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Montreal, 15-19 December 2023
Item 9(d) of the of the provisional agenda[1]

PROJECT PROPOSAL: THE PHILIPPINES

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

[1] UNEP/OzL.Pro/ExCom/93/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

The Philippines

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

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2022	69.66 ODP tonnes

(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-123			0.63		0.26				0.89
HCFC-141b					6.03	2.35			8.38
HCFC-22					35.13				35.13

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	161.98	Starting point for sustained aggregate reductions:	162.87
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	69.59	Remaining:	93.28

(V) ENDORSED BUSINESS PLAN		2023	2024	2025	Total
UNIDO	ODS phase-out (ODP tonnes)	7.1	0.0	10.0	17.1
	Funding (US $)	643,122	0	934,818	1,577,941

(VI) PROJECT DATA			2023	2024	2025	2026	2027	2028	2029	2030	Total
Montreal Protocol consumption limits (ODP tonnes)			105.29	105.29	52.64	52.64	52.64	52.64	52.64	0	n/a
Maximum allowable consumption (ODP tonnes)			82.56	82.56	52.64	52.64	52.64	52.64	52.64	0	n/a
Project costs requested in principle (US $)	UNIDO	Project costs	2,535,150	0	0	1,683,150	0	0	0	468,700	4,687,000
		Support costs	177,461	0	0	117,820	0	0	0	32,809	328,090
Total project costs recommended in principle (US $)			2,535,150	0	0	1,683,150	0	0	0	468,7000	4,687,000
Total support costs recommended in principle (US $)			177,461	0	0	117,820	0	0	0	32,809	328,090
Total funds recommended in principle (US $)			2,712,611	0	0	1,800,970	0	0	0	501,509	5,015,090

(VII) Request for approval of funding for the first tranche (2023)		
Implementing agency	**Funds recommended (US $)**	**Support costs (US $)**
UNIDO	2,535,150	177,461

Secretariat's recommendation:	Individual consideration – all technical and cost issues resolved

PROJECT DESCRIPTION

Background

1. On behalf of the Government of the Philippines, UNIDO as the designated implementing agency has submitted a request for stage III of the HCFC phase-out management plan (HPMP), at the amount of US $6,587,819, plus agency support costs of US $461,147, 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 US $3,520,025, plus agency support costs of US $246,402 for UNIDO, as originally submitted.

Status of implementation of stages I and II of the HCFC phase-out management plan

3. Stage I of the HPMP for the Philippines was approved at the 68th meeting[3] to meet the 10 per cent reduction from the baseline by 2015 resulting in the phase-out of 45.0 ODP tonnes of HCFCs (i.e., 40 ODP tonnes of HCFC-141b used in the foam manufacturing sector (US $2,088,000, plus agency support costs)[4] and 5 ODP tonnes of HCFC-22 from activities in the refrigeration and air-conditioning (RAC) servicing sector (US $230,000, plus agency support costs). At the 80th meeting the Government of the Philippines officially requested that stage I of the HPMP be closed and that the third and final tranche amounting to US $23,000, plus agency support costs, for activities in the servicing sector not be requested, and balances from the first two tranches were returned at that meeting.

4. Stage II of the HPMP for the Philippines was originally approved at the 80th meeting[5] and revised at the 83rd[6] and 87th[7] meetings to phase out 24.59 ODP tonnes of HCFCs used in the RAC servicing and the air-conditioning (AC) manufacturing sectors to meet the 35 per cent reduction from the baseline by 2020 and 50 per cent by 2021, at a total cost of US $811,750, plus agency support costs.[8] Stage II of the HPMP will be completed by 31 December 2023 as agreed at the 90th meeting[9] when an extension of the implementation period for stage II was approved.

Report on HCFC consumption

5. The Government of the Philippines reported a consumption of 69.66 ODP tonnes of HCFCs in 2022, which is 57 per cent below the HCFC baseline for compliance and 16 per cent below the target set in the Agreement with the Executive Committee of 82.56 ODP tonnes. The 2018-2022 HCFC consumption is shown in table 1.

