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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-fifth Meeting
Montreal, 25-29 May 2020
Postponed to 19-22 July 2020*

PROJECT PROPOSALS: MALAWI

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

Phase-out

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

* Due to coronavirus disease (COVID-19)

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Malawi

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (stage I)	UNEP (lead), UNIDO	62 nd	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2019	4.94 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2019	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Serviceing				
HCFC-22					4.94				4.94

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	10.80	Starting point for sustained aggregate reductions:	10.80
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	3.78	Remaining:	7.02

(V) BUSINESS PLAN		2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.4	0.4
	Funding (US \$)	39,550	39,550

(VI) PROJECT DATA			2010	2011-2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL	
Montreal Protocol consumption limits			n/a	n/a	10.80	10.80	9.72	9.72	9.72	9.72	9.72	7.02	n/a	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	10.80	10.80	9.72	9.72	9.72	9.72	9.72	7.02	n/a	
Agreed funding (US \$)	UNEP	Project costs	60,000	0	55,000	0	0	40,000	0	40,000	0	35,000	230,000	
		Support costs	7,800	0	7,150	0	0	5,200	0	5,200	0	4,550	29,900	
	UNIDO	Project costs	60,000	0	0	0	0	60,000	0	0	0	0	0	120,000
		Support costs	5,400	0	0	0	0	5,400	0	0	0	0	0	10,800
Funds approved by ExCom (US \$)	Project costs		120,000	0	55,000	0	0	100,000	0	40,000	0	0	315,000	
	Support costs		13,200	0	7,150	0	0	10,600	0	5,200	0	0	36,150	
Total funds requested for approval at this meeting (US \$)	Project costs		0	0	0	0	0	0	0	0	0	35,000	35,000	
	Support costs		0	0	0	0	0	0	0	0	0	4,550	4,550	

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Malawi, UNEP as the lead implementing agency, has submitted a request for funding for the fifth and final tranche of stage I of the HCFC phase-out management plan (HPMP) at the amount of US \$35,000, plus agency support costs of US \$4,550 for UNEP only.¹ The submission includes a progress report on the implementation of the fourth tranche, the verification report on HCFC consumption for 2016 to 2019 and the tranche implementation plan for 2020 to 2021.

Report on HCFC consumption

2. The Government of Malawi reported a consumption of 4.94 ODP tonnes of HCFCs for 2019, which is 54 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Malawi (2015-2019 Article 7 data)

HCFC-22	2015	2016	2017	2018	2019	Baseline
Metric tonnes	162.00	149.60	128.80	101.20	89.80	196.40
ODP tonnes	8.91	8.23	7.08	5.57	4.94	10.80

3. HCFC-22 is the only substance imported in Malawi and is used for servicing refrigeration and air-conditioning (RAC) equipment. The decrease in consumption of HCFC-22 is attributed to the enforcement of the license and quota system and regulations on the management of ODS; the implementation of the training programmes for Customs officers and refrigeration technicians under the HPMP; and the uptake of RAC equipment based on non-HCFC-22 refrigerants (i.e., R-410A, R-404A, and R-407C). There is also an increasing consumption of flammable refrigerants (i.e., R-600a and R-290) in the domestic and commercial sectors.

Country programme (CP) implementation report

4. The Government of Malawi reported HCFC sector consumption data under the 2019 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2016 to 2019 were correct (as shown in Table 1 above). The verification report included recommendations for strengthening the cooperation between the national ozone unit (NOU), Customs Department and other enforcement bodies; reconciling issued quotas and actual imports and data recording; control of illegal import of ODS; provision of refrigerant identifiers to Customs and continued training of Customs officers. UNEP confirmed that these recommendations will be implemented during the fifth tranche of the HPMP.

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

Legal framework

6. The Government of Malawi continues to implement an operational licensing and quota system for HCFC imports. It has also further adopted the Environmental Impact Assessment (EIA) guidelines, which also help to identify and safeguard against projects (i.e., new condominium buildings that need

¹ As per the letter of 5 March 2020 from the Environmental Affairs Department of Malawi to the Secretariat.

air-conditioning, and agro-industrial projects that require refrigeration) that might use ODS including HCFCs.

