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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-seventh Meeting
Montreal, 28 June-2 July 2021¹

PROJECT PROPOSAL: EL SALVADOR

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

Phase-out

- HCFC phase-out management plan (stage II, first tranche) UNDP and UNEP

¹ Online meetings and an intersessional approval process will be held in June and July 2021 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

El Salvador

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

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2020	2.74 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2020	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				0.00	2.74				2.74

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	11.68	Starting point for sustained aggregate reductions:	16.62
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	9.02	Remaining:	7.59

(V) BUSINESS PLAN		2021	2022	2023	Total
UNDP	ODS phase-out (ODP tonnes)	0.00	0.00	0.00	0.00
	Funding (US \$)	0	0	0	0
UNEP	ODS phase-out (ODP tonnes)	0.30	0.00	0.00	0.30
	Funding (US \$)	41,973	0	0	41,973

(VI) PROJECT DATA		2021	2022-2023	2024	2025	2026	2027	2028	2029	2030	Total	
Montreal Protocol consumption limits		7.59	7.59	7.59	3.80	3.80	3.80	3.80	3.80	0	n/a	
Maximum allowable consumption (ODP tonnes)		5.42	3.44	3.44	2.88	2.32	2.32	0.29	0.29	0	n/a	
Projects costs requested in principle (US \$)	UNDP	Project costs	169,000	0	244,255	0	124,745	0	0	65,000	0	603,000
		Support costs	11,830	0	17,098	0	8,732	0	0	4,550	0	42,210
	UNEP	Project costs	26,000	0	17,000	0	4,000	0	0	0	0	47,000
		Support costs	3,380	0	2,210	0	520	0	0	0	0	6,110
Total project costs requested in principle (US \$)		195,000	0	261,255	0	128,745	0	0	65,000	0	650,000	
Total support costs requested in principle (US \$)		15,210	0	19,308	0	9,252	0	0	4,550	0	48,320	
Total funds requested in principle (US \$)		210,210	0	280,563	0	137,997	0	0	69,550	0	698,320	

(VII) Request for approval of funding for the first tranche (2021)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	169,000	11,830
UNEP	26,000	3,380
Total	195,000	15,210

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

Background

1. On behalf of the Government of El Salvador, UNDP 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 \$698,320, consisting of US \$603,000, plus agency support costs of US \$42,210 for UNDP, and US \$47,000, plus agency support costs of US \$6,110 for UNEP, as originally submitted.² The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.

2. The first tranche of stage II of the HPMP being requested at this meeting amounts to US \$210,210, consisting of US \$169,000, plus agency support costs of US \$11,830 for UNDP, and US \$26,000, plus agency support costs of US \$3,380 for UNEP, as originally submitted.

Status of implementation of stage I of the HPMP

3. Stage I of the HPMP for El Salvador was originally approved at the 65th meeting³ and revised at the 74th meeting⁴ to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US \$1,074,277, plus agency support costs, to phase out 9.02 ODP tonnes of HCFCs (including 4.94 ODP tonnes of HCFC-141b contained in imported pre-blended polyols) used in the polyurethane (PU) foam manufacturing and refrigeration and air-conditioning (RAC) servicing sectors. The approved funding also included institutional strengthening (IS) at the level of US \$285,000 for nine years starting July 2011. The fourth and final tranche of stage I of the HPMP was approved under the intersessional approval process for the 86th meeting (IAP-86) in December 2020; stage I will be completed by 31 December 2021.

HCFC consumption

4. The Government of El Salvador reported a consumption of 2.74 ODP tonnes of HCFC in 2020, which is 76 per cent below the HCFC baseline for compliance. The 2016-2020 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in El Salvador (2016-2020 Article 7 data)

