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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-second Meeting
Montreal, 29 May to 2 June 2023
Item 9(c) of the provisional agenda¹

PROJECT PROPOSAL: URUGUAY

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, second tranche) UNDP and UNIDO

¹ UNEP/OzL.Pro/ExCom/92/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Uruguay

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage III)	UNDP (lead), UNIDO	86 th	100% phase-out by 2030

(II) LATEST ARTICLE-7 DATA (Annex C Group I)	Year: 2021	11.5 ODP tonnes
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2022	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				0.84	9.14				9.98
HCFC-123			0.03		0.02				0.05
HCFC-124					0.02				0.02
HCFC-141b					2.78				2.78
HCFC-142b					0.00				0.00
HCFC-141b in imported pre-blended polyol		3.50							3.50

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	23.4	Starting point for sustained aggregate reductions:	28.66
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	28.66	Remaining:	0.00

(V) ENDORSED BUSINESS PLAN		2023	2024	2025	Total
UNDP	ODS phase-out (ODP tonnes)	4.60	0.00	0.00	4.60
	Funding (US \$)	476,000	0	0	476,000
UNIDO	ODS phase-out (ODP tonnes)	0.00	0.00	0.00	0.00
	Funding (US \$)	0	0	0	0

(VI) PROJECT DATA*		2020	2021-2022	2023	2024	2025	2026	2027	2028	2029	2030	Total	
Montreal Protocol consumption limits (ODP tonnes)		15.16	15.16	15.16	15.16	7.58	7.58	7.58	7.58	7.58	0	n/a	
Maximum allowable consumption (ODP tonnes)		15.16	15.16	15.16	15.16	7.58	7.58	7.58	0.58	0.58	0	n/a	
Funding agreed in principle (US \$)	UNDP	Project costs	350,601	0	349,118	0	0	326,619	0	0	120,432	0	1,146,770
		Support costs	24,542	0	24,438	0	0	22,864	0	0	8,430	0	80,274
	** UNIDO	Project costs	0	0	96,200	0	0	27,720	0	0	18,480	0	142,400
		Support costs	0	0	8,658	0	0	2,495	0	0	1,663	0	12,816
Funds approved by ExCom (US \$)	Project costs	350,601	0	0	0	0	0	0	0	0	0	350,601	
	Support costs	24,542	0	0	0	0	0	0	0	0	0	24,542	
Total funds recommended for approval at this meeting (US \$)	Project costs	0	0	445,318	0	0	0	0	0	0	0	445,318	
	Support costs	0	0	33,096	0	0	0	0	0	0	0	31,172	

* Reflected the data contained in the revised agreement to be approved.

**The Government of Uruguay requested that UNIDO become a cooperating implementing agency starting from the 92nd meeting.

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Uruguay, UNDP as the lead implementing agency has submitted a request for funding for the second tranche of stage III of the HCFC phase-out management plan (HPMP), at a total cost of US \$478,414, consisting of US \$349,118, plus agency support costs of US \$24,438 for UNDP, and US \$96,200, plus agency support costs of US \$8,658 for UNIDO.² The submission includes a progress report on the implementation of the first tranche and the tranche implementation plan for 2023 to 2026. The submission also includes a request from the Government of Uruguay to add UNIDO as a cooperating implementing agency for stage III of the HPMP.

Report on HCFC consumption

2. The Government of Uruguay reported under country programme (CP) implementation report a consumption of 12.82 ODP tonnes of HCFC in 2022, which is 45 per cent below the HCFC baseline for compliance. The 2018-2022 HCFC consumption is shown in table 1

Table 1. HCFC consumption in Uruguay (2018-2022 Article 7 data)

