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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-eighth Meeting
Montreal, 15-19 November 2021¹

PROJECT PROPOSAL: CHILE

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

Phase-out

- HCFC phase-out management plan (stage III, first tranche) UNIDO and UNEP

¹ Online meetings and an intersessional approval process will be held in November and December 2021 due to coronavirus disease (COVID-19)

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

CHILE

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

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2020	27.00 (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					26.99				26.99
HCFC-142b					0.02				0.02

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	87.5	Starting point for sustained aggregate reductions:	87.5
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	71.52	Remaining:	15.98

(V) BUSINESS PLAN		2021	2022	2023	Total
UNIDO	ODS phase-out (ODP tonnes)	0.00	4.50	0.00	4.50
	Funding (US \$)	0	420,210	0	420,210

(VI) PROJECT DATA		2021-2023	2024	2025-2026	2027	2028	2029	2030	Total	
Montreal Protocol consumption limits		56.88	56.88	28.44	28.44	28.44	28.44	0.00	n/a	
Maximum allowable consumption (ODP tonnes)		30.62	30.62	28.44	28.44	2.19	2.19	0.00	n/a	
Project costs requested in principle (US \$)	UNIDO	Project costs	297,000	400,000	0	200,000	0	96,500	0	993,500
		Support costs	20,790	28,000	0	14,000	0	6,755	0	69,545
	UNEP	Project costs	115,000	155,000	0	75,000	0	42,450	0	387,450
		Support costs	14,950	20,150	0	9,750	0	5,519	0	50,369
Total project costs requested in principle (US \$)		412,000	555,000	0	275,000	0	138,950	0	1,380,950	
Total support costs requested in principle (US \$)		35,740	48,150	0	23,750	0	12,274	0	119,914	
Total funds requested in principle (US \$)		447,740	603,150	0	298,750	0	151,224	0	1,500,864	

(VII) Request for approval of funding for the first tranche (2021)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNIDO	297,000	20,790
UNEP	115,000	14,950
Total	412,000	35,740

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

Background

1. On behalf of the Government of Chile, UNIDO as the lead implementing agency, has submitted a request for stage III of the HCFC phase-out management plan (HPMP), at a total cost of US \$1,500,864, consisting of US \$993,500, plus agency support costs of US \$69,545 for UNIDO, and US \$387,450, plus agency support costs of US \$50,369 for UNEP, as originally submitted.² The implementation of stage III of the HPMP will phase out the remaining consumption of HCFCs by 2030.

2. The first tranche of stage III of the HPMP being requested at this meeting amounts to US \$447,740, consisting of US \$297,000, plus agency support costs of US \$20,790 for UNIDO, and US \$115,000, plus agency support costs of US \$14,950 for UNEP, as originally submitted.

Status of implementation of stages I and II of the HPMP

3. Stage I of the HPMP for Chile was originally approved at the 63rd meeting³ and revised at the 71st meeting⁴ and 76th meeting⁵ to meet the 10 per cent reduction from the baseline by 2015, at a total cost of US \$1,786,455, plus agency support costs, to phase out 22.0 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector. Stage I of the HPMP was completed in December 2018 as stipulated in the Agreement between the Government of Chile and the Executive Committee.

4. Stage II of the HPMP for Chile was approved at the 76th meeting⁶ to meet the 65 per cent reduction from the baseline by 2021, at a total cost of US \$3,394,017, plus agency support costs, to phase out 49.52 ODP tonnes of HCFCs used in the RAC servicing sector and the foam manufacturing sector. Stage II of the HPMP will be completed by December 2022 as stipulated in the Agreement between the Government of Chile and the Executive Committee.

HCFC consumption

5. The Government of Chile reported a consumption of 27.00 ODP tonnes of HCFC in 2020, which is 69 per cent below the HCFC baseline for compliance. The 2016-2020 HCFC consumption is shown in Table 1.

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

HCFC	2016	2017	2018	2019	2020	Baseline
Metric tonnes (mt)						
HCFC-22	915.63	710.09	570.73	436.56	490.72	859.19
HCFC-123	3.77	0.91	10.34	2.71	(0.54)	1.41
HCFC-124	0.27	0.00	0.00	0.57	0.00	0.52
HCFC-141b	116.98	244.74	59.32	72.88	0.00	357.14
HCFC-142b*	0.28	3.24	0.93	1.71	0.33	9.66
HCFC-225	0.00	0.00	0.00	0.00	0.00	4.20
Total (mt)	1,036.93	958.98	641.32	514.43	490.51	1,232.12
HCFC-141b in imported pre-blended polyols*	59.55	28.86	32.55	27.58	0.00	n/a

² As per the letter of 9 July 2021 from the Ministry of the Environment of Chile to UNIDO.