HCFC	2016	2017	2018	2019	2020	Baseline
Metric tonnes						
HCFC-22	116.33	116.63	77.84	62.59	49.75	148.13
HCFC-123	0.64	0.41	0.64	0.00	0.14	2.65
HCFC-124	0.00	0.00	0.00	0.00	0.00	4.89
HCFC-141b	0.00	0.00	0.00	0.00	0.00	30.39
HCFC-142b	0.00	0.00	0.00	0.00	0.00	0.47
Total (mt)	116.97	117.04	78.48	62.59	49.89	186.51
HCFC-141b in imported pre-blended polyols*	0.00	0.00	0.00	0.00	0.00	44.87**
ODP tonnes						
HCFC-22	6.40	6.41	4.28	3.44	2.74	8.15
HCFC-123	0.01	0.01	0.01	0.00	0.00	0.05
HCFC-124	0.00	0.00	0.00	0.00	0.00	0.11
HCFC-141b	0.00	0.00	0.00	0.00	0.00	3.34
HCFC-142b	0.00	0.00	0.00	0.00	0.00	0.03
Total (ODP tonnes)	6.41	6.42	4.29	3.44	2.74	11.7

² As per the letter of 8 March 2021 from the Ministry of Environment and Natural Resources (MARN) of El Salvador to UNDP.

³ UNEP/OzL.Pro/ExCom/65/33, Annex XIII of UNEP/OzL.Pro/ExCom/65/60

⁴ Annex XIII of UNEP/OzL.Pro/ExCom/74/56

HCFC	2016	2017	2018	2019	2020	Baseline
HCFC-141b in imported pre-blended polyols*	0.00	0.00	0.00	0.00	0.00	4.94**

* Consumption of HCFC-141b contained in imported pre-blended polyols has not been reported under the CP implementation report since 2011.

** Average use between 2007 and 2009.

5. Consumption of HCFCs has shown an overall decreasing trend attributed to the activities of the HPMP, in particular the training of RAC technicians which has reduced leakage of refrigerants from RAC equipment and the strict enforcement of the licensing and quota system; the use of non-HCFC-based equipment in public projects, restrictions on the purchase of HCFC-22-based RAC equipment, and market and economic conditions. HCFC-22-based air-conditioning (AC) is also being replaced by R-410A-based units because of its low price and higher energy efficiency.

Country programme (CP) implementation report

6. The Government of El Salvador reported HCFC sector consumption data under the 2020 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

Status of progress and disbursement

ODS policy and regulatory framework

7. The Government of El Salvador has had a regulatory framework to control ODS consumption since 2000, an established quota system for import of HCFCs since April 2013, and banned the import and use of HCFC-141b, in bulk and contained in imported pre-blended polyols, since 1 January 2015. Currently, the country is finalizing the adoption of the common Central American customs codes for the import and export licensing and quota system, and is drafting a certification system for RAC technicians and a standard for evaluating labour competencies in good refrigeration practices in cooperation with the National Institute of Vocational Training (INSAFORP).

8. During the first three tranches, a total of 73 customs officers received training on ODS control and inspection of ODS imports, 39 enforcement officers received training on authorization, control and inspection of ODS imports, and 10 importers received training on hydrocarbon (HC) refrigerants and equipment and tools for correct tariff classification.

9. During the IAP-86, the Executive Committee requested UNDP, as the lead implementing agency, to provide an update on progress towards implementing the recommendations in the verification report submitted to the 86th meeting.⁵ UNDP reported that further to discussions with the NOU, the following activities will be implemented during the fourth tranche (approved at the 86th meeting): the NOU will request the designation of a focal point in customs to facilitate the information exchange and control and MARN will implement new procedures to improve the control of the quotas and licences granted, including an internal double check procedure and periodic information exchanges.

⁵ UNEP/OzL.Pro/ExCom/86/48

Polyurethane (PU) foam sector

10. The three PU foam manufacturing enterprises included in stage I of the HPMP successfully completed their conversions to methyl formate resulting in the phase out of 8.31 ODP tonnes of HCFC-141b contained in imported pre-blended polyols.⁶

Refrigeration servicing sector

11. During the first three tranches, a total of 20 trainers and 1,719 RAC technicians (19 of whom were women) were trained in the safe use of flammable refrigerants (i.e., R-600a and R-290). A total of 2,000 sets of basic tools (including torches, gauges, goggles, gloves, and leak detectors) to improve welding and prevent leaks were purchased and distributed among technicians that participated in training activities. Additionally, 160 cylinders and 30 recovery units for recovery and reuse of refrigerants were distributed among 17 RAC servicing workshops. Activities associated with the fourth funding tranche are being implemented slowly because of restrictions imposed due to COVID-19.