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

HCFC	2018	2019	2020	2021	2022	Baseline
Metric tonnes (mt)						
HCFC-22	1,615.6	1,643.2	843.7	1,039.6	1043.55	1,959.45
HCFC-141b	144.5	111.0	18.9	18.9	101.10	475.05
HCFC-142b	0.0	0.0	0.0	0.0	0	3.99

[2] As per the letter of 18 August 2023 from the Department of Environment and Natural Resources of the Philippines to UNIDO.
[3] Decision 68/36
[4] Decision 62/34
[5] Decisions 80/60
[6] Decision 83/39
[7] Decision 87/19
[8] At the 87th meeting, the Executive Committee approved the request from the Government of the Philippines to cancel the air-conditioning (AC) manufacturing sector plan as the beneficiary enterprises had converted to R-410A on their own thus the consumption of HCFC-22 was phased out and associated balances were returned to the fund.
[9] Decision 90/17(b)

HCFC	2018	2019	2020	2021	2022	Baseline
HCFC-123	57.4	57.1	106.7	57.1	57.10	84.38
HCFC-225ca	0.2	0.4	0.0	0.0	0	0.17
HCFC-225cb	0.2	0.4	0.0	0.0	0	0.17
Total	**1,817.8**	**1,812.1**	**969.3**	**1,115.7**	**1,201.7**	**2,523.2**
ODP tonnes						
HCFC-22	88.86	90.38	46.40	57.18	57.40	109.32
HCFC-141b	15.90	12.21	2.08	2.08	11.12	52.26
HCFC-142b	0.00	0.00	0.00	0.00	0.00	0.26
HCFC-123	1.15	1.14	2.13	1.14	1.14	1.69
HCFC-225ca	0.00	0.01	0.00	0.00	0.00	0.00
HCFC-225cb	0.01	0.01	0.00	0.00	0.00	0.00
Total	**105.91**	**103.75**	**50.62**	**60.40**	**69.66**	**161.98**

6. HCFC consumption from 2018 to 2019 was steady, but in 2020 there was a sharp decrease by 51 per cent from the 2019 consumption. This sudden decline is attributed to the COVID-19 pandemic, which affected the demand and supply of HCFCs. The increase in consumption in 2021 and 2022 is due to the easing of COVID-19 restrictions and economic recovery.

Country programme implementation report

7. The Government of the Philippines reported HCFC sector consumption data under the 2022 CP implementation report that is lower than the data reported under Article 7 of the Montreal Protocol, it was indicated that the difference between the imported amounts and the use is for stockpile.

Status of progress and disbursement

Legal framework

8. The HCFC import licensing and quota system has been operational since 2004. The Environmental Management Bureau (EMB) through the Philippines Ozone Desk (POD) establishes the annual import quotas for HCFCs in coordination with the Bureau of Customs (BOC). A certification scheme for technicians, and a Harmonized System (HS) code and labelling requirements were introduced into the regulations in 2013; a ban on the import/export of HCFC-141b in the foam manufacturing sector and contained in imported pre-blended polyols has been in place from 1 January 2015; and a ban on the importation of HCFC-22 for use in the RAC manufacturing sector has been in place since 1 January 2020. Importers of non-ODS alternatives (i.e., HFCs) have been required to obtain a pre-shipment importation clearance since 2005, but there are currently no limits set for the import amount. A control order was issued in 2021 to regulate the import/export, use, manufacture, processing, storage, possession or sale of HFCs.

9. During stage II of the HPMP minimum energy performance standards were updated by the Department of Energy (DOE) and guidelines for the Philippines energy labelling programme for air conditioners were issued in May 2021.[10] Awareness-raising activities were held with 16 regional EMB offices on the HPMP implementation and on the online permitting database. A technical forum on the promotion of alternatives for ozone and climate protection was held with more than 100 attendees from the Government, AC manufacturers, servicing enterprises, importers, and end-users. At the forum, an updated energy labelling programme for RAC appliances was presented by the Department of Energy. A circular was issued in July 2021 requiring registration with the EMB of all persons engaged in servicing both mobile and stationary RAC equipment of any cooling capacity using ODS through the online permitting system

[10] The new energy efficiency standard for air conditioners includes minimum energy performance for fixed-speed and variable speed air conditioners and requires the refrigerant type and corresponding global-warming potential on the energy efficiency label.

and two meetings were held for more than 30 distributors and suppliers of HCFCs and HCFC-based equipment to discuss requirements for registration and data reporting.