HCFC	2018	2019	2020	2021	2022*	Baseline
Metric tonnes (mt)						
HCFC-22	139.06	246.57	183.7	203.25	181.42	383.36
HCFC-123	1.51	1.11	2.55	0.91	2.41	1.86
HCFC-124	0.52	1.31	0.44	0.78	0.72	4.14
HCFC-141b	12.11	4.08	8.68	2.54	25.23	13.58
HCFC-142b	0.31	0.33	0.45	0.00	0.00	9.68
(Subtotal / Total) (mt)	153.52	253.40	195.82	207.48	209.78	412.61
HCFC-141b in imported pre-blended polyols*	58.89	51.47	46.07	33.19	31.77	48.40**
ODP tonnes						
HCFC-22	7.65	13.56	10.10	11.18	9.98	21.08
HCFC-123	0.03	0.02	0.05	0.03	0.05	0.04
HCFC-124	0.01	0.03	0.01	0.02	0.02	0.09
HCFC-141b	1.33	0.45	0.95	0.28	2.78	1.49
HCFC-142b	0.02	0.02	0.03	0.00	0.00	0.63
(Subtotal / Total) (ODP tonnes)	9.04	14.08	11.15	11.50	12.82	23.33
HCFC-141b in imported pre-blended polyols*	6.47	5.66	5.07	3.65	3.49	5.33**

* CP data.

3. HCFC consumption had been declining due to enforcement of the licensing and quota system and the implementation of the HPMP activities, in particular the training of refrigeration and air-conditioning (RAC) technicians and the technical assistance provided to the RAC servicing sector. The economic downturn experienced in 2018 resulted in a sharp decrease in HCFC consumption; as the economy has recovered, importers have been able to import the full amount of HCFCs under their quotas since 2019. The increase in HCFC-141b consumption in 2022 is due to supply and freight problems since the COVID-19 pandemic, which delayed the delivery of imports from the previous year, which arrived in the country only in early 2022 and thus raising the HCFC-141b consumption for that year. Additionally, some of these imports were for stockpiling as it is the final year where imports were allowed for this substance, and the ban on the import of HCFC-141b in bulk became effective in January 2023. There has also been a reduction in imports of HCFC-141b contained in imported pre-blended polyols due to the completion of some of the conversion projects. Small amounts of HCFC-123, HCFC-124, and HCFC-142b are used for servicing some RAC equipment (chillers and heat pumps), while HCFC-141b is used as a cleaning agent.

² As per the letter of 17 March 2023 from the Ministry of Environment of Uruguay to UNDP.

Country programme implementation report

4. The Government of Uruguay reported HCFC sector consumption data under the 2021 country programme (CP) implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

5. UNDP reported that the verification of the country's HCFC consumption for 2020-2022 is still under preparation and expected that the verification report will be submitted by mid-June 2023, and at the latest, no later than 12 weeks before the 93rd meeting.

Status of the implementation of stage II of the HCFC phase-out management plan

6. At the 91st meeting, the Executive Committee approved, on an exceptional basis, the further extension, to 31 December 2023, of the date of completion of stage II of the HPMP (decision 91/25(b)).

Progress report on the implementation of the first tranche of stage III of the HCFC phase-out management plan

Legal framework

7. The Government of Uruguay has had a regulatory framework to control ODS consumption since 2003 and a quota system for imports and exports of HCFCs since 2013. The country's electronic licensing system allows customs authorities to access information related to HCFCs in real time, facilitates the collection of data and statistical records, and uses updated tariff codes to improve control. A ban on the import of HCFC-22-based split air-conditioning equipment entered into force on 1 January 2017; a policy to provide fiscal incentives (e.g., import tariff reductions or loans with preferential rates) for projects that introduce HCFC-free, low-global-warming potential (GWP), and energy-efficient technologies has been implemented; a ban on import of HCFC-141b in bulk has been implemented since 1 January 2023 and a ban on the import of HCFC-141b contained in pre-blended polyols will be implemented from 1 January 2024. The Government of Uruguay ratified the Kigali Amendment in September 2018.