Refrigeration servicing sector

7. The following activities were implemented:

- (a) A total of 75 Customs officers (including 25 women) were trained on identification of refrigerants using an identifier, monitoring and prevention of illegal trade of ODS and ODS-dependent equipment, enforcement of licensing and quota system, and general Montreal Protocol issues; and
- (b) Two training sessions on good refrigeration service practices were conducted for 40 technicians (including eight women). The technicians have played a critical role in the dissemination of information on HCFC phase-out in the country to consumers, advising them on the type of refrigeration equipment and refrigerants that are legally accepted.

Project implementation and monitoring unit (PMU)

8. Project management is undertaken through the NOU, and other institutions involved in implementation of the HPMP, namely the National Ozone Committee, the Refrigeration Association of Malawi (RAM), the Malawi Revenue Authority (Customs Department), and the Ministry of Trade. There is regular collaboration and sharing of information between the NOU and these institutions. During the fourth tranche, two compliance monitoring visits were conducted to ascertain the actual usage of the approved import quotas by registered importers. The US \$5,000 for the PMU was used for staff and consultants (US \$2,000), for compliance monitoring visits (US \$2,000), and for office expenses (US \$1,000).

Level of fund disbursement

9. As of March 2020, of the US \$315,000 approved so far, US \$300,000 had been disbursed (i.e., US \$180,000 for UNEP and US \$120,000 for UNIDO) as shown in Table 2. The balance of US \$15,000 will be disbursed in 2020.

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

Tranche		UNEP	UNIDO	Total	Disbursement rate (%)
First	Approved	60,000	60,000	120,000	100
	Disbursed	60,000	60,000	120,000	
Second	Approved	55,000	0	55,000	100
	Disbursed	55,000	0	55,000	
Third	Approved	40,000	60,000	100,000	100
	Disbursed	40,000	60,000	100,000	
Fourth	Approved	40,000	0	40,000	63
	Disbursed	25,000	0	25,000	
Total	Approved	195,000	120,000	315,000	95
	Disbursed	180,000	120,000	300,000	

Implementation plan for the fifth and final tranche of the HPMP

10. The following activities will be implemented between June 2020 and December 2021:

- (a) Two training workshops on Montreal Protocol issues, regulations and legislation regarding ozone issues for enforcement for 60 Customs and enforcement officers (UNEP) (US \$10,000);
- (b) Two training sessions on good refrigeration service practices for 50 RAC technicians (UNEP) (US \$20,000); and
- (c) Continue monitoring implementation of HPMP activities (US \$5,000) including consultants to assist in monitoring imports and exports of HCFCs and HCFC-based equipment, training of RAC technicians, and collection of data (US \$4,000); and other expenses (US \$1,000) (UNEP).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

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

Legal framework

11. During the submission of the previous tranche, the Government of Malawi had indicated that the ban on import, sale and installation of HCFC-based equipment would be in place by January 2020. Upon clarification, UNEP explained that the Ministry of Justice and Constitutional Affairs are currently still finalizing these draft regulations and the enforcement date for this ban may have to change to be consistent with its approval date. While this ban may still be on track for this year, in the interim, the Government is in the meantime using the quota system to control imports and exports of HCFC refrigerants in order to comply with the provision of the Montreal Protocol.

12. The Government of Malawi has issued HCFC import quotas for 2020 at 4.4 ODP tonnes, which is lower than the Montreal Protocol control targets of 7.02 ODP tonnes for that year.

Refrigeration servicing sector

13. The Secretariat queried why for both the training of Customs officers and training of technicians, the number of trained people were below the target expected. UNEP explained that additional training courses were planned for the first quarter of 2020 but had to be postponed due to the COVID-19 pandemic; these courses will be implemented under the final tranche of stage I.