10. Since 2019, at least 40 customs trainers and 219 customs officers were trained on the monitoring of imports of ODS and the use of multi-refrigerant identifiers and the safe handling of refrigerants, and a training session for 30 customs and enforcement officers was held on the use of updated HS codes. Five multi-refrigerant identifiers were provided to the BOC, one to the national ozone unit (NOU), and 16 to the regional EMB offices for the registration of ODS and HFC dealers, to check the type, quality, and composition of refrigerant substances as part of the registration process and for monitoring purposes.

Refrigeration servicing sector

11. During stage II of the HPMP the following activities were accomplished in the component on technical assistance for the servicing sector to promote good refrigeration practices, and to demonstrate and encourage the use of low-GWP alternatives*:*

(a) Coordination and technical support were provided to the central collection facility for the collection and recovery of unwanted ODS and policy awareness activities were conducted which included the promotion of alternatives technologies to government partners and stakeholders. Discussions on equipment needs were held and procurement of the equipment will be completed in the last quarter 2023;

(b) One train-the-trainers programme was conducted for 20 RAC trainers on good refrigeration practices to minimize refrigerant leaks from equipment and safety considerations for flammable refrigerants and an in-depth training on safety operations and maintenance of ammonia-based industrial refrigeration for 25 trainers and selected RAC technicians from the Technical Education and Skills Development Authority (TESDA). Training tools and equipment were provided to 19 TESDA-accredited training centres and 180 technicians were trained on good refrigeration practices and flammable refrigerants and another 470 technicians were scheduled to be trained in the last quarter of 2023;

(c) The code of practice for technicians is under assessment to ensure it includes safe practices for the handling of flammable refrigerants and is expected to be completed by the end of 2023; the technician certification and training programme through TESDA was updated in 2021, and the curriculum, assessment instruments, competency assessment and certification were developed;

(d) An initial list of potential alternatives for fire protection applications was identified and initial discussions were held with the Bureau of Fire Protection to support the study on the potential alternatives to HCFC-123 for firefighting and training of fire fighting officers was scheduled in the last quarter of 2023; and

(e) An awareness-raising workshop was held with 80 participants on climate and ozone protection to demonstrate and promote the use of low-GWP alternatives in the RAC sector; a training module was prepared to promote safety and awareness regarding low-GWP alternatives (including HFC-32) for AC manufacturing, installation, and servicing.

12. Of the US $75,000 allocated for the implementation and monitoring of activities for the project management unit (PMU), US $65,500 was disbursed as of July 2023 for the hiring of a national coordinator; organizing of events, awareness activities and stakeholder consultation; the preparation of reports; information dissemination; and gender mainstreaming considerations.

Level of fund disbursement

13. As of July 2023, of the US $811,750 approved for stage II, US $438,904 (54 per cent) had been disbursed. The balance of US $372,846 will be disbursed by 31 December 2023.

Stage III of the HCFC phase-out management plan

Remaining consumption eligible for funding

14. After deducting 69.59 ODP tonnes of HCFCs associated with stages I and II of the HPMP, the remaining consumption eligible for funding in stage III amounts to 93.28 ODP tonnes (1,680.1 mt) of HCFCs.

Sector distribution of HCFCs

15. Most of the HCFC consumption in the Philippines is attributed to the RAC servicing sector (96 per cent in ODP tonnes), while the remaining uses are for the solvent (3 per cent) and for the firefighting subsectors (1 per cent), the sectoral breakdown of HCFC consumption based on import data is shown in table 3.

Table 3. Sectoral HCFC use in 2022 for the Philippines

Sector	Substance	2022 HCFC use			
		Mt	Mt (%)	ODP tonnes	ODP tonnes (%)
RAC servicing	HCFC-22	1,043.55	86.84	57.40	82.40
	HCFC-123	25.56	2.13	0.51	0.73
	HCFC-141b	79.71	6.63	8.77	12.59
Solvent and cleaning	HCFC-141b	21.39	1.78	2.35	3.37
Firefighting	HCFC-123	31.54	2.62	0.63	0.90
Total	**n/a**	**1,201.75**	**100.00**	**69.66**	**100.00**

16. There are approximately 26,691 technicians in the formal sector trained through the TESDA and an equivalent number is estimated in the informal sector. There are 2,200 workshops in the servicing sector, consuming HCFC-22 to service residential air conditioners, package type air conditioners, commercial refrigeration equipment, and industrial AC and refrigeration units. HFC-134a represents 33 per cent in mt of refrigerant imports in 2022 followed by R-410A (22 per cent), HCFC-22 (16 per cent), HFC-143a (10 per cent), R-404A (8 per cent), HFC-32 (5 per cent), HCFC-141b (2 per cent), HCFC-123 (1 per cent), HFC-227ea, R-407C and HFC-152a (1 per cent) and HFC-236fa (less than 1 per cent).