8. A total of 150 customs officers and customs brokers received training on the management of the imports of HCFCs and HCFC-based equipment. Additionally, regular meetings were held between the National Ozone Unit (NOU) and the National Customs Directorate to monitor operations and a direct line between the NOU and the Department of physical inspection was established to provide a rapid solution in the case of any concerns over a tariff classification or illegal trade.

9. Several meetings were held with the regulatory agencies involved in developing the framework for the establishment of the formal certification of RAC technicians. Regarding the development of technical standards on the safety requirements for the use of flammable and other alternatives in refrigeration systems, three meetings were held with the Uruguayan Institute of Technical Standards (UNIT), the country's regulatory body, to work towards updating and implementing this standard.

Refrigeration servicing sector

10. Training on good refrigeration practices was conducted for the use and safe-handling of R-32 since this is one of the most widespread and fastest growing alternative refrigerants in the country. In total 15 training courses were held resulting in 262 technicians gaining firsthand experience using this type of equipment and refrigerant.

11. With regard to the pilot project for use of CO₂ as an alternative technology in supermarkets, the NOU is in discussion with two supermarkets to determine which one can be the pilot; and an international

expert visited local installation enterprises to provide support to projects that are already in place. The NOU also conducted several meetings with representatives from large supermarket chains in the country in order to analyze the opportunities to reduce the consumption of HCFC-22 in those stores that may not be converted to new technology in the short-term; technicians from these stores were encouraged to consider how to reuse HCFC-22 from their facilities, progressively reducing the consumption of new HCFC-22; equipment required for reuse and recycling in these large installations is being identified.

12. The NOU met with six enterprises that design and install cold rooms in order to provide technical assistance and introduce low-GWP alternatives to HCFC-22; some tests of R-290 were done considering safety requirements; and meetings were held with UNIT to develop standards for the assembly and installation of cold rooms.

13. Regarding building the capacity of the Technological Laboratory of Uruguay (LATU), discussions were held to determine the tools and equipment necessary to continue providing training in good refrigeration practices, in the use of alternative technologies, and the safe handling of flammable refrigerants.

14. A public awareness campaign was carried out via social media and through the redesign of the Ministry of Environment website and the ozone protection component of the site. These modalities were used to disseminate information on the technical activities of the LATU, on the use of R-32 in residential AC and heat pumps, and the activities carried out to support the use of CO₂ alternatives in the commercial and cold logistics sectors.

Project implementation and monitoring

15. Of the US \$31,500 approved for project implementation and monitoring US \$17,108 was disbursed on consultants and personnel, the preparation of progress and verification reports, meetings, and workshops with stakeholders.

Level of fund disbursement

16. As of 15 March 2023, of the US \$350,601 approved so far, US \$98,400 (28 per cent) had been disbursed. The balance of US \$252,201 will be disbursed in 2023 and 2024.

Inclusion of a cooperating implementing agency

17. UNDP as lead implementing agency informed the Secretariat of the request from the Government of Uruguay to include UNIDO as cooperating implementing agency for stage III of the HPMP starting from this second tranche. The request is supported by an endorsement letter from the Government. The total amount to be transferred to UNIDO is US \$142,400, plus support costs of US \$12,816, comprising two subcomponents: technical assistance to control illegal trade of ODS and strengthen the capacity of the customs office (US \$92,400); and technical assistance to service enterprises in the assembly of cold rooms (US \$50,000).

Implementation plan for the second tranche of stage III of the HCFC phase-out management plan

18. The following activities will be implemented between June 2023 and June 2026:

- (a) Activities to improve the control of illegal trade of ODS and strengthen the capacity of the customs office including a training session for 100 customs officers and customs brokers, a review of internal processes for imports and an update of the manual for customs officers (UNIDO) (US \$46,200);