14. In responding to the Secretariat's query on the sustainability of the training programme and how good practices are performed by technicians, UNEP reported that the NOU in collaboration with RAM regularly check the service workshops where technicians had been trained to monitor the technicians' compliance with good practices in their servicing activities. While there are no sanctions for those who do not comply, the regular monitoring ensures that each service workshop is up to date with servicing techniques. In addition, RAM has taken the lead in conducting the training for technicians at the centres of excellence, which are equipped with servicing tool kits.

Project implementation and monitoring unit (PMU)

15. In clarifying those activities that may be similar to those being implemented under the institutional strengthening (IS) project, UNEP explained that the monitoring done under the HPMP is to ensure that all project components are being implemented as planned and are achieving the proposed outcomes. The IS project is associated with broader policy aspects of the Montreal Protocol including data reporting.

Gender policy implementation²

16. The Secretariat noted that there are two female staff at the NOU and that during the implementation of the fourth tranche, the Government of Malawi and UNEP trained 25 female Customs officers and eight female refrigeration technicians. UNEP emphasized that the NOU will continue tracking gender in training and technical assistance programmes; the NOU will discuss with RAM and the managers of the centres of excellence to ensure that female technicians have the same opportunities to develop their career. Furthermore, specific indicators related to gender will be reported as part of tranche requests of stage II of the HPMP.

Sustainability of the HCFC phase-out

17. The Government of Malawi has integrated ODS regulations and the Customs and Excise Act into the Customs training curricula. The training has enhanced the capacity of enforcement officers to monitor illegal trade on ODS and ODS-based equipment. Regular visits of the NOU and the RAM to the service workshops ensure technicians' compliance with good service practices. These actions will be supported by a technician certification scheme to be put in place in stage II of the HPMP, as well as upgrading the national refrigeration codes of practice. All these aforementioned measures would ensure the sustainability of the HCFC phase-out in the country.

Conclusion

18. The HCFC consumption in 2019 of 4.94 ODP tonnes was 49 per cent below the country's Agreement target. The Government has an operational licensing and quota system which had been instrumental in controlling the imports of HCFCs in the country. Training continues to be provided to both Customs and enforcement officers and service technicians which has built capacity of these stakeholders, as well as a certification programme of technicians which is being proposed in stage II of the HPMP. Implementation of all activities are proceeding well, and the project has reached an overall disbursement rate of 95 per cent. The country will complete stage I of the HPMP in accordance with its Agreement with the Executive Committee.

RECOMMENDATION

19. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the fourth tranche of stage I of the HCFC phase-out management plan of (HPMP) for Malawi; and further recommends blanket approval of the fifth and final tranche of stage I of the HPMP for Malawi, and the corresponding 2020-2021 tranche implementation plan, at the funding level shown in the table below:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, fifth tranche)	35,000	4,550	UNEP

² Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Malawi

(I) PROJECT TITLE	AGENCY
HCFC phase-out plan (stage II)	UNEP (lead), UNIDO

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2019	4.94 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							Year: 2019	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration	Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing			
HCFC-22					4.94			4.94

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	10.80	Starting point for sustained aggregate reductions:	10.80
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	3.78	Remaining:	7.02

(V) BUSINESS PLAN		2020	2021	2022	Total
UNEP	ODS phase-out (ODP tonnes)	0.55	0.00	0.00	0.55
	Funding (US \$)	65,000	0	0	65,000
UNIDO	ODS phase-out (ODP tonnes)	1.50	0.00	1.50	3.00
	Funding (US \$)	70,850	0	71,000	141,850