Phase-out strategy

17. Stage III of the HPMP will leverage industry cooperation in order to phase out all uses of HCFC in the country by 2030; and activities will focus on strengthening the regulatory framework, promoting the transition to low-GWP technologies, further strengthening the capacity of the servicing sector, and phasing out the consumption of HCFC-123 used in fire suppression and fire protection equipment and in chillers and phase-out of HCFC-141b for solvent use.

Proposed activities

18. The activities proposed under stage III aim to improve the technical capabilities of the country and strengthen its RAC servicing sector, and include updates to the legal framework, strengthening the capacity of customs and the servicing sector, technical assistance (TA) to the solvent and the firefighting sectors, and implementation and monitoring.

(a) Regulatory framework and control mechanisms: Development of an online information

management system for the HPMP to track HCFC consumption and inventory and to enable sharing of data between relevant government agencies and stakeholders, which will support accreditation of workshops, technician certification and the registration of refrigerant handlers; policy review and development of regulations to ban the remaining HCFCs (HCFC-123-based equipment including chillers and fire extinguishers by 2025, importation of all HCFCs and HCFC-blends by 2030) and an awareness plan; updating of the customs training curriculum to cover the new regulations on HCFCs and possible regulatory activities to be proposed under stage I of the Kigali HFC implementation plan (KIP) and training sessions for a total of 400 customs and enforcement officers with a target for 20 per cent participation from women; provision of 10 refrigerant identifiers to the BOC (US $250,000);

(b) Technical assistance for servicing sector:

(i) Refrigerant management: Six consultation meetings and a core working group of technical experts to continue to revise the code of practice for RAC technicians to include the handling of HCFC-alternatives which will be integrated in the TESDA training curriculum; continuing support for regional and central collection centres for the collection of HCFCs and other refrigerants and the promotion of recycled and reclaimed refrigerants; and securing a storage facility for use by the BOC for illegally imported refrigerants (US $215,000);

(ii) Capacity building:

a. Activities including a baseline survey and consultation with servicing workshops; assistance to servicing workshops in complying with requirements for accreditation; supporting the certification of technicians; and TESDA training and certification for a total of 1,750 technicians (US $625,000);

b. Equipment to support 1,100 RAC servicing workshops in good servicing practices and recovery of refrigerants with a priority given to women-owned-shops (tools and equipment will be selected based on suitability for different refrigerants, such as flammable refrigerants, ammonia, and carbon dioxide but will include items such as manifold gauge sets, hoses, weighing scales, recovery machines, recovery cylinders, leak detectors, etc.) and coordination, implementation, monitoring and evaluation (US $2,565,990);

c. Enhancing the capacity of 30 TESDA training centres and technical schools through provision of tools and equipment (including an assessment of needs, 30 demonstration units for AC or commercial refrigeration training, and complementary tools) (US $860,000);

d. Provision of equipment to replace HCFC-141b for flushing of circuits with alternative RAC technologies that are non-ODS and low-GWP based and disposal and recycling of systems (US $377,608);

e. An incentive program to support small and medium sized enterprises (SMEs) to replace HCFC-based equipment with non-ODS and low-GWP technology including technical assistance, selection of 25 SMEs in commercial and industrial applications (based on level of activity in the sector, history, list of clients and installation and record keeping); selected

SMEs will contact clients with old HCFC-22 equipment consuming more than 30 per cent of the initial charge per year and invite them to join the programme which provides an incentive on the basis of US $400/kg of charge for the early replacement of their equipment; and design, implementation and monitoring of programme (US $358,046);

f. Demonstration project on the replacement of HCFC-22-based air conditioners for selected government buildings to hydrocarbon-based equipment (R-290) including procurement, and installation of air conditioners and dissemination of project results (US $100,000);

g. An incentive programme for the adoption of energy-efficient alternative technologies to replace the use of HCFC-123 including, an awareness campaign for end users on upcoming ban in servicing and on refrigerant recovery, and monitoring and dissemination (US $117,688);

h. Six awareness activities for stakeholders and public on several topics (US $45,000);