- (b) Continued work to establish a RAC technician certification programme including hiring a consultant to support initiation of the process, eight stakeholder meetings and one workshop to develop and test the certification process and requirements and continued meetings with UNIT in a technical working group; and further work to develop and implement technical standards on safety requirements for the use of flammable and other alternatives in refrigeration systems including four stakeholder meetings and promotion of the standards once they are approved (UNDP) (US \$46,900, plus funds from previous tranche);
- (c) Train-the-trainers workshop for at least 15 trainers; RAC technician training including 10 technical seminars for 360 RAC technicians; preparation of an equipment list and terms of reference (ToR); at least six training activities for installers (UNDP) (US \$106,000, plus funds from previous tranche);
- (d) Design and deliver three workshops on refrigerant recovery and recycling (RR) for end-users; procurement of five sets of RR equipment and RR machines to be managed by the RAC association³; procurement of RAC equipment and tools for capacity building at the LATU⁴; purchase of equipment and preparation of ToR for the new LATU laboratory⁵ (UNDP) (US \$74,050, plus funds from previous tranche);
- (e) Pilot project for the adoption of low-GWP, high-energy efficiency refrigerants in supermarkets; hiring an international expert, selection of beneficiary enterprise and technical assistance for designing the RAC system (UNDP) (US \$72,500);
- (f) Technical assistance to service enterprises that work in the assembly of cold rooms including one workshop for 40 participants from cold-room installers and development of a manual on good practices for assembling and maintaining cold rooms using low-GWP technology; one field trip to a regional installation (UNIDO) (US \$50,000);
- (g) Awareness-building campaigns to promote phase-out of HCFCs and on the use of low-GWP alternatives (UNDP) (US \$18,168); and
- (h) Project monitoring and implementation activities including monitoring and evaluation meetings, preparation of a verification report and quarterly progress reports and meetings with stakeholders (UNDP) (US \$31,500, plus funds from previous tranche).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Report on HCFC consumption

19. The second tranche of stage III of the HPMP for Uruguay requires the submission of a verification report of HCFC consumption for 2020-2022. As this tranche request is being submitted to the first meeting of the Executive Committee and noting that the 2022 consumption reported in CP data is 45 per cent below

³ Recovery-recycling machines, small recovery machines, vacuum pumps, gas identifier, tanks and cylinders.

⁴ In the first tranche the NOU identified the equipment needed (such as vacuum pumps and tools for handling flammable refrigerants) and is in the initial stage of the procurement. The NOU has also purchased some minor equipment and tools such as gauges, refrigerants and connectors.

⁵ Portable recovery machines, refrigeration training units (simulators), tools to handle flammable refrigerants, and updates of electronics (e.g., vacuum pumps, scales, expander tools, capillary tube cutters, pliers, hoses, recovery cylinders).

the baseline and 15 per cent below the country's maximum eligible consumption under its Agreement with the Executive Committee, the Secretariat is recommending approval of this funding tranche request in line with decision 72/19(b)⁶ and without setting a precedent, on the understanding that:

- (a) The Treasurer would be requested to transfer the approved funds to UNDP and UNIDO only after receipt by the Secretariat of the verification report confirming that the country was in compliance;
- (b) UNDP has committed to submit the verification report at the earliest by June 2023, and no later than 12 weeks prior to the 93rd meeting;
- (c) The recommendations included in the verification report would be addressed during the implementation of the second tranche and that the actions implemented towards that end would be included in the progress report of the second tranche of stage III of the HPMP to be submitted with the country's third tranche request; and
- (d) In the unlikely event of non-compliance by the Government of Uruguay with its Agreement with the Executive Committee, relevant actions would be taken by the Executive Committee.

Progress report on the implementation of the first tranche of the HCFC phase-out management plan

Legal framework

20. The Government of Uruguay has already issued HCFC import quotas for 2023 at 12.6 ODP tonnes, which is lower than the Montreal Protocol control targets.

Refrigeration servicing sector

21. In clarifying how the transfer of the activities to UNIDO would be done, UNDP explained that the remaining funding associated with these activities in the first tranche would be proportionally allocated to other UNDP activities of the main project components and that UNDP has adjusted their total requested funding in the second tranche, in order to enable UNIDO to request the total amount for these two activities from the first and second tranches since these activities had not been initiated. A workplan clarifying this with the corresponding budget for UNIDO was prepared.