³ UNEP/OzL.Pro/ExCom/63/60

⁴ Annex XI of UNEP/OzL.Pro/ExCom/71/64

⁵ Annex XV of UNEP/OzL.Pro/ExCom/76/66

⁶ UNEP/OzL.Pro/ExCom/76/24 and Corr.1

HCFC	2016	2017	2018	2019	2020	Baseline
ODP tonnes						
HCFC-22	50.36	39.05	31.39	24.01	26.99	47.26
HCFC-123	0.08	0.02	0.21	0.05	(0.01)	0.03
HCFC-124	0.01	0.00	0.00	0.01	0.00	0.01
HCFC-141b	12.87	26.92	6.53	8.02	0.00	39.29
HCFC-142b*	0.02	0.21	0.06	0.11	0.02	0.63
HCFC-225	0.00	0.00	0.00	0.00	0.00	0.29
Total (ODP tonnes)	63.33	66.20	38.18	32.21	27.00	87.50
HCFC-141b in imported pre-blended polyols**	6.55	3.17	3.58	3.03	0.00	n/a

*Consumption of HCFC-142b recorded as part of R-406A, and other blends

**Country programme (CP) data.

6. The consumption of HCFCs had decreased from 2017 due to enforcement of the licensing system and reductions on HCFC import quotas; the conversion of all foam manufacturing enterprises (with a permanent phase-out of HCFC-141b), and technical assistance and training activities related to the refrigeration servicing sector. The import of non-HCFC-based RAC equipment also contributed to a reduction in HCFC consumption.

7. The increase in consumption of HCFC-141b between 2018 and 2019 was for stockpiles in anticipation of the 1 January 2020 ban on imports and exports of this substance in bulk and contained in pre-blended polyols. The slight increase in the consumption of HCFC-22 between 2019 and 2020 was due to stockpiles in anticipation of the control limit in 2020.

CP implementation report

8. The Government of Chile reported HCFC sector consumption data under the 2020 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Status of progress and disbursement

Legal framework

9. Since 2007, HCFC importers and exporters must be registered in the national registry, and the licensing and quota system for imports and exports of HCFCs has been enforced since 2013. Any import of HCFCs not included in the established baseline for consumption is prohibited. The ban on the import and use of HCFC-141b pure for the foam manufacturing sector and other uses, and the import and export of HCFC-141b contained in pre-blended polyols has been in place since 1 January 2020.

10. The national customs code for HCFCs, HFCs and their alternatives, for pure substances, blends and fully formulated polyols, was updated in 2020; from January 2022, import of other controlled substances under the Protocol will require using the Harmonized Systems (HS) codes.

11. Training on the control and identification of ODS for 299 customs officers was completed under stage I and training on control and monitoring of ODS and the regulations, obligations, and responsibilities of the implementation of the Montreal Protocol for 75 customs officers was completed under stage II. Due to the COVID-19 pandemic, training for customs officers could not be delivered in 2020, the theoretical portion of the course was made available online in 2021, and the practical (in-person) portion will be completed during the first half of 2022.

PU foam manufacturing sector

12. Conversions to HFO alternative technology in seven individual enterprises (including one to

cyclopentane and HFO)⁷ and one group project (Austral Chemicals) comprising 26 small- and medium-sized enterprises (SMEs), have been completed resulting in the phase-out of 19.04 ODP tonnes (173.05 mt) of HCFC-141b. One individual enterprise (Superfrigo) cancelled its participation in the project as of May 2020.⁸ The remaining group project (Ixom) signed agreements with seven downstream SMEs in July 2020; the conversion to HFO technology was originally planned for completion during the second half of 2021, but is now expected to be completed in the first half of 2022 due to delays caused by the COVID-19 pandemic.

Refrigeration servicing sector

13. Under stage I of the HPMP, training on best refrigeration practices was provided to 1,097 technicians and 20 students; the design and implementation of the RAC technician certification process was completed resulting in 427 technicians certified between 2019 and 2021; three supermarkets were converted to trans-critical CO₂ cooling technology;⁹ the first refrigerant reclamation centre in the country was established (Regener), and reported that 18 mt of refrigerants were reclaimed in 2020; and a manual was developed on best refrigeration practices. Seminars on hydrocarbon-based cooling systems, flushing, reclamation, and HCFC alternatives were also conducted across the country.