Project implementation and monitoring

12. The national ozone unit (NOU) was responsible for project monitoring and implementation. A total of US \$54,000 was disbursed to hire a project coordinator for the HPMP, to support the NOU.

Level of fund disbursement

13. As of February 2021, of the total funds of US \$1,074,277 approved (US \$699,277 for UNDP and US \$375,000 for UNEP), US \$1,025,036 had been disbursed (US \$683,157 for UNDP and US \$341,879 for UNEP). UNDP confirmed that the balance of US \$49,241, including US \$35,000 approved for the final tranche, will be transferred to the country in the third quarter of 2021.

Stage II of the HPMPRemaining consumption eligible for funding

14. After deducting 9.02 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding amounts to 7.59 ODP tonnes of HCFC-22. This consumption, used in the refrigeration servicing sector only, will be phased out during stage II.

Sector distribution of HCFCs

15. There are approximately 4,000 technicians and 400 to 500 workshops in the servicing sector, consuming HCFC-22 to service for equipment maintenance as shown in Table 2.

Table 2. Sectoral distribution of HCFC-22 by type of RAC equipment in 2019

Sector/Applications	Equipment (units)	HCFC-based equipment recharged (%)	Recharge (kg)	Consumption (mt)	Usage (%)
Residential AC 9000 BTU	58,850	25	0.7	10.4	16.61
Residential AC 12000 BTU	28,671	25	1.0	7.24	11.57
Commercial AC	19,385	35	2.16	14.8	23.64
Commercial refrigeration	15,508	35	4.8	26.31	42.03

⁶ The progress report on the first tranche submitted to the 74th meeting (UNEP/OzL.Pro/ExCom/74/29), indicated that the foam enterprise Profil was temporarily using HFC-245ca as a foam blowing agent, as methyl formate systems were not available. Methyl formate systems have since been supported by a systems house in Mexico.

Sector/Applications	Equipment (units)	HCFC-based equipment recharged (%)	Recharge (kg)	Consumption (mt)	Usage (%)
Industrial refrigeration	50	15	5.0	0.04	0.06
Chillers	30	10	5.0	0.02	0.03
Sub-total	122,494	n/a	n/a	58.81	93.95
Stocks				3.79	6.05
Total				62.61	100.00

16. HCFC-22 represents 15.77 per cent of the refrigerants used in the servicing sector, the primary HCFC-22 alternatives used are HFC-134a (58.60 per cent), R-410A (12.72 per cent), R-404A (6.53 per cent), R-507 (4.09 per cent), other HFCs (2.15 per cent), HFOs (0.01 per cent), and HC (0.17 per cent).

Phase-out strategy in stage II of the HPMP

17. As originally submitted, stage II of the HPMP proposes to achieve 80 per cent and 100 per cent reduction of HCFC consumption by 2026 and 2028 respectively, on the understanding that El Salvador's consumption between 2029 and 2040 will be consistent with the servicing tail as provided under the Montreal Protocol. It has been designed based on the experience gained during the implementation of stage I and will continue to focus on enhancing the control of HCFC imports, and reducing the demand of HCFCs through training and certification of technicians in good servicing practices, introducing and enforcing a ban on the import of HCFC-based RAC equipment by 1 January 2025 and strengthening the recovery and recycling network.

18. Unlike stage I, the Government of El Salvador has decided to submit an IS project separately from the request for stage II of the HPMP; accordingly, the request for renewal of the IS project will be submitted to the 88th meeting. The IS project will continue to implement a framework to strengthen legislation in support of stage II of the HPMP, in addition to other activities, such as issuing import licenses and quotas, data reporting, awareness raising, and coordination with main stakeholders.