(iii) Technical assistance for the solvent sector and training for end users to transition from HCFC-141b to alternative technologies including a baseline survey of current use by selected solvent, identification of alternative technology, and dissemination (US $427,800); and

(iv) Technical assistance for the firefighting sector including an awareness raising campaign regarding the use of HCFCs and alternatives and an incentive programme for end users of HCFC-123 including a selection process for SME beneficiaries, technology conversion, incentives for end users and evaluation; and 16 training sessions for a total of 400 firefighters on the good management of HCFC-123 based technology as no viable alternatives are available (US $157,700).

Project implementation and monitoring

19. The system established under stages I and II of the HPMP will continue into stage III, with the NOU and UNIDO monitoring activities, reporting on progress, and working with stakeholders to phase out HCFCs. The cost of those activities amounts to US $487,987, and includes international consultant (US $108,000), national consultants (US $275,000), travel (US $30,000), meetings and other operational cost (US $74,987).

Gender policy implementation

20. In line with decisions 84/92(d), 90/48(c) and 92/40(b), stage III of the HPMP for the Philippines, integrates gender considerations into its activities. A portion of the budget was allocated for women's empowerment activities, such as conducting a gender analysis, stakeholder consultations, trainings, monitoring and evaluation, and gender-disaggregated data collection. Throughout the implementation women's participation will be prioritized in decision-making, training, servicing, and policy reviews in the RAC sector. The project has set a target for women participation in HPMP activities of 20 per cent. Women-owned shops will be prioritized in the technical assistance, equipment, and incentives programmes. Women assessors will be recruited for the technician's certification and accreditation programmes.

Total cost of stage III of the HCFC phase-out management plan

21. The total cost of stage III of the HPMP for the Philippines has been estimated at US $6,587,819 (plus agency support costs), as originally submitted, for achieving a 67.5 per cent reduction from its HCFC baseline consumption by 2025 and a 100 per cent reduction by 2030.

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

22. The first funding tranche of stage III of the HPMP in the total amount of US $3,520,025 will be implemented between January 2024 and December 2026 and will include the following activities:

(a) Regulatory framework and control mechanisms: Development of an online information management system for the HPMP to track HCFC consumption and inventory and to enable sharing of data between relevant government agencies and stakeholders, which will support accreditation of workshops, technician certification and the registration of refrigerant handlers; policy review and development of regulations to ban the remaining HCFCs (HCFC-123-based equipment including chillers and fire extinguishers by 2025, importation of all HCFCS and blends containing HCFCs by 2030); updating of the customs training curriculum and training sessions for a total of 135 customs and enforcement officers with a target for 20 per cent participation from women (US $96,500);

(b) Technical assistance for servicing sector:

(i) Refrigerant management activities: Continuing support for regional and central collection centres for the collection of HCFCs and other refrigerants and promotion of recycled and reclaimed refrigerants; and securing a storage facility for use by BOC for illegally imported refrigerants (US $84,000);

(ii) Capacity building activities:

a. Capacity building activities including a baseline survey and consultation with service workshops; assistance to servicing workshops in complying with requirements for accreditation; supporting the certification of technicians; TESDA training and certification for a total of 575 technicians (US $220,000);

b. Equipment to support 1,100 RAC servicing workshops in good servicing practices and recovery of refrigerants with a priority given to women-owned-shops (tools and equipment will be selected based on suitability for different refrigerants, such as flammable refrigerants, ammonia, and carbon dioxide but will include items such as manifold gauge sets, hoses, weighing scales, recovery machines, recovery cylinders, leak detectors, etc.) and coordination, implementation, monitoring and evaluation (US $2,200,000);

c. Enhancing the capacity of five TESDA training centres and technical schools through provision of tools and equipment (including an assessment

of needs, five demonstration units for AC or commercial refrigeration training, and complementary tools) (US $120,000);

d. Provision of equipment to replace HCFC-141b for flushing of circuits with alternative RAC technologies that are non-ODS and low-GWP based and disposal and recycling of systems (US $300,000);

e. Technical assistance and incentive to HCFC-123 chiller owners to eliminate the use of virgin HCFC-123 in RAC servicing including awareness of proper servicing and industry alternatives (US $117,688);

f. One awareness activity for stakeholders and public on a selected topic (US $15,000);