14. Under stage II, train-the-trainer courses were conducted for 68 teachers; training on best refrigeration practices was provided to 592 technicians and students and virtually to 83 technicians; and training on good practices in the use of flammable refrigerants was provided to 36 technicians. The Chilean standard on refrigeration practices was updated, and the standard on flammable refrigerants was developed and integrated into the technician certification courses. Training courses were also conducted on the use of trans-critical CO₂ for 467 participants across Chile;¹⁰ it is expected that other supermarkets will be converted to this technology.

15. Awareness-raising activities included country-wide seminars on the ozone layer and the Montreal Protocol; conferences promoting best refrigeration practices in the RAC sector; the publication of online videos about good refrigeration practices, refrigerant reclamation centres, projects modelling successful trans-critical CO₂ implementation, HCFCs in the RAC sector, and the Kigali Amendment; monthly bulletins and information posted on online media to promote the transition to HCFC-free technologies; and distribution of a newsletter from the NOU reaching 1,900 people.

Status of disbursement

16. As of August 2021, of the US \$3,394,017 approved for stage II, US \$1,816,751 (54 per cent) had been disbursed (i.e., US \$1,401,894 for UNDP,¹¹ US \$12,635 for UNEP, and US \$402,222 for UNIDO). The balance of US \$1,577,266 will be disbursed in 2021 and 2022.

Stage III of the HPMP

Remaining consumption eligible for funding

17. After deducting 22.00 ODP tonnes of HCFCs associated with stage I of the HPMP, and

⁷ Inema (cyclopentane/HFO), Polchile, Termointustrial Paneles SpA (formerly Danica), Ingepur, Sociedad Aislaciones Térmicas, Fidel Valenzuela, and Refricentro.

⁸ Funds for this enterprise will be returned by UNDP as lead agency no later than the 90th meeting (decision 87/9).

⁹ Two of these conversions were part of the HPMP implementation and one was co-financed by the Climate and Clean Air Coalition (CCAC).

¹⁰ Sponsored by Danfoss in collaboration with the National Ozone Unit (NOU).

¹¹ At the 87th meeting (paragraphs 42 to 55 of document UNEP/OzL.Pro/ExCom/87/9), UNDP reported a disbursement of US \$2,079,621 based on the methodology used by the NOU to report disbursements; however, based on the methodology used by UNDP, the actual disbursement amounts to US \$1,401,894, as reported in the present document.

49.52 ODP tonnes associated with stage II, the remaining consumption eligible for funding in stage III amounts to 15.98 ODP tonnes of HCFCs (i.e., 15.08 ODP tonnes of HCFC-22 and 0.9 ODP tonnes of HCFC-142b and HCFC-225ca).

Sector distribution of HCFCs

18. There are approximately 3,500 technicians in the servicing sector and an unknown number of workshops.¹² HCFC-22 is used in various industrial and commercial refrigeration applications as shown in Table 2.

Table 2. Estimated demand for HCFC-22 in the RAC servicing sector

Sector/Application		Installed charge of HCFC-22		Leakage rate (%)	Maintenance use (mt)
		(mt)	(%)		
Industrial	Agro-industry	838.84	42.3	20	167.77
	Meat packing	308.28	15.5	20	61.66
	Fisheries and aquaculture	235.25	11.8	20	47.05
	Fishing vessels	91.03	4.6	50	45.51
	Factory ships	12.40	0.6	50	6.20
	Other facilities	178.14	9.0	20	35.63
	Sub-total	1,663.93	83.8	-	363.82
Commercial	Commercial refrigeration	234.28	11.8	35	82.00
Stationary AC	Malls	79.54	4.0	10	7.95
	Hospitals	7.58	0.4	10	0.76
	Sub-total	87.11	4.0	-	8.71
Total		1,985.34	-	-	454.53

19. HCFC-22 represents 29 per cent of all the refrigerants used in the RAC sector; other refrigerants used include HFC-134a (38 per cent), R-507 (20 per cent), R-404A (8 per cent), R-410A (4 per cent), and R-407C (1 per cent).