Proposed activities in stage II of the HPMP

19. Stage II proposes the following activities:

- (a) *ODS legal framework*: Development of a new regulation to ban the import of HCFC-based equipment, and six stakeholder consultation meetings with importers, end users, consumer organizations and commercial centre associations on the draft regulation, and on the conditions required to import new and efficient technology (UNEP) (US \$11,000);
- (i) *Strengthening custom and enforcement*: Four training courses for a total of 200 customs officers and other stakeholders (government authorities, law enforcement officials, border guards, customs officials, customs brokers and importers) on the use of tools such as "WhatGas?", refrigerant identifiers and mechanical tests for low-global-warming potential (GWP) blowing agents contained in pre-blended polyols, customs and enforcement measures for monitoring ODS imports, national customs codes for HCFC alternatives and preventing illegal trade of controlled substances; provision of two refrigerant identifiers; and three training courses for 150 customs brokers and importers on compliance with the Montreal Protocol and with new regulations (UNEP) (US \$36,000);
- (b) *RAC technician training*: One train-the-trainers course and 39 training courses for a total of 780 RAC technicians on good refrigeration service practices, refrigerant recovery and recycling and the safe use of HC-based refrigerant; provision of 31 basic tool kits to

technicians (including two cylinders, charging station, vacuum, welding kit, hoses, valves, leak detectors, manometer, and precision balance for HC); provision of six training kits to two training centres (three kits per centre including: 30 lb and 100 lb cylinders, recovery machine, refrigerant identifier, vacuum pump, RAC modules, welding kit and other tools); the design and printing of 1,000 technical manuals on best refrigeration practices in RAC maintenance; purchase and installation of 40 room ACs and three ducted AC systems that use low-GWP alternatives (i.e., R-290 and HFC 32) to be installed and maintained in public buildings for training purposes and 14 energy performance testers to assess energy efficiency gains and promote market acceptability (UNDP) (US \$352,046);

- (c) *RAC technician certification*: Further development and implementation of labor competence standards in good refrigeration service practices including the handling of HC refrigerants; implementation of a national certification programme with at least 150 RAC technicians certified under the new standards; and development of a registry for certified technicians (UNDP) (US \$78,500);
- (d) *Recovery and recycling and programme*: Establishment of a recovery, storage and recycling centre and the creation of a recovery network through provision of basic equipment and tools (e.g., refrigerant identifiers, various sizes of cylinders, equipment for oil separation, filtration and quality testing, vacuum pumps, and other tools); and three training workshops in recovery and recycling for up to 90 RAC technicians (UNDP) (US \$66,464); and
- (e) *Public awareness and education*: Awareness campaign for general public on RAC technician certification programme and registry, best practices in the management of refrigerants while servicing equipment, including refrigerant recovery promoted through schools, internet, social media, radio and newspaper; awareness campaign targeting RAC technicians to promote the certification programme; implementation of five seminars and distribution of brochures on different RAC technologies including cost of installation and maintenance, availability and technical requirements targeting end-users such as commercial facilities and supermarkets (UNDP) (US \$40,990).

Project implementation and monitoring

20. The monitoring mechanism established under stage I of the HPMP will continue into stage II, where the NOU monitors implementation of activities, reports on progress, collects data and works with stakeholders to phase out HCFCs. The cost of those activities for UNDP amounts to US \$65,000 for the engagement of consultants.

Gender policy implementation

21. In line with decision 84/92(d)⁷, stage II of the HPMP will promote the hiring of female personnel and will encourage female participation in all project components with particular emphasis on technician training including train-the-trainers. Gender mainstreaming will be evaluated in all aspects of the programme and the NOU will collect data to produce gender disaggregated indicators; establish a baseline of women technicians in RAC sector; include gender indicators in reporting; introduce gender-sensitive language in communications; and encourage female applicants in recruitment through inclusion of gender-related elements in job descriptions and gender aspects in training sessions.

⁷ Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

Total cost of stage II of the HPMP

22. The total cost of stage II of the HPMP for El Salvador amounts to US \$650,000 (plus agency support costs), as originally submitted (which is in accordance with decision 74/50(c)(xii)), for achieving 80 per cent reduction from its HCFC baseline consumption by 2026 and 100 per cent by 2028.