22. With regard to the training of trainers for service technicians and why the targets for the first tranche were not met, UNDP explained that some delays were experienced in organizing these courses related to procurement; these have now been resolved and this activity will be completed as part of the activities of the second tranche with funding from the first tranche. The Secretariat also sought clarification regarding the establishment of the RAC technician certification programme, whether a definitive timeline on its completion is envisaged; UNDP indicated that as discussions are still ongoing, the NOU cannot at this time provide a timeline for this, but it will be completed as part of stage III.

23. UNDP also explained that no equipment for the RR centres and for LATU had been purchased during the first tranche because of the need to first determine the equipment needs of the stakeholders; an international expert on the matter had consultations with the various stakeholders and will prepare the necessary specifications for eventual procurement in the next quarter.

⁶ Decision 72/19(b) states that, should the verification reports not be ready in time for the first meeting of the year, transfer of approved funds to the agencies would occur only after receipt by the Secretariat of the verification report confirming that the country was in compliance.

24. With regard to the pilot project for supermarkets, the NOU has consulted two supermarkets which have expressed interest in being beneficiaries. The international expert had consultations with these two supermarkets to define the technical assistance needed, and a confidentiality agreement was signed between the enterprises and the consultant. UNDP explained that the main challenges resulting in the delay in implementation of this component included the lack of technical expertise of the supermarkets and stressed the need for the technical assistance, which will be provided by the international consultant.

25. On the component on technical assistance to enterprises that work in the assembly of cold rooms, the report indicated that there were some activities undertaken to demonstrate the use of R-290 and HFOs in these installations. Based on discussion held by the NOU, installers are open to the use of R-290 in small cold rooms where safety considerations can be properly managed. With regard to HFOs, installers are concerned about the high cost of the refrigerant. Technical assistance is thus geared towards increasing the knowledge and capabilities of these installers to make decisions on alternatives to use. The standards for the use of flammable refrigerants once completed will also support the work in this subsector.

Gender policy implementation⁷

26. In line with policies of the Multilateral Fund, the gender balance has been taken into consideration for the NOU and currently 60 per cent of the staff are women. In particular, all the national staff hired by the HPMP have been female, and this measure is intended to influence and promote an increased presence of women in the RAC sector, as there is otherwise little to no participation of women in the RAC servicing sector. In the second tranche, activities will be undertaken to identify areas for increased participation of women through the National Institute of Employment and Vocational Training.

Revision to the Agreement

27. In view of the request from the Government of Uruguay to include UNIDO as a cooperating implementing agency for stage III of the HPMP the Agreement between the Government of Uruguay and the Executive Committee has been revised as contained in Annex I to the present document.

Sustainability of the HCFC phase-out and assessment of risks

28. The Government of Uruguay is committed to achieving the long-term sustainability of HCFC phase-out by continuing the effective and efficient control of HCFCs through the electronic licensing and quota system and enforcement of the ban on the import of HCFC-based split-system air-conditioning equipment, the ban on the import of HCFC-141b in bulk since 1 January 2023 and the ban on HCFC-141b in imported pre-blended polyols which will be effective from 1 January 2024. The Government is also putting in place a mandatory certification of technicians as part of stage III to support the ongoing training in good servicing practices. Other capacity-building activities for customs officers are being institutionalised within the Customs Department as part of their regular training programme.

29. UNDP assessed the risks associated with the implementation of stage III of the HPMP and noted that the implementation of the HPMP is supported by an ample network of stakeholders, where communication and consensus-making are sought to ensure the success of the HPMP and to foster the adoption of new technologies, policies and procedures and that the NOU in Uruguay is part of the Climate Change division of the newly created Ministry of Environment, which facilitates the access to decision-makers and the adoption of the policies and programmes promoted through the implementation of the HPMP which is key for the long-term sustainability of its results.