(c) Technical assistance for the firefighting sector including an awareness raising campaign regarding the use of HCFCs and alternatives and an incentive program for end users of HCFC-123 including a selection process for SME beneficiaries, technology conversion, incentives for end users and evaluation; and 16 training sessions for a total of 400 firefighters on the good management of HCFC-123 based technology as no viable alternatives are available (US $157,700); and

(d) Project monitoring unit (PMU) (UNIDO) (US $209,137): to ensure project implementation, monitoring and evaluation including international consultant (US $46,000), national consultants (US $118,000), travel (US $12,900), meetings and other operational cost (US $ 32,237).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

23. The Secretariat reviewed stage III of the HPMP in light of stages I and II, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2023-2025 business plan of the Multilateral Fund.

Overarching strategy

24. The Government of the Philippines proposes to meet the 100 per cent reduction of its HCFC baseline consumption by 2030, and to maintain a maximum annual consumption of HCFCs in the period of 2030 to 2040 at a level consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.[11] Stage III will allow for the development of a comprehensive and coherent set of activities in the servicing sector, complemented by the necessary policies and regulations, provide technical assistance to the solvent and firefighting sectors, and ensure the continuity of those activities to sustain the reduction of HCFC consumption.

25. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of the Philippines agreed 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) of Article 5 of the Montreal Protocol for the period 2030–2040, and, if the Philippines intends to have consumption during the period 2030–2040, in line with paragraph 8 ter(e)(i) of Article 5 of

[11] 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.

the Montreal Protocol, proposed modifications to its Agreement with the Executive Committee covering the period beyond 2030.

Legal framework

26. While the Government of the Philippines had already implemented a ban on the import and use of HCFC-141b pure and contained in pre-blended polyols (effective 1 January 2015), this was only for the use of these substances in the foam sector, thus the Secretariat sought to better understand when the Government intended to issue a ban on HCFC-141b for solvent and flushing uses and for HCFC-123 based chillers and fire suppression equipment, noting that in line with paragraph 8ter(e)(ii)(a) and (b) of Article 5 of the Montreal Protocol, only equipment existing on 1 January 2030 could be serviced with HCFCs between 2030 and 2040. UNIDO explained that currently the existing Chemical Control Order which forms the basis for the control of imports of HCFCs envisages a ban on virgin HCFC-123 in the RAC sector by 2025.[12] The Secretariat also noted that the Government may wish to consider including measures in stage I of the KIP to facilitate the uptake of low-GWP-based chillers, in line with the flexibility afforded to Article 5 countries in paragraph 13 of decision XXVIII/2.

27. Regarding the firefighting sector, it was noted that the HCFC consumption is very small (less than 1 per cent in ODP tonnes). Information was lacking on whether HCFC-123-based total flooding fire suppression equipment is in use in the country and on whether there is HCFC-123-based manufacturing and assembly in the sector as these two factors may require detailed assessments to allow the introduction of alternatives. UNIDO indicated that a premature ban in this sector could risk the introduction of very high-GWP HFC-based equipment which could make the country's HFC phase-down more challenging. It was thus agreed that any further actions in this sector would be based on the results of the TA proposed for the sector as identified in paragraph 39 below, and that a potential ban could be considered on the understanding that this will be no later than I January 2030. UNIDO also indicated that the Government is cognizant of decision XXX/2, whereby the Parties decided *inter alia* to include the servicing of fire suppression and fire protection equipment existing on 1 January 2030 in the permissible uses for the 2030-2040 servicing tail in Article 5 countries.

28. With regard to HCFC-141b for solvent and flushing applications, the Government will seek to limit import of this substance with a view to an eventual import ban by 2030.