Activities planned for the first tranche of stage II

23. The first funding tranche of stage II of the HPMP at the total amount of US \$195,000, will be implemented between July 2021 and December 2023 and will include the following activities:

- (a) *ODS legal framework*: Establishment of a new regulation to ban the import of HCFC-based equipment including drafting of the regulation and two consultation meetings with various stakeholders; implementation of harmonized customs codes and update of quota and licensing system; (UNEP) (US \$5,000);
- (b) *Strengthening customs and enforcement*: Two training courses for a total of 100 customs officers and other stakeholders on the use of tools such as “WhatGas?”, refrigerant identifiers and mechanical tests for low-GWP blowing agents contained in imported pre-blended polyols, customs and enforcement measures for ODS, national customs codes for HCFC alternatives and preventing illegal trade; provision of two refrigerant identifiers; one training courses for 50 customs brokers and importers on compliance with the Montreal Protocol and with new regulations (UNEP) (US \$21,000);
- (c) *RAC technician training*: One train-the-trainers course and six training courses for a total of 120 RAC technicians on good refrigeration practices, refrigerant recovery and recycling and safe use of HC refrigerants; provision of eight basic tool kits to technicians (including two cylinders, charging station, vacuum, welding kit, hoses, valves, leak detectors manometer and precision balance for HC); provision of three training kits to one of the training centres (including: 30 lb and 100 lb cylinders, recovery machine, refrigerant identifier, vacuum pump, RAC modules, welding kit and other tools); design and printing of 500 technical manuals on best practices in RAC maintenance; purchase and installation of 21 room ACs and two ducted AC systems that use low-GWP alternatives (i.e. R-290 and HFC-32) to be installed and maintained in public buildings for trial and training purposes and seven energy performance testers to assess associated energy efficiency gains (UNDP) (US \$140,615);
- (d) *RAC technician certification*: One stakeholder consultation on further developing and implementation of labour competence standards in good refrigeration practices including the handling of HC refrigerants; (UNDP) (US \$8,000);
- (e) *Recovery and recycling and programme*: Establishment of a recovery, storage and recycling centre through the creation of a recovery network in conjunction with training centres and equipped technicians; one training workshop in recovery and recycling for up to 30 RAC technicians (UNDP) (US \$4,750);
- (f) *Public awareness and education*: Development of the awareness campaign for general public on the technician certification programme and registry, and best practices in the management of refrigerants while servicing equipment (UNDP) (US \$2,500); and
- (g) *Project implementation and monitoring* (UNDP) (US \$13,135): For engagement of consultants.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

24. 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 2021-2023 business plan of the Multilateral Fund.

Overarching strategy for stage II

25. The Secretariat noted that the proposed phase-out schedule to meet 100 per cent reduction in 2028 and start the use of the service tail in 2029, was not consistent with the Montreal Protocol schedule, where the service tail would be for the period 2030-2040. After further discussions with UNDP, the Government of El Salvador agreed to revise the phase-out schedule in accordance to the Protocol, with interim reduction steps of 80 per cent in 2026 and 97.5 per cent in 2028 and 2029, on the understanding that El Salvador's consumption from 1 January 2030 to 1 January 2040 may exceed zero in any year so long as the sum of its calculated levels of consumption over that the ten-year period divided by 10, does not exceed 2.5 per cent of El Salvador's baseline, and provided that such consumption is restricted to the servicing of RAC equipment existing on 1 January 2030, as provided by the Montreal Protocol.⁸

26. In line with decision 86/51 to allow for consideration of the final tranche of its HPMP, the Government of El Salvador agreed to submit a detailed description of the regulatory and policy framework in place and to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the 2030-2040 period, and the expected annual HCFC consumption in El Salvador for the 2030-2040 period.

27. UNDP indicated that the strategy developed by the Government will support the sustainable reduction of the consumption of HCFC achieved in stage I, mainly HCFC-22. This strategy to phase out HCFCs also supports the national energy efficiency policy of the Government of El Salvador which promotes, through the National Energy Board, the use of energy efficient equipment in public procurement and buildings. UNDP further indicated that the strategy for stage II was discussed and agreed upon with national stakeholders, and aligns the HCFC phase-out with future HFC phase-down. Recognizing that the current HCFC-22 alternative commercially available in the country and the region are based on high GWP refrigerants (e.g., R-410A), the Government of El Salvador agreed to include an activity demonstrating the use of lower-GWP RAC equipment to determine its energy efficiency and potentially influence its acceptability in the market, considering that the country only imports and does not produce such equipment.