Phase-out strategy in stage III of the HPMP

20. Stage III of the HPMP aims to meet the 67.5 per cent reduction from its HCFC baseline by 2025, 97.5 per cent reduction by 2028, and 100 per cent by 2030, on the understanding that Chile's consumption between 2030 and 2040 will be consistent with the servicing tail, where required as provided under the Montreal Protocol. It has been designed based on the experience gained during the implementation of stages I and II and focuses on strengthening the capacity of customs for HCFC trade control, providing training and technical assistance to the RAC sector, and promoting the use of low-global-warming-potential technologies. The lessons learned and infrastructure established during the implementation of stage II of the HPMP will be utilized in stage III.

Proposed activities in stage III of the HPMP

21. Stage III proposes activities in the following four areas: strengthening the regulatory framework for HCFC trade control; programme to support the RAC sector; an awareness-raising and dissemination programme; and project monitoring, as summarized in Table 3.

Table 3. Activities to be implemented in stage III of the HPMP

Project component	Planned activities	Cost (US \$)
<i>Strengthening the regulatory framework for HCFC trade control (UNEP) (US \$284,600)</i>		

¹² The NOU finds the number of active workshops difficult to estimate given the lack of registry and abundance of one-person workshops.

Project component	Planned activities	Cost (US \$)
Technical assistance to strengthen capacity of customs officers and trade controls of HCFCs and HCFC-based equipment and products	Two train-the-trainer workshops for 20 customs officers; 24 workshops to train and update 240 customs officers in the prevention of illegal trade of controlled substances, compliance with the Montreal Protocol and with new regulations, and on the use refrigerant identifiers and related tools; update of training resources; and procurement of five refrigerant identifiers and other necessary equipment required for customs inspection	146,600
Update regulations on controlled substances	Update the regulatory framework to include stricter requirements for monitoring and reporting imports of controlled substances; update the Ozone Unit Registration System (SIRO), for monitoring importers, exporters, and manufacturers, and support the licensing system	53,500
Registration tool for commercial and industrial RAC installations	Develop a tool to register large and medium users of refrigerants to facilitate monitoring of refrigerant use and management; develop criteria for those to be included in the RAC installations registry	84,500
<i>Programme to support the RAC sector (UNIDO) (US \$870,000)</i>		
Service technicians training and certification	Eight train-the-trainer workshops (four are for women only) for 160 technicians; 54 training courses for 810 technicians on best refrigeration practices; 27 specialized courses for 405 technicians on subjects such as energy efficiency in cold systems, the use of alternative refrigerants, and the prevention and detection of leaks; development of an online self-learning training course for 100 participants; agreements with five training centres to provide support and facilities for technician training; technical support to the technician certification centres (Chilean Chamber of Refrigeration and Air-Conditioning, and Chile Valora) to develop job/skills competency profiles for service technicians, especially for female technicians; training and certification for 100 female technicians	475,900
Zero Leaks programme	Develop a leak control guide for technicians; implement at least four demonstration projects to improve monitoring and management of refrigerants, review and control leaks to measure energy consumption, and support procurement decisions, resulting in case studies developed and disseminated to end-users to promote leak reduction approaches of refrigerants; three workshops for 50 participants to disseminate results and encourage best practices in the operation and maintenance of refrigeration systems resulting in better refrigerant management and potential energy savings	190,100
Technical assistance to reclamation centres	Procurement and delivery of equipment to one laboratory for analysis of the quality of reclaimed refrigerants and four sets of recovery equipment to selected reclamation centres (e.g., laboratory instruments including sampling cylinders, various pipettes and beakers; mini reclaim units, each set at US \$45,000); provision of 200 recovery cylinders to service workshops that are part of the reclamation network; support for laboratory certification	204,000
<i>Awareness-raising and dissemination programme (UNEP) (US \$102,850)</i>		
Continuing awareness related to the regulatory framework for monitoring ODS and controlled substances imports	Awareness campaign on existing regulations and best practices in the management of refrigerants while servicing equipment, including refrigerant recovery, promoted through various media	55,050

Project component	Planned activities	Cost (US \$)
Awareness activities related to the RAC sector	Awareness campaign for RAC technicians to promote the certification programme and RAC registry; dissemination of training activities in social networks and through strategic partners; creation of an award or recognition for companies using good practices in servicing refrigeration and/or supporting women within the RAC sector; and building relationships with RAC educational centres to disseminate information and participate in activities	24,800
Awareness activities related to reclamation	Development of a virtual platform to demonstrate the functions and benefits of a reclamation centre; promotion of the concept of reclamation and its benefits with short videos of testimonials from users with reclaimed refrigerants and with a brochure on the services and benefits of reclamation centres; organization of one workshop for owners of reclamation centres on communication, representation, and gender balance	23,000
<i>Project monitoring (UNIDO) (US \$123,500)</i>		
Project implementation and monitoring	Hiring of one administrative assistant to support implementation; preparation and undertaking of verification of HCFC consumption; monitoring and implementation support	93,500
Gender mainstreaming	Hiring of a consultant to support gender mainstreaming within HPMP activities, develop and monitor gender indicators in line with decision 84/92	30,000
Total		1,380,950