(VI) PROJECT DATA			2020	2021-2024	2025	2026-2029	2030	Total
Montreal Protocol consumption limits			7.02	7.02	3.51	3.51	0.27	n/a
Maximum allowable consumption (ODP tonnes)			7.02	7.02	3.51	3.51	0.00	n/a
Projects costs requested in principle (US \$)	UNEP	Project costs	205,000	0	160,000	0	85,000	450,000
		Support costs	26,650	0	20,800	0	11,050	58,500
	UNIDO	Project costs	100,000	0	100,000	0	0	200,000
		Support costs	9,000	0	9,000	0	0	18,000
Total project costs requested in principle (US \$)			305,000	0	260,000	0	85,000	650,000
Total support costs requested in principle (US \$)			35,650	0	29,800	0	11,050	76,500
Total funds requested in principle (US \$)			340,650	0	289,800	0	96,050	726,500

(VII) Request for funding for the first tranche (2020)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNEP	205,000	26,650
UNIDO	100,000	9,000
Total	305,000	35,650
Funding request:	Approval of funding for the first tranche (2020) as indicated above	

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

20. On behalf of the Government of Malawi, UNEP as the lead implementing agency, has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at a total cost of US \$726,500, consisting of US \$450,000, plus agency support costs of US \$58,000 for UNEP, and US \$200,000, plus agency support costs of US \$18,000 for UNIDO as originally submitted.³ The implementation of stage II of the HPMP will phase out the remaining eligible consumption of HCFCs to meet the target of 67.5 per cent reduction in HCFC baseline consumption by 2025 and 100 per cent reduction by 2030.

21. The first tranche for stage II being requested at this meeting amounts to US \$340,650, consisting of US \$205,000, plus agency support costs of US \$26,650 for UNEP, and US \$100,000, plus agency support costs of US \$9,000 for UNIDO, as originally submitted.

Status of implementation of stage I of the HPMP

22. Stage I of the HPMP was approved at the 62nd meeting⁴ to meet the 35 per cent reduction from the baseline by 2020 at a total cost of US \$350,000, plus agency support costs, to phase out 3.78 ODP tonnes of HCFC-22. Funding tranches were approved at the 70th, 77th, and 81st meetings. The progress in the implementation of stage I of the HPMP, including an analysis of the HCFC consumption; the progress and financial reports on the implementation; and the request for the fifth and final tranche submitted to the present meeting, is presented in paragraphs 1 to 19 of the present document.

Stage II of the HPMP

Remaining consumption eligible for funding in Malawi

23. After deducting 3.78 ODP tonnes of HCFC-22 associated with stage I of the HPMP, the remaining consumption eligible for funding in stage II amounts to 7.02 ODP tonnes of HCFC-22. The results of the survey conducted for the HPMP preparation established that Malawi has about 1,500 technicians (i.e., 520 with formal/professional training and over 1,000 with on-job-training). There are 72 registered RAC service workshops and about 30 non-registered workshops. Most of the informal technicians service domestic equipment while formal technicians service all kinds of refrigeration equipment.

HCFC phase-out strategy and proposed activities in stage II of the HPMP

24. Stage II of the HPMP will focus on strengthening the HCFC licensing and quota system, promoting the transition to low global-warming potential (GWP) technologies in the refrigeration and air-conditioning (RAC) sector, implementing legal instruments related to the safe use of new technologies, further strengthening the capacity of the servicing sector, , and establishing a certification scheme for technicians. The lessons learned and infrastructure established during the implementation of stage I of the HPMP will be utilized in stage II. The Government of Malawi is committing not to use any HCFCs after 2030.

Proposed activities in stage II of the HPMP

25. Stage II proposes the following activities:

- (a) Strengthening the enforcement of ODS regulations including training of trainers, facilitation of border dialogues, training workshops for Customs and other enforcement

³ As per the letter of 5 February 2020 from the Environmental Affairs Department of Malawi to the Secretariat.