Report on HCFC consumption

28. The Secretariat discussed the phase-out targets for 2021 to 2025 keeping in mind the low levels of HCFC-22 consumption reported from 2017 to 2020, and the quota set for 2021 of 5.42 ODP tonnes. UNDP explained that the import quota for 2021 had been established through a decree and had already being enforced. However, the Government has agreed to revise the targets for 2022 to 2025 based on the 2019 consumption of 3.44 ODP tonnes⁹ as the maximum allowable figure; the targets for 2026-2029 were retained; and the consumption from 2030 would be zero, except for service tail consumption as approved by the Meeting of the Parties.

⁸ Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol. Other applications where HCFCs can be used include the servicing of fire suppression and fire protection equipment existing on 1 January 2030; solvent applications in rocket engine manufacturing; and topical medical aerosol applications for the specialized treatment of burns.

⁹ The Government had requested that the 2019 figure of 3.44 ODP tonnes be used as 2020 consumption was not reflective to the actual market conditions because of the pandemic.

29. The activities of the HPMP for stage II focus on phasing out the remaining HCFC consumption and attaining the agreed targets through training of RAC technicians on good refrigeration practices, refrigerant recovery and recycling and safe use of HC refrigerants and demonstrating performance and maintenance of R-290 and HFC-32-based equipment, and the introduction of a technician certification programme, as well as the installation of a recycling and recovery network, strengthening customs training and enforcement and increasing public awareness on recovery and certification processes.

Regulations to support HCFC phase-out

30. A regulation to ban the import of new and used HCFC-based RAC equipment will be enforced by 1 January 2025. Other regulations related to penalties for venting HCFCs into the atmosphere, prohibiting the use of disposable cylinders for refrigerants, and the implementation of a mandatory certification scheme for service technicians, are also being considered in stage II.

31. El Salvador is also expected to ratify the Kigali Amendment in 2021.

Legal framework

32. The Government of El Salvador has already issued HCFC import quotas for 2021 at 5.42 ODP tonnes (101.45 mt), which is lower than the Montreal Protocol targets.

Technical and cost-related issues

33. In response to the Secretariat's observation on the increased uptake of high-GWP RAC equipment in the country (i.e., HFC-134a, R-404A, and R-410A) and that a large percentage of the AC equipment currently being imported are mostly R-410A-based, making this broadly available in the market at competitive prices, UNDP explained that this is a result of the energy efficiency policy of the Government which discourages the use of equipment that are not energy efficient thereby reducing demand for HCFC-based systems. As R-410A RAC equipment is currently widely available in the Latin American market and in the country, the uptake of such equipment had increased. Following the discussion with the Secretariat and in agreement with the Government of El Salvador, stage II of the HPMP had will consider other available low-GWP-based equipment (i.e., operating with R-290 and HFC-32) to be trialed by RAC technicians during training, assessing the energy efficiency gains associated with their operation with a view to supporting its uptake in the local market.

34. The Secretariat noted that during implementation of stage I of the HPMP, a component for a recovery and recycling scheme was already included and that during the third tranche, 366 kg of refrigerants were reported to have been recovered and reused; additional amounts were recovered and reused but not registered as reporting is not mandatory. The Secretariat inquired about the business model that would allow for and encourage the sale and use of recovered refrigerants, as well as reporting on these uses. In response, UNDP explained that the Government plans to initiate a mandatory system for reporting and registration so that these recovered substances can be tracked through an online registry. The national network of recovery centres established in stage I will continue to coordinate with the small workshops to recover waste refrigerants that have been collected and stored by technicians, to be brought to the recovery and recycling centre for reuse. UNDP mentioned that during the first tranche of stage II, the Government will identify the operator of the centre, potentially one of the larger service companies, and implement actions on how the centre will collaborate with the larger users (i.e., supermarkets, hotels and public entities) where larger amounts of refrigerants could be recovered. The centre is also expected to work closely with the servicing companies of these large users and ensure that their service contracts specify that refrigerants need to be recovered, the amounts of which will be reported to the NOU. However, UNDP also emphasized that it will be difficult to make mandatory recovery and reuse of refrigerants in the country as the NOU does not have the resources nor capacity to enforce this policy. The Ministry of Environment and Natural

Resources (MARN), through the NOU, will reinforce the advantages of recovery and reuse practices such as operational savings and positive environmental impact.