PMU

22. The monitoring mechanism established under stage II of the HPMP will continue into stage III, where the NOU, UNIDO, and UNEP monitor activities, report on progress, and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US \$123,500 for stage III which will cover the engagement of staff and consultants as well as activities to support gender mainstreaming within HPMP activities as shown in Table 3 above.

Gender policy implementation¹³

23. In preparation of stage III of the HPMP, a study was prepared analyzing gender gaps in the RAC sector of Chile. The results showed low participation of women in education, jobs, and leadership positions in the RAC sector; consistent with these findings, the NOU, with support from UNIDO, will incorporate a gender-responsive approach in all activities of the implementation of stage III, with emphasis in programme support and programme awareness. Results from the study will be implemented with the assistance of a gender expert. UNIDO's Guide on Gender Mainstreaming for Multilateral Fund Projects, as well as a checklist for integrating gender into climate change management that is part of the Government's gender policy, will be used as references during implementation of the HPMP.

Total cost of stage III of the HPMP

24. The total cost of stage III of the HPMP for Chile has been estimated at US \$1,380,950 (plus agency support costs), as originally submitted, for achieving 100 per cent reduction from its HCFC baseline consumption by 2030.

¹³ Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

Activities planned for the first tranche of stage III

25. The first funding tranche of stage III of the HPMP at the total amount of US \$412,000 will be implemented between January 2022 and December 2023 and will include the following activities:

- (a) *Strengthening the regulatory framework for HCFC trade control:* Update of the SIRO; one train-the-trainer workshop and two workshops on prevention of illegal trade of controlled substances for 30 customs officers; development of criteria for the inclusion of cold installations in the RAC registry (UNEP) (US \$85,000);
- (b) *Programme to support the RAC sector:* Six training courses for 90 RAC technicians on good refrigeration practices, refrigerant recovery and recycling, and safe use of alternative refrigerants; completion of the module for one self-learning online course on best refrigeration practices; agreements signed with five training centres to support training of technicians; development and implementation of labour competence standards in good refrigeration service practices for women technicians and support for 20 women for training and certification; identification of two end-users for the Zero Leaks programme demonstration, and one training course for 20 end-users; initiate procurement of equipment for the reclamation centres (i.e., laboratory equipment, mini-reclaim units) (UNIDO) (US \$260,000);
- (c) *Awareness-raising and dissemination programme:* Development of an awareness campaign for the general public on the RAC technician certification programme and registry, social media campaigns and other materials such as brochures and newsletters (UNEP) (US \$30,000); and
- (d) *Project monitoring:* Engagement of consultants to monitor and prepare HCFC consumption verification reports, collection of gender-aggregated data to be used for implementation of the HPMP (UNIDO) (US \$37,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**

26. The Secretariat reviewed stage III of the HPMP in light of stage II, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage III of HPMPs (decision 74/50), and the 2021-2023 business plan of the Multilateral Fund.

Overarching strategy for stage III

27. The Government of Chile proposes to meet the 100 per cent reduction of its HCFC baseline consumption by 2030, with an interim reduction step of 97.5 per cent in 2028, and consumption of only 2.5 per cent of the baseline in 2029, and to maintain a maximum annual consumption of HCFC in the period of 2030 to 2040 consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.¹⁴ The country is committed to the sustainability of the phase-out and to progressive reductions in line with Montreal Protocol targets.

28. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of Chile agrees to submit a detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption is in compliance with paragraph 8 ter(e)(i)

¹⁴ HCFC consumption may exceed zero in any year so long as the sum of its calculated levels of consumption over the ten-year period from 1 January 2030 to 1 January 2040 divided by 10, does not exceed 2.5 per cent of the HCFC baseline, restricted to the servicing of RAC equipment existing on 1 January 2030.

of Article 5 of the Montreal Protocol for the 2030-2040 period, and, if Chile intends to have consumption during the period of 2030-2040, in line with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol, proposed modifications to its Agreement with the Executive Committee covering the period beyond 2030.