⁷ In line with decision 84/92(d), decision 90/48(c) encouraged bilateral and implementing agencies to continue ensuring that the operational gender mainstreaming policy was applied to all projects, taking into consideration the specific activities presented in table 2 of document UNEP/OzL.Pro/ExCom/90/37.

Conclusion

30. The Government of Uruguay continues to be in compliance with the Montreal Protocol and with its Agreement with the Executive Committee. The HCFC import quota of 12.6 ODP tonnes for 2023 is 17 per cent below the Montreal Protocol target of 15.16 ODP tonnes. ODS-related regulations are in place including the bans on new HCFC-based split air-conditioners and on imports of HCFC-141b in bulk. The HPMP is progressing with approximately 262 technicians trained during the first tranche in good refrigeration practices for handling R-32 refrigerants, which will contribute to the long-term sustainability of equipment servicing. Activities planned for the second tranche include the continuation of the training programme and the provision of equipment to service technicians to support the technician certification system and will continue focus on the implementation of the pilot project in two supermarkets. The fund disbursement of the previous tranche has reached 28 per cent. UNDP has committed to submitting the verification report for the period 2020-2022 by June 2023; the Secretariat recommends inter alia that the Treasurer transfer the approved funds to UNDP and UNIDO only after receipt by the Secretariat of the verification report confirming that the country was in compliance for that period.

RECOMMENDATION

31. The Fund Secretariat recommends that the Executive Committee:

- (a) Note:
 - (i) The progress report on the implementation of the first tranche of stage III of the HCFC phase-out management plan (HPMP) for Uruguay; and
 - (ii) That the Fund Secretariat has revised the Agreement between the Government of Uruguay and the Executive Committee, as contained in Annex I to the present document, to reflect the addition of UNIDO as a cooperating implementing agency.

32. The Fund Secretariat further recommends blanket approval of the second tranche of stage III of the HPMP and the corresponding 2023-2026 tranche implementation plan for Uruguay at the funding levels shown in the table below, on the understanding that:

- (a) The Treasurer would be requested to transfer the approved funds to UNDP and UNIDO only after receipt by the Secretariat of the verification report confirming that the country was in compliance;
- (b) UNDP has committed to submit the verification report at the earliest by June 2023, and no later than 12 weeks prior to the 93rd meeting;
- (c) The recommendations included in the verification report would be addressed during the implementation of the second tranche and that the actions implemented towards that end would be included in the progress report of the second tranche of stage III of the HPMP to be submitted with the country's third tranche request; and
- (d) In the unlikely event of non-compliance by the Government of Uruguay with its Agreement with the Executive Committee, relevant actions would be taken by the Executive Committee.

	Project title	Project funding (US \$)	Support costs (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage III, second tranche)	349,118	24,438	UNDP
(b)	HCFC phase-out management plan (stage III, second tranche)	96,200	8,658	UNIDO

Annex I

REVISED AGREEMENT BETWEEN THE GOVERNMENT OF URUGUAY 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

(Relevant changes are in bold font for ease of reference)

Purpose

1. This Agreement represents the understanding of the Government of Uruguay (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; and
- (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 UNIDO has agreed to be the cooperating implementing agency (the “Cooperating IA[s]”) 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 Cooperating IA** taking part in this Agreement.

10. The Lead IA will be responsible for ensuring coordinated planning, implementation, and reporting of all activities under this Agreement, including but not limited to independent verification as per subparagraph 5(b). **The Cooperating IA will support the Lead IA by implementing the Plan under the overall coordination 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.