⁴ UNEP/OzL.Pro/ExCom/62/39

officers (UNEP) (US \$80,000), procurement of refrigerant identifiers (UNIDO) (US \$20,000);

- (b) Development and implementation of technical standards in the RAC sector for safe use of energy efficient low-GWP RAC equipment and promotion of green procurement; training of the national ozone unit (NOU) staff, standard officers, environmental inspectors and procurement officers on the enforcement of RAC standards and green procurement process; and implementation of awareness workshops to enhance compliance with standards for RAC technicians, importers, and industry representatives (UNEP) (US \$130,000);
- (c) Strengthening capacity of RAC technicians and establishment of a certification scheme; conduct consultations with stakeholder for the revision of national codes of practice and the training curriculum for technicians; implementation of training sessions for RAC technicians; strengthening the Refrigeration Association of Malawi (RAM) and training institutes; and conducting awareness raising activities among end-users on the introduction of RAC equipment based on non-HCFC-22 refrigerant (UNEP) (US \$190,000); and
- (d) Strengthening the centres of excellence and providing technical assistance to develop a business model for the operation of a refrigerant reclaim centre; establishing of and provision of equipment and tools to three reclaim centres (e.g., reclaim unit for multiple refrigerants, refrigerant identifiers, cylinders, recovery units, and scale) and complementary equipment to three existing centres of excellence that were previously established (e.g., portable charging stations, electronic gauge manifold for multiple refrigerants, leak detectors, brazing units, and safety tools) (UNIDO) (US \$180,000).

Project implementation, monitoring and reporting (PMU)

26. The Environmental Affairs Department (EAD) within the Ministry of Natural Resources, Energy and Mining is the responsible authority for the implementation of the Montreal Protocol in Malawi. The NOU within the EAD is the lead agency that will coordinate the implementation of stage II of the HPMP. Other key institutions involved are the National Ozone Committee, an advisory body of the NOU, RAM, and Customs and Excise Department.

27. A total of US \$50,000, will be allocated for project monitoring and evaluation activities (UNEP) to cover payment of staff and consultants for the preparation of annual action plans and progress and financial reports, monitoring and evaluation of project activities, and inclusion of gender equality (US \$30,000); travel and compliance monitoring visits (US \$10,000), and coordination meetings with stakeholders (US \$10,000).

Total cost of stage II of the HPMP

28. The total cost of stage II of the HPMP amounts to US \$650,000, as originally submitted for achieving 100 per cent reduction from its HCFC baseline consumption by 2030 which is in accordance with decision 74/50(c)(xii) on the eligible funding level for a low-volume consuming country (i.e., US \$1,000,000 for the total phase-out minus US \$350,000 that had been approved for the 35 per cent reduction in 2020). The cost breakdown and activities planned in stage II of the HPMP are described in paragraphs 25 and 27 above.

Activities planned for the first tranche of stage II

29. The funds requested for the first tranche of stage II amounts to US \$305,000, will be implemented from July 2020 to December 2024 and will include the following activities:

- (a) *Strengthening enforcement and monitoring of ODS regulations and related policies:* training of 150 Customs and enforcement officers on HCFC control measures and implementation of the informal Prior Informed Consent (iPIC) mechanism, facilitation of one border dialogue (UNEP) (US \$40,000) and procurement and distribution of five refrigerant identifiers to Customs border posts (UNIDO) (US \$20,000);
- (b) *Development of RAC technical standards:* engagement of a national expert, implementation of a stakeholder consultation workshop; publication and dissemination of standards; and implementation of two training workshops for capacity building of standards officers, environmental inspectors and other key stakeholders on monitoring and enforcement of technical standards in the RAC sector for 30 participants per workshop (UNEP) (US \$45,000);
- (c) *Promotion of green procurement of RAC systems:* development of policies for green procurement of RAC equipment for public institutions; training of 20 public procurement officers on criteria to be implemented during procurement of green RAC systems; implementation of two workshops with 25 participants each to sensitize the public on benefits of adopting and using RAC systems based on low-GWP refrigerants (UNEP) (US \$25,000);
- (d) *Establishment of a certification scheme, capacity building of RAC technicians and upgrade of national codes of practice for servicing RAC systems:* engagement of an expert for development of the RAC certification scheme; implementation of a stakeholder consultation workshop on formulation of an effective RAC certification scheme; implementation of two training sessions on the certification process with 30 participants each; engagement of a national expert to update the national codes of practice for RAC servicing; implementation of two training workshops for 40 RAC technicians on good servicing practices; and updating of training manual and strengthening of RAM (UNEP) (US \$75,000);
- (e) *Strengthening the centres of excellence and technical assistance:* development of a business model for refrigerant reclaim centre including terms of reference for reclaim centre host, procurement and distribution of complementary tools and equipment for three centres of excellence (e.g. brazing kits; four-valve manifold gauge sets for multiple refrigerants; portable charging stations for flammable refrigerants; and recovery units for refrigerants including flammable refrigerants; and procurement of equipment for one reclaim centre (UNIDO) (US \$80,000); and
- (f) Monitoring and evaluation (UNEP) (US \$20,000) for personnel and consultants (US \$10,000); travel and compliance monitoring visits (US \$5,000), and consultative workshops (US \$5,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

30. The Secretariat reviewed stage II of the HPMP in light of stage I, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2020-2022 business plan of the Multilateral Fund.

Commitment by the Government for a complete phase-out of HCFCs by 2030

31. The Government of Malawi submitted a letter indicating its commitment to achieve 100 per cent reduction of its HCFC baseline consumption and meet compliance with the Montreal Protocol measures, by 2030, and that the country will not require any HCFC for servicing needs after 2030.

Technical issues

32. In clarifying the component related to the development of policies for green procurement of RAC equipment UNEP explained there is limited knowledge and information on green procurement within the public and private institutions; the proposed activity will guide institutions to procure environmentally friendly and energy efficient RAC equipment. The development of technical standards will ensure that the equipment will be installed properly and serviced efficiently, and will provide guidance to the country related to the management of flammable and toxic refrigerants.

33. With regard to the certification scheme for technicians, UNEP clarified that certification will apply to both the technicians that have received formal training and those who have not received it. While it will take time to fully institutionalize this certification programme, the immediate priority will be to operationalize the legal framework that will support the process. In addition, UNEP emphasized that with the development of the standards and the consequent training that will follow, the RAC servicing sector will be encouraged to fully implement the codes of good practice during servicing RAC systems.

Impact on the climate

34. The proposed activities in the servicing sector, which include better containment of refrigerants through training and provision of equipment, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO₂-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Malawi indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, therefore resulting in benefits for the climate.

Co-financing

35. The Government of Malawi has committed in-kind contribution for the implementation of stage II of the HPMP, through logistical and personnel support whenever required.

2020-2022 business plan of the Multilateral Fund

36. UNEP and UNIDO are requesting US \$650,000 plus agency support costs, for the implementation of stage II of the HPMP for Malawi. The total value requested of US \$340,650 including agency support costs, is US \$133,800 above the amount in the business plan for the period 2020–2022.

Draft Agreement

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

RECOMMENDATION

38. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Malawi for the period 2020 to 2030 for the complete phase-out of HCFC consumption, in the amount of US \$726,500, consisting of US \$450,000, plus agency support costs of

US \$58,500 for UNEP, and US \$200,000, plus agency support costs of US \$18,000 for UNIDO;

- (b) Noting the commitment of the Government of Malawi to completely phase out HCFCs by 1 January 2030, and that HCFC would not be imported after that date;
- (c) Deducting 7.02 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Approving the draft Agreement between the Government of Malawi and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II of the HPMP, contained in Annex I to the present document; and
- (e) Approving the first tranche of stage II of the HPMP for Malawi, and the corresponding tranche implementation plans, in the amount of US \$340,650, consisting of US \$205,000, plus agency support costs of US \$26,650 for UNEP, and US \$100,000, plus agency support costs of US \$9,000 for UNIDO.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF MALAWI 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

Purpose

1. This Agreement represents the understanding of the Government of Malawi (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 zero ODP tonnes by 1 January 2030 in compliance with Montreal Protocol schedule.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in row 4.1.3 (remaining consumption eligible for funding).
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).
4. The Country agrees to implement this Agreement in accordance with the stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

Conditions for funding release

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;
 - (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;
 - (c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each

previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and

- (d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4A 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.

Monitoring

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.

Flexibility in the reallocation of funds

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all of the approved funds, according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

- (a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:
 - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
 - (ii) Changes which would modify any clause of this Agreement;
 - (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches;
 - (iv) Provision of funding for 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; and
 - (v) 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;
- (b) Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report;
- (c) 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; and

- (d) 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.

Considerations for the refrigeration servicing sector

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sector included in the Plan, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) The Country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

Bilateral and implementing agencies

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. United Nations Environment Programme (UNEP) has agreed to be the lead implementing agency (the “Lead IA”) and United Nations Industrial Development Organization (UNIDO) has agreed to be the cooperating implementing agency (the “Cooperating IA”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The Cooperating IA will support the Lead IA by implementing the Plan under the overall co-ordination of the Lead IA. The roles of the Lead IA and Cooperating IA are contained in Appendix 6-A and Appendix 6-B, respectively. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 2.2 and 2.4 of Appendix 2A.

Non-compliance with the Agreement

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each ODP kg of reductions in consumption not achieved in any one year. The Executive

Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once 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.

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.

13. The Country will comply with any reasonable request of the Executive Committee, the Lead IA and the Cooperating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IA with access to the information necessary to verify compliance with this Agreement.

Date of completion

14. The completion of the Plan and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

Validity

15. All of the conditions set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	10.8

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2020	2021-2024	2025	2026-2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	7.02	7.02	3.51	3.51	0.27	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	7.02	7.02	3.51	3.51	0.00	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	205,000	0	160,000	0	85,000	450,000
2.2	Support costs for Lead IA (US \$)	26,650	0	20,800	0	11,050	58,500
2.3	Cooperating IA (UNIDO) agreed funding (US \$)	100,000	0	100,000	0		200,000
2.4	Support costs for Cooperating IA (US \$)	9,000	0	9,000	0		18,000

Row	Particulars	2020	2021-2024	2025	2026-2029	2030	Total
3.1	Total agreed funding (US \$)	305,000	0	260,000	0	85,000	650,000
3.2	Total support costs (US \$)	35,650	0	29,800	0	11,050	76,500
3.3	Total agreed costs (US \$)	340,650	0	289,800	0	96,050	726,500
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)						7.02
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)						3.78
4.1.3	Remaining eligible consumption for HCFC (ODP tonnes)						0.0

*Date of completion of stage I as per stage I Agreement: 31 December 2021]

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

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

- (a) A narrative report, with data provided by tranche, describing the progress achieved since 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;
- (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;
- (c) A written description of the activities to be undertaken 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 also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;
- (d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and

- (e) An Executive Summary of about five paragraphs, summarizing the information of the above subparagraphs 1(a) to 1(d).
2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:
- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and
 - (b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The national ozone unit (NOU) will submit annual progress reports of status of implementation of the HPMP to the Lead IA.
2. Monitoring of development of the HPMP and verification of the achievement of the performance targets, specified in the Plan, will be assigned to independent local company or to independent local consultants by the Lead IA.

APPENDIX 6-A: ROLE OF THE LEAD-IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:
- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
 - (b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4A;
 - (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
 - (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
 - (e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee, and should include the activities implemented by the Cooperating IA;
 - (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;
 - (g) Ensuring that appropriate independent technical experts carry out the technical reviews;

- (h) Carrying out required supervision missions;
- (i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (j) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
- (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, the allocation of the reductions to the different budget items and to the funding of the Lead IA and Cooperating IA;
- (l) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (m) Providing assistance with policy, management and technical support when required;
- (n) Reaching consensus with the Cooperating IA on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan; and
- (o) Timely releasing funds to the Country/participating enterprises for completing the activities related to the project.

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 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, and refer to the Lead IA to ensure a co-ordinated sequence in the activities;
- (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A; and
- (d) Reaching consensus with the Lead IA on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, 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.

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 that lead 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.