HCFC phase-out and duration of stage III

29. The Secretariat asked why the Government of Chile decided to prepare stage III of the HPMP for the total phase-out in 2030 (with an interim reduction of 97.5 per cent in 2028) rather than for the 67.5 per cent reduction in 2025 only. UNIDO indicated that the 2020 consumption of Chile is already 69 per cent below the baseline, thus following extensive consultations with stakeholders, the Government decided that a comprehensive strategy would ensure the continuity of existing activities and provide incentives for stakeholders to ensure that the declining HCFC consumption is sustained. Actions such as the implementation of the Zero Leaks programme, promotion of the demonstration projects, and strengthening of the training and certification system will add value to the advanced commitments of stage II already in place. The country's licensing and quota system will continue to be enforced.

30. UNIDO indicated that the strategy developed by the Government will support the sustainable reduction of the consumption of HCFC achieved in stage II of the HPMP.

Regulations to support HCFC phase-out

31. In response to a query on possible regulatory actions to control the entry of new HCFC-based equipment, UNIDO clarified that the Government of Chile considers to issue a ban under current national ODS policies and that additional time is required for consultation with various ministries; at present, strict measures to monitor and regulate the imports of HCFCs into the country are in place. In addition, the current imports of RAC equipment have been predominantly non-HCFC based because of market demands. The Government also indicated that this control measure will be evaluated before the end of stage III.

Legal framework

32. The Government of Chile has already issued HCFC import quotas for 2021 at 19.78 ODP tonnes (359.6 mt), which is lower than the Montreal Protocol targets control target of 56.88 ODP tonnes and the maximum allowable consumption of 30.62 ODP tonnes in its Agreement with the Executive Committee.

Technical and cost-related issues

33. The Secretariat sought clarification on the additional technical assistance and support for reclamation centres, noting that during the implementation of stages I and II of the HPMP, the first refrigerant reclamation centre in the country was established and remaining activities for the final tranche included the establishment of three additional centres. UNIDO explained that the objective of this component is to strengthen the reclamation centres already established by improving their operating capacity to guarantee the quality of reclaimed substances, positioning them as suppliers of good quality refrigerants using the circular economy approach and thereby reducing the demand for new HCFC-22 for servicing. In order for this to be self-sustaining after the HPMP is completed, the proposed business model involves the provision of recovery cylinders to service workshops to enable collection and storage of refrigerants that can be reclaimed and to facilitate easy transport to the reclamation centres, who will also be provided with reclamation equipment. UNIDO clarified that while the reclamation centre (Regener) reported that 18 mt of refrigerants (i.e., HCFC-22 and HFCs) were reclaimed, no information is yet available on the amounts of refrigerants that have been reused.

34. The Secretariat noted that the Zero Leaks programme, a sub-component for the assistance to be provided for the RAC servicing sector, included four demonstration pilot projects for different end-users with various refrigeration systems, with the objectives to *inter alia* propose measures to evaluate and

improve the systems and promote better refrigerant management, investigating causes for leakage of refrigerants, application of good practices in refrigeration, accounting of refrigerant recharges, accounting of leakage rates, accounting of energy consumption, maintenance of cold systems, and recording the refrigerant charge. This would allow the end-users to be responsible for improving the efficiency of the equipment operation. The selection of the beneficiary end-users will be done by the NOU with a local expert and with the Chilean Chamber of Refrigeration and Air-Conditioning, Chile Alimentos, and Fedefruta, which are the largest trade associations in the RAC sector. No financial incentive will be provided to these end-users, but rather technical assistance to ensure that good practices are implemented, refrigerant leaks are minimized, and a refrigerant management plan is developed; the sub-component is expected to support the technicians training programme with follow up actions. The results of these demonstrations would be disseminated through workshops and through the refrigeration associations to encourage similar practices by other end-users. UNIDO expects that this component will reduce consumption of refrigerant due to leaks and improve energy performance of the equipment. UNIDO commits to present a comprehensive report to the Executive Committee once the project has been completed.

35. The Secretariat further noted that UNIDO had included US \$30,000 for activities to implement the Multilateral Fund operational gender policy, and that this funding is calculated at US \$4.80/kg (i.e., an associated phase-out of 6.25 mt of HCFC-22).

Total project cost

36. The total project costs for stage III of the HPMP amounts to US \$1,380,950, calculated at US \$4.80/kg using the remaining eligible HCFC consumption of 15.98 ODP tonnes (290.55 mt) of HCFC-22, HCFC-142b and HCFC-225, including US \$123,500 for the PMU and for activities to implement the operational gender policy (US \$30,000), for the total phase-out of HCFCs in Chile in 2030. The funding for the first tranche was agreed as submitted.