17. This revised Agreement supersedes the Agreement reached between the Government of Uruguay and the Executive Committee at the 86th meeting of the Executive Committee.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	21.08
HCFC-123	C	I	0.04
HCFC-124	C	I	0.09
HCFC-141b	C	I	1.49
HCFC-142b	C	I	0.63
Subtotal			23.33
HCFC-141b contained in pre-blended polyols	C	I	5.33
Total			28.66

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2020	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)	15.16	15.16	15.16	15.16	15.16	7.58	7.58	7.58	7.58	7.58	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	15.16	15.16	15.16	15.16	15.16	7.58	7.58	7.58	0.58	0.58	0	n/a
2.1	Lead IA UNDP agreed funding (US \$)	350,601	0	0	349,118	0	0	326,619	0	0	120,432	0	1,146,770

Row	Particulars	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
2.2	Support costs for Lead IA (US \$)	24,542	0	0	24,438	0	0	22,864	0	0	8,430	0	80,274
2.3	Cooperating IA UNIDO agreed funding (US \$)	0	0	0	96,200	0	0	27,720	0	0	18,480	0	142,400
2.4	Support costs for Cooperating IA (US \$)	0	0	0	8,658	0	0	2,495	0	0	1,663	0	12,816
3.1	Total agreed funding (US \$)	350,601	0	0	445,318	0	0	354,339	0	0	138,912	0	1,289,170
3.2	Total support costs (US \$)	24,542	0	0	33,096	0	0	25,359	0	0	10,093	0	93,090
3.3	Total agreed costs (US \$)	375,143	0	0	445,318	0	0	379,698	0	0	149,005	0	1,379,412
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)												13.43
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)												7.65
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)												0.04
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)												0.09
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)												1.49
4.4.3	Remaining eligible consumption 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 HCFCs of HCFC-142b to be achieved in previously approved projects (ODP tonnes)												0.63
4.5.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)												0.00
4.6.1	Total phase-out of HCFC-141b in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)												0.00
4.6.2	Phase-out of HCFC-141b in imported pre-blended polyols to be achieved in previous stages (ODP tonnes)												5.33
4.6.3	Remaining eligible consumption for HCFC-141b in imported pre-blended polyols (ODP tonnes)												0.00

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

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

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

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

- (a) A narrative report, with data provided by tranche, describing the progress achieved since the previous report, reflecting the situation of the Country in regard to phase-out of the Substances, how the different activities contribute to it, and how they relate to each other. The report should include the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds

during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes;

- (b) An independent verification report of the Plan results and the consumption of the Substances, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) A written description of the activities to be undertaken during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall Plan that are foreseen. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under sub-paragraph (b) above;
- (d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of the above 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 project coordination and management of the Plan will be under the responsibility of the Project Monitoring Unit within the National Ozone Unit (NOU), a part of the National Environmental Directorate (DINAMA) of the Ministry of Housing, Land planning and Environment (MVOTMA). 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. The most important strategic partners of the NOU are as follows:

- (a) National Customs Directorate (DNA) with whom the NOU shares the responsibility for the implementation of the HCFC import licensing system and control trade of HCFC;
- (b) Technological Laboratory of Uruguay (LATU) functioning as technical branch for the NOU;
- (c) Technological University of Uruguay (UTU) supporting training activities and assessment

of new technologies; and

- (d) Importers of HCFCs and HCFC blends who provide information that allows validation of customs data, tracking of stockpiles, downstream HCFC applications.

2. The Government is fully supportive of the NOU. MVOTMA has ensured—and will assure in the future—passage of all necessary national laws and regulations. The NOU is part of the Climate Change Division (DCC) which sustains a key role in the Uruguayan environmental agenda, so ozone protection matters will have an important participation on national strategies and environmental policies.

3. The Lead IA, acting through its country office, has the overall financial and substantive oversight over the execution of the Plan. The NOU is required to provide regular expenditure report to the Lead IA.

4. 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 and then 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 Plan;
- (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) **Coordinating 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 each 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; [and]
- (n) **Reaching consensus with the Cooperating IA on any planning, coordination 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.

APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCIES

1. The Cooperating IA will be responsible for a range of activities. These activities are specified in the Plan, including at least the following:

- (a) **Providing assistance for policy development when required;**
- (b) **Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IA, and refer to the Lead IA to ensure a coordinated 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, coordination 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 \$192 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.

