) The country agrees, in cases where HFC technologies have been chosen as an alternative HCFC, and taking into account national circumstances related to health and safety: to monitor the availability of substitutes and alternatives that further minimize impacts on the climate; to consider, in the review of regulations standards and incentives adequate provisions that encourage introduction of such alternatives; and to consider the potential for adoption of cost-effective alternatives that minimize the climate impact in the implementation of the HPMP, as appropriate, and inform the Executive Committee on the progress accordingly in tranche implementation reports.</p>	Delete	<p>This clause may not be required as monitoring has already been addressed in clause 6 of the proposed agreement.</p>
<p><b>Para 7. (fg)</b> 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.</p>	Any remaining funds held by the bilateral or implementing agencies <del>or the country</del> under the Plan will be returned to the Multilateral Fund <del>upon after completion of all activities of the last tranche</del> <u>are completed foreseen under this Agreement. If</u>	<p>Remaining funding should be returned to the MLF after all activities of the last tranche are completed. The original language is not in line with the policies of the MLF. We should not only consider the remaining funding issues but also the case</p>

Original clause	Proposed revision	Reason/comments
	<p><u>the funding approved in the agreement is not sufficient, the country could request for further financial assistance to the Executive Committee.</u></p> <p>Any remaining funds held by the bilateral or implementing agencies under the Plan will be returned to the Multilateral Fund only after completion of all the activities relating to the project and after the consent of the concerned NOU.</p>	<p>that the approved funding is not sufficient.</p> <p>Consent of the concerned NOU should be mandatory as Implementing Agencies do not return the balance funds directly.</p>
<p><b>Para 8</b> consideration for the refrigeration servicing sector</p>	<p>Decision 72/41 should not be included in the para</p>	<p>It is proposed that this section is deleted as the proposed clauses should be dealt with at the HPMP approval stage. In addition, it does not make sense to have this section in HPMPs not dealing with the servicing sector. By having language to “encourage” a country to do something specific, it means that each time a tranche implementation plan is reviewed, the ExCom can use the “encourage” clause to check whether the country has acted on the specific request or not.</p>
<p><b>Para 8 (c)</b> the county would be encouraged to consider, as needed and feasible, the development of regulations and codes of practice; the adoption of standards for the safe introduction of flammable and/or toxic refrigerants; the implementation of measures to limit the import of HCFC-based equipment and to facilitate the introduction of energy-efficient and climate-friendly alternatives; and implementation of activities in the refrigeration servicing sector on training of technicians and introduction of good service practices such as the safe handling of refrigerants, containment and recovery and recycling and reuse of refrigerants rather than retrofitting.</p>	<p>Delete</p>	
<p><b>Para. 11.</b> 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 IA 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</p>	<p>Should the Country, <del>for any reason</del>, including reasons attributing to delay on the part of Ex-Com in approving the tranche or delay in release of funds by the Implementing Agencies 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 <del>will may</del> not be entitled to the Funding in accordance with the Funding Approval Schedule <u>provided, however, that said non-compliance is not the result of actions of the Executive Committee, including, but not limited to, delays in approving and releasing the Funding associated with this Agreement.</u> At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee IA 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</p>	<p>If the ExCom’s action are detrimental to compliance, the country should not be punished.</p>

Original clause	Proposed revision	Reason/comments
<p>did not comply with this Agreement, and take related decisions. Once decisions are taken, the specific case of not compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.</p>	<p>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 decisions are taken, the specific case of not compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.</p>	
<p><b>Para. 15.</b> 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.</p>	<p>A new paragraph to be added after this one:  <a href="#">16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.</a></p>	<p>To reinforce that changes cannot be made by just one party to the agreement.</p>
<p><b>APPENDIX 4-A</b></p> <p>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 <del>calendar year</del> tranche, <del>regarding</del> describing the progress achieved since <del>the year prior to</del> 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 the amount of ODS phased 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;</p> <p>(c) A written description of the activities to be undertaken <del>until and including the year of the planned submission of the next</del></p>	<p><b>APPENDIX 4-A</b></p> <p>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 <del>calendar year</del> tranche, <del>regarding</del> describing the progress achieved since <del>the year prior to</del> 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 the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, <del>to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions.</del> 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;</p> <p>(c) A written description of the activities to be undertaken <del>until and including the year of the planned submission of the next</del></p>	<p>This explanation goes beyond the scope of project reporting, and it should be deleted.</p> <p>We don’t understand why such detailed information such as milestones of activities should be included in the tranche implementation plan. An HPMP aims to help countries to achieve the compliance target; the template should not focus on detailed information such as milestone of an activity.</p>

Original clause	Proposed revision	Reason/comments
<p><del>tranche request</del> during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and 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. <del>The description should cover the years specified in sub-paragraph 5(d) of the Agreement.</del> 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;</p>	<p><del>tranche request</del> during the period covered by the requested tranche, highlighting <del>implementation milestones,</del> the time of completion and 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. <del>The description should cover the years specified in sub-paragraph 5(d) of the Agreement.</del> 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;</p>	
<p><b>APPENDIX 6-A – Role of Implementing Agencies</b></p>	<p>To add the following:                      Timely release of funds to the country/participating enterprises for completing the activities relating to the project.                      6(a)f-Verification should be done before the submission of last tranche report for the concerned calendar years.                      Verification may be done once in two calendar years.</p>	<p>Quite often delay by Implementing Agencies cause delays to the project.</p>

We appreciate the great efforts the Secretariat has made to develop the template in order to facilitate the approval of HPMPs submitted by Article 5 countries. We would like to work with the Secretariat, the implementing agencies and other Ex-Com members at the future meetings to finalize the template as early as possible.

**The Government of Italy**

We would like to thank the Secretariat for updating the template, we noted that text from CRP submitted by Italy at the 75 ExCom meeting has been included, but we would also like to see reflected in the document a reference to the Decision XIX/6 and we appreciate the proposal to foresee a separate section on “Consideration of alternatives”.

With regard to para 5 e) we agree on the importance to promote expeditious financial completion of stage I once activities are completed, but at the same time we share the concerns that this pre-condition could generate delays in tranche release, given the time required to return balances. Probably we would need to demonstrate some flexibility, we would therefore welcome other options to be explored and proposed.

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