Phase-out targets, and tranche distribution

37. The Secretariat discussed with UNIDO the proposed tranche distribution for stage III, noting the potential challenges posed by a prolonged pandemic and the importance of ensuring a balanced distribution according to the needs of the country. It further noted that the last tranche of stage III will be in 2029 instead of 2030.¹⁵ Given that the reduction of 97.5 percent of HCFC consumption will be met in 2028, activities would need to be implemented to completely phase out HCFCs by 2030. On that basis, the last tranche was agreed to be provided one year before the last year of the plan.

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 kilogramme of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO₂-equivalent tonnes. A calculation of the impact on the climate was provided in the HPMP. The activities planned by Chile, including its efforts to promote efficient refrigeration practices, as well as refrigerant recovery and reuse, 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 Chile, through the Ministry of Environment (MMA), will provide in-kind contributions such as office space, internet and communications, transportation, and support from the legal

¹⁵ Bilateral and implementing agencies, when preparing multi-year HCFC phase-out management plans, were requested to ensure that the last tranche comprised 10 per cent of the total funding for the refrigeration servicing sector in the Agreement and was scheduled for the last year of the plan (decision 62/17).

and communications departments to further develop the project's activities. In addition, the Government will support the implementation of regulatory instruments to guarantee the country's compliance with the goals of the Montreal Protocol and agreements with the Executive Committee of the Multilateral Fund.

2021-2023 draft business plan of the Multilateral Fund

40. UNIDO and UNEP are requesting US \$1,380,950, plus agency support costs, for the implementation of stage III of the HPMP for Chile. The total requested value of US \$447,740, including agency support costs for the period of 2021-2023, is US \$27,530 above the amount in the business plan.

Draft Agreement

41. A draft Agreement between the Government of Chile and the Executive Committee for the phase-out of HCFCs in stage III 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 III of the HCFC phase-out management plan (HPMP) for Chile for the period from 2021 to 2030 for the complete phase-out of HCFC consumption, in the amount of US \$1,500,864, consisting of US \$993,500, plus agency support costs of US \$69,545 for UNIDO, and US \$387,450, plus agency support costs of US \$50,369 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 Chile to reduce HCFC consumption by 97.5 per cent of the country's baseline by 2028 and completely phase out HCFCs by 1 January 2030, after which date HCFCs would not be imported, except for those allowed for a servicing tail between 2030 and 2040 where required, consistent with the provisions of the Montreal Protocol;
- (c) Deducting 15.98 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Approving the draft Agreement between the Government of Chile and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage III 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 Chile 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 2030-2040 period;
 - (ii) If Chile were intending to have consumption during the 2030-2040 period, in line with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol, the proposed modifications to the Agreement between the Chile and the Executive Committee covering the period beyond 2030; and
- (f) Approving the first tranche of stage III of the HPMP for Chile, and the corresponding tranche implementation plans, in the amount of US \$447,740, consisting of US \$297,000,

plus agency support costs of US \$20,790 for UNIDO, and US \$115,000, plus agency support costs of US \$14,950 for UNEP.

Annex I

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

Purpose

1. This Agreement represents the understanding of the Government of Chile (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of 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 III 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. UNIDO 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 role 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	47.3
HCFC-123	C	I	0.00
HCFC-124	C	I	0.00
HCFC-141b	C	I	39.3
HCFC-142b	C	I	0.60
HCFC-225	C	I	0.30
Total			87.5

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)	56.88	56.88	56.88	56.88	28.44	28.44	28.44	28.44	28.44	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	30.62	30.62	30.62	30.62	28.44	28.44	28.44	2.19	2.19	0	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	297,000	0	0	400,000	0	0	200,000	0	96,500	0	993,500
2.2	Support costs for Lead IA (US \$)	20,790	0	0	28,000	0	0	14,000	0	6,755	0	69,545
2.3	Cooperating IA (UNEP) agreed funding (US \$)	115,000	0	0	155,000	0	0	75,000	0	42,450	0	387,450