35. The Secretariat also highlighted the importance of enforcing refrigerant emission control measures to support the phase-out strategy in the servicing sector, which the Government will implement alongside the recovery and recycling activities in the country.

Impact of the COVID-19 pandemic on HPMP implementation

36. The Government of El Salvador faced challenges during the COVID-19 pandemic due to the lockdown policy and travel restrictions. Although the implementation of stage I of the HPMP was impacted, the Government was able to continue implementing activities remotely and through virtual meetings. The implementation of stage I of the HPMP combined with the economic impact of the COVID-19 pandemic during 2020 and part of 2021, have caused reductions in the HCFC consumption in the RAC sector, and allowed the country to maintain a downward trend of the consumption of HCFCs. For this reason, El Salvador has proposed to implement stage II of the HPMP with an accelerated schedule, in order to keep the momentum in sustaining the phase-out already achieved and further reducing consumption of HCFCs in advance of the Montreal Protocol schedule.

Total project costs

37. The total project costs for stage II of the HPMP and the funding for the first tranche was agreed as submitted.

Impact on the climate

38. 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 RAC servicing. Each kilogram 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 El Salvador, including its efforts to promote refrigerant recovery and reuse, good refrigeration practices, and to enhance the import control system for HCFCs indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

39. The Government of El Salvador, through the MARN, will provide in-kind contribution such as office space, internet and communications, transportation, support from the legal and communication departments to further develop the project's activities. In addition, the cost for full implementation of the HPMP is expected to be higher than the funding requested, as the country has committed to ensuring ongoing controls over the import of HCFCs and to providing training and certification to all RAC technicians (approximately 4,000) whereas the funding requested for the stages I and II of the HPMP covers training for only approximately 2,500 technicians.

2021-2023 draft business plan of the Multilateral Fund

40. UNDP and UNEP are requesting US \$650,000, plus agency support costs, for the implementation of stage II of the HPMP for El Salvador. The total requested value of US \$210,210, including agency support costs for the period of 2021–2023, is US \$168,237 above the amount in the business plan as UNDP has not included any value in its business plan for this project during the period.

Draft Agreement

41. A draft Agreement between the Government of El Salvador 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

42. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for El Salvador for the period from 2021 to 2030 for the complete phase-out of HCFC consumption, in the amount of US \$698,320, consisting of US \$603,000, plus agency support costs of US \$42,210 for UNDP, and US \$47,000, plus agency support costs of US \$6,110 for UNEP, on the understanding that no more funding from the Multilateral Fund would be provided for the phase-out of HCFCs;
- (b) Noting the commitment of the Government of El Salvador:
 - (i) To reduce HCFC consumption by 54 per cent of the country's baseline by 2021, 71 per cent by 2022, 75 per cent by 2025, 80 per cent by 2026, and 97.5 per cent by 2028 and phase out HCFCs completely by 1 January 2030, and that HCFCs would not be imported after that date, except for those allowed for a servicing tail between 2030 and 2040 where required, consistent with the provisions of the Montreal Protocol;
 - (ii) To ban the import of HCFC-based equipment by 1 January 2025;
- (c) Deducting 7.59 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Approving the draft Agreement between the Government of El Salvador 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;
- (e) That, to allow for consideration of the final tranche of its HPMP, the Government of El Salvador should submit:
 - (i) A detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030-2040;
 - (ii) The expected annual HCFC consumption in El Salvador for the period 2030-2040; and
- (f) Approving the first tranche of stage II of the HPMP for El Salvador, and the corresponding tranche implementation plans, in the amount of US \$210,210, consisting of US \$169,000, plus agency support costs of US \$11,830 for UNDP, and US \$26,000 plus agency support costs of US \$3,380 for UNEP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF EL SALVADOR 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 El Salvador (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 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in rows 4.1.3, 4.2.3, 4.3.3, 4.4.3, 4.5.3, and 4.6.3 (remaining consumption eligible for funding).
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).
4. The Country agrees to implement this Agreement in accordance with the stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

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 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.

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) 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. UNDP has agreed to be the lead implementing agency (the “Lead IA”) and UNEP 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 and/or Cooperating 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 2-A.

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	8.15
HCFC-123	C	I	0.05
HCFC-124	C	I	0.11
HCFC-141b	C	I	3.34
HCFC-142b	C	I	0.03
Total			11.68
HCFC-141b contained in imported pre-blended polyols	C	I	4.94

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2021	2022-2023	2024	2025	2026	2027	2028	2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	7.59	7.59	7.59	3.80	3.80	3.80	3.80	3.80	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	5.42	3.44	3.44	2.88	2.32	2.32	0.29	0.29	0	n/a
2.1	Lead IA (UNDP) agreed funding (US \$)	169,000	0	244,255	0	124,745	0	0	65,000	0	603,000
2.2	Support costs for Lead IA (US \$)	11,830	0	17,098	0	8,732	0	0	4,550	0	42,210
2.3	Cooperating IA (UNEP) agreed funding (US \$)	26,000	0	17,000	0	4,000	0	0	0	0	47,000
2.4	Support costs for Cooperating IA (US \$)	3,380	0	2,210	0	520	0	0	0	0	6,110

Row	Particulars	2021	2022-2023	2024	2025	2026	2027	2028	2029	2030	Total
3.1	Total agreed funding (US \$)	195,000	0	261,255	0	128,745	0	0	65,000	0	650,000
3.2	Total support costs (US \$)	15,210	0	19,308	0	9,252	0	0	4,550	0	48,320
3.3	Total agreed costs (US \$)	210,210	0	280,563	0	137,997	0	0	69,550	0	698,320
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)										7.59
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)										0.56
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)										0.00
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)										0.00
4.2.2	Phase-out of HCFC-123 to be achieved in the previous stage (ODP tonnes)										0.05
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)										0.00
4.3.1	Total phase-out of HCFC-124 agreed to be achieved under this Agreement (ODP tonnes)										0.00
4.3.2	Phase-out of HCFC-124 to be achieved in the previous stage (ODP tonnes)										0.11
4.3.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)										0.00
4.4.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)										0.00
4.4.2	Phase-out of HCFC-141b to be achieved in the previous stage (ODP tonnes)										3.34
4.4.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)										0.00
4.5.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)										0.00
4.5.2	Phase-out of HCFC-142b to be achieved in the previous stage (ODP tonnes)										0.03
4.5.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)										0.00
4.6.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)										0.00
4.6.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in the previous stage (ODP tonnes)										4.94
4.6.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyols (ODP tonnes)										0

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

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

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

18. 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 sub-paragraphs 1(a) to 1(d).

19. 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

20. The entity responsible for the implementation of the Montreal Protocol in El Salvador is the Ministry of Environment and Natural Resources, through the National Ozone Unit (NOU).

21. The responsibilities of the NOU are to design and propose all the policy measures, including amendments to the current regulations, coordinate with stakeholders, institutions and relevant sectors involved in the implementation of the Protocol, follow up on all the programmes and projects and to prepare reports for the Ministry and Secretariat.

22. The Project Management Unit will assist the NOU in the following activities:

- (a) Follow-up on the activities described in each of the projects, including training courses, seminars, workshops and presentations;
- (b) Monitoring the purchase of equipment, materials, and tools and contracts for services to ensure alignment with the projects and compliance with the rules and regulations of the agencies participating in the Plan;
- (c) Assisting in the reporting on the activities of the projects, taking into account the schedules defined in each component, and supporting the NOU to solve any deviations and to finalize all the activities;

- (d) Supporting the NOU to define and select the beneficiaries, always as a supporting activity;
- (e) Supporting the NOU in the data collection to prepare the required reports to the Secretariat for the tranche requests, and to the Lead IA and/or Cooperating IA;
- (f) Monitoring and promoting, when necessary, the actions to comply with the gender mainstreaming policy; and
- (g) Any other monitoring and evaluation activity requested by the NOU.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

23. The Lead IA will be responsible for a range of activities, including at least the following:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
- (b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;
- (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
- (d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
- (e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee, 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.

24. 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

25. 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

26. 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.

27. 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.