Technical and cost-related issues

29. As submitted, funding of stage III of the HPMP was based on the country's 2022 consumption of 1,201.7 mt (69.66 ODP tonnes) reported under Article 7. However, after review of the HCFC consumption data, the Secretariat noted that the country's CP data for 2022 reported a much lower HCFC consumption (759.6 mt/44.40 ODP tonnes) and further noted that the import data for the same year included some amounts for stockpile. After discussion with UNIDO, it was agreed to use the 2020-2022 average CP data (925.77 mt) to determine the eligible consumption for the project, consistent with the decision in paragraph 32(b) of document UNEP/OzL.Pro/ExCom/16/20[13] resulting in a maximum funding of US $4,414,848 for the servicing sector including technical assistance for the solvent and firefighting sectors to reduce consumption of HCFC-141b and HCFC-123 and excluding PMU costs. On that basis, UNIDO

[12] Based on the Chemical Control Order: "By 1 January 2025, imports shall have been reduced by 67.5 per cent based on the recorded baseline consumption in ODP tonnes. By this date, all importation of HCFC-123 as cooling agent for chillers and as fire extinguishing agent will likewise be absolutely prohibited, except for the servicing sector."

[13] That ODS consumption should be calculated on the basis of either the year, or an average of the three years, immediately preceding project preparation.

reduced the funding for stage III[14] of the HPMP by US $1,900,819, to US $4,687,000 including US $387,000 (9 per cent) for the PMU, as further detailed below.

30. In clarifying what additional regulatory measures will be put in place to sustain the phase-out of HCFCs under stage III, UNIDO indicated that the Government is considering the required limitations on imports and other bans to support the HCFC phase-out. This involves an economic impact assessment and an analysis of the consumption trends relative to the quotas to be put in place during the first tranche of stage III implementation, based on these the timing of the implementation and enforcement will be determined. UNIDO also clarified that the Government has strict regulations controlling the import of HCFCs through the country's Chemical Control Order, which will continue to form the basis for future restrictions on the import of substances and equipment using HCFCs.

31. With regard to the need for additional customs training and its link to the customs training institute of the BOC, UNIDO explained that continuous training on the theory and practice of controlling and identifying controlled substances vis-à-vis the existing policies and regulations is required to enhance the capabilities of the present officers and to train the new ones who have recently joined. The NOU is also working closely with the BOC to see whether material can be developed for repeat trainings that can be undertaken through the regular training programme of the customs office. In response to the Secretariat's concern about the high cost of training, UNIDO made some adjustments to the requested costs but explained that these costs will vary depending on where the training is done in the country.

Technical assistance for the servicing sector

32. The Secretariat raised several issues regarding this component comprised of two subcomponents originally requested at around US $5.26 million. The first component on refrigerant management (US $215,000) included activities that related to the support for a central facility that manages unwanted controlled substances for disposal and support for a storage facility for the BOC required for the storage of confiscated substances. The second subcomponent related to capacity building of service technicians, equipment supports for servicing workshops and training institutes, other activities for training and certification, and providing equipment for users of HCFC-141b for flushing and servicing HCFC-123-based chillers (US $5.04 million).

33. Clarification was also sought on the proposed continued support to the central facility (Delsa), that had been supported during previous stages of the HPMP, including how this has contributed to the HPMP, how much waste refrigerant had been collected, and what is the plan for these substances. The Secretariat also asked whether this facility was supported by a recovery and recycling scheme and backed by a policy to ensure its sustainability. UNIDO explained that this facility had been a partner of the Government in collecting and storing unwanted refrigerants and so far, had collected around 3.04 mt of mixed contaminated refrigerants and around 9.3 mt of waste HCFCs and HFCs; discussions are being held with Tradewater[15] for their final disposal. There is currently no regulation on recovery and recycling, but this is being done on a voluntary basis and monitored by the NOU through the servicing workshops. The funding being requested would allow the central facility to establish eight new collection sites in five regions of the country and provide them with equipment to expand the collection of waste substances. Following this discussion, UNIDO indicated that the Government of the Philippines reformulated the activities and reallocated funding to add the establishment a formal recovery and recycling network in the country under this component and to include the development of a policy supporting recovery and recycling of refrigerants under the regulatory component (US $30,000).

[14] The Government of the Philippines through UNIDO requested only US$4,300,000 from the maximum funding calculated at US$4,414,848.

[15] Trade water is a full-service refrigerant solution offering a nationwide refrigerant buyback program and recovery service.

34. Concerning the subcomponent on capacity building of service technicians, the Secretariat noted the higher cost to train and certify technicians and provide equipment under the plan relative to other Article 5 countries. It further noted what appeared to be a high number of service workshops and training centres that would be supported with tools for servicing observing also that the training institute had been an institutional partner from stage I of the HPMP which had previously been supported with capacity building tools and equipment. UNIDO clarified that the previous stages of the HPMP did not include equipment for workshops, and the NOU had identified 2,200 workshops operating in the country while this component was intended to support 1,200 workshops at US $2,137 per set of equipment.[16]

35. On the activity to provide assistance to small and medium enterprises (SMEs), there was a lack of clarity on what the activity intended to achieve, who were its intended recipients as no specific SMEs had been identified, whether it was a technical assistance project or an end-user project, and how the costs were calculated. The same concerns were raised concerning the proposal for a demonstration project on the replacement of HCFC-22-based air conditioners to hydrocarbon-based equipment for selected government buildings as it was not linked to any green procurement programme, nor does the Government have supporting safety standards for the use of HC-based AC equipment.

36. UNIDO also made adjustments to the proposal to provide equipment for enterprises that continue to use HCFC-141b for flushing circuits and instead provide technical assistance by providing information on alternatives; the same adjustment was made on the activity to service HCFC-123-based chillers.

37. Noting the reduction in funding for the servicing sector as described in paragraph 29 above, the following adjustments were made to this component on capacity building and training:

(a) Adding an activity to establish a formal recovery and recycling network in the country (US $330,000); expanding the support for the central facility and collection facilities to support 18 collection sites in 11 regions (US $507,000); increasing the allocation for updating the codes of practice to and maintaining the support for the BOC storage facility for illegally imported refrigerants for a total for the refrigerant management component of (US $835,000)

(b) Removing the activity to provide technical assistance to yet unidentified SMEs and the proposed demonstration project for government buildings, noting that such assistance can be provided through the other activities under this component (US $358,046);

(c) Removing the demonstration project for hydrocarbon-based AC in government building (US $100,000)

(d) Reducing the number of training centres to be supported and the amount of equipment to be provided (removing US $640,000) and retaining US $220,000 to support 20 select TESDA accredited training institutions with one demonstration educational tool per centre and for updating the curriculum to include recent refrigerants and technologies, safety standards, updated regulations and energy efficiency.

(e) Rationalizing the training costs for RAC technicians (adjusted to US $350,000) and the costs for equipment to be provided to servicing workshops (adjusted to US $2,200,000);

(f) Removing the provision of equipment to replace HCFC-141b for flushing of circuits with alternative RAC technologies (US $377,608) and instead including TA for US $55,000; and

[16] Each set will include small recovery and recycling units, cylinders, vacuum pumps, manifold gauges, hoses, scales, toolboxes, leak detectors and thermometers.

(g) Removing the incentive programme for the adoption of energy-efficient alternative technologies to replace the use of HCFC-123 including and instead including TA for US $55,000.

Technical assistance for the solvent sector

38. This component was developed primarily for solvent users that still use HCFC-141b to encourage their conversion to alternatives. The Secretariat noted that the project was designed to provide support to 16 users of HCFC-141b as a solvent, which included assessing the applicability of new technology, providing equipment and installation and training of users; providing equipment for such users was not an approach that is common practice for this application. It was further noted that these 16 proposed beneficiaries would not be the only users of HCFC-141b for solvents thus the project would need to be redesigned to accommodate all users who would benefit from this assistance. Following this discussion, UNIDO revised this component to focus more on technical assistance for the sector to include activities like workshops and awareness raising activities to inform users of the current alternatives to solvents that are available in the market and encourage their transition. Funding was adjusted from US $427,800 to US $90,000.

Technical assistance for the firefighting sector

39. The Secretariat observed that this component for the firefighting sector included an incentive programme for end-users of HCFC-123 including a selection process for SMEs beneficiaries, and a training programme for firefighters. Noting that there is as yet no clear assessment on the number of total flooding fire suppression equipment using HCFC-123 in the country and whether there is HCFC-123-based manufacturing and assembly in the sector, assistance to end-users appeared to be premature without this assessment. Moreover training of firefighters is not an activity that had been previously supported by the Fund, thus UNIDO was encouraged to consider revising the proposal to look at technical assistance that would initially assess and map fire suppression and fire protection equipment using HCFC-123, assess the potential impact of those servicing needs to the country's consumption in the 2030-2040 period, including stakeholder consultations, workshops, and an awareness campaign to disseminate the results of the above assessments. Based on this discussion, UNIDO adjusted the