Row	Particulars	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
2.4	Support costs for Cooperating IA (US \$)	14,950	0	0	20,150	0	0	9,750	0	5,519	0	50,369
3.1	Total agreed funding (US \$)	412,000	0	0	555,000	0	0	275,000	0	138,950	0	1,380,950
3.2	Total support costs (US \$)	35,740	0	0	48,150	0	0	23,750	0	12,274	0	119,914
3.3	Total agreed costs (US \$)	447,740	0	0	603,150	0	0	298,750	0	151,224	0	1,500,864
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											15.08
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											32.22
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 previously approved projects (ODP tonnes)											0.00
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)											0.00
4.3.1	Total phase-out of HCFC-124 agreed to be achieved under this Agreement (ODP tonnes)											0.00
4.3.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)											0.00
4.3.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)											0.00
4.4.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)											0.00
4.4.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)											39.30
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)											0.60
4.5.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)											0.00
4.5.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)											0.00
4.6.1	Total phase-out of HCFC-225 agreed to be achieved under this Agreement (ODP tonnes)											0.30
4.6.2	Phase-out of HCFC-225 to be achieved in previously approved projects (ODP tonnes)											0.00
4.6.3	Remaining eligible consumption for HCFC-225 (ODP tonnes)											0.00

*Date of completion of stage II as per stage II Agreement: 31 December 2022

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. 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

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 sub-paragraphs 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 Ministry of the Environment (MMA) is in charge of the protection, restoration and conservation of all ecosystems, natural resources and environmental services in order to promote sustainable development. It is also responsible for carrying out national policies regarding climate change and ozone layer protection. The National Ozone Unit (NOU), a part of the Office of Climate Change within the MMA, is responsible for ensuring compliance with the Plan.

2. Project coordination and management of the Plan will be in the hands of the NOU. The NOU is directly responsible for the implementation of Montreal Protocol related activities in the country, and in particular, for the identification, implementation, monitoring and evaluation of all non-investment, investment and technical assistance activities.

3. Close monitoring of all activities and coordination between stakeholders is key to reach compliance. There will be regular coordination meetings with industry stakeholders, Government stakeholders (i.e., Ministries of Economy, Energy and Health) and various industrial associations. The most important strategic partners of the NOU are:

- (a) National Customs Service (SNA) with whom the NOU shares the responsibility for the

implementation of the HCFC import licensing and quota systems;

- (b) Ministry of Health, in relation to the development and entry into force of the regulation to control treatment, transport, use and recycling of controlled substances;
- (c) Ministry of Economy, regarding the labelling of products containing controlled substances and the certification process (ChileValora, jointly with the Ministry of Education and the Ministry of Labour);
- (d) Governmental agencies, such as the Sustainability and Climate Change Agency and the Energy Sustainability Agency, which will become partners in the implementation of complementary activities, such as clean production agreements and/or participation in energy efficiency programmes;
- (e) The Ministry of Environment, where the NOU coordinates its activities with the different areas of the institution, such as the Office of Climate Change (Mitigation, HuellaChile), the Legal Division, the Division of Information and Environmental Economics (PRTR), the Division of Environmental Education (educational platform Academy of Environmental Training Adriana Hoffmann), the Office of International Affairs, the Office of Communications and the Office of Planning, Budget and Management Control, among others.
- (f) Importers of HCFCs and HCFC blends who provide information that allows validation of customs data, tracking of stockpiles, downstream HCFC applications, etc.
- (g) Private sector refrigerant users, represented by the Chilean Chamber of Refrigeration and Air-Conditioning A.G. (CChRyC), the Ditar Chile Association of Air-Conditioning and Refrigeration Professionals A.G., and the Asociación de Empresas de Alimentos de Chile A.G. Chilealimentos, among others, which will become partners in the project implementation.
- (h) Educational sector (INACAP, Universidad de Santiago (USACH) and educational centres), with whom the MMA through the NOU will coordinate the best refrigeration practices courses and related activities with students.

4. The Government is fully supportive of the NOU. The MMA has ensured that necessary national regulations will be enacted. The NOU is part of the Office of Climate Change which plays a key role in the national environmental agenda. The Country has offered and intends to offer continuity of activities and endorsement for the project over subsequent years as specified in the institutional support component and the list of activities of the institutional strengthening project in order to help activities approved for Chile to succeed.

5. Yearly monitoring will be carried out. The NOU will prepare for each tranche request a status report on its activities and achievements including milestones and other performance targets as well as any other information of interest to the implementation of the Plan. This report will be reviewed and verified by the Lead IA, to be submitted to the Multilateral Fund Secretariat for its review and potential presentation to the Executive Committee of the Multilateral Fund.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

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

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

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 \$173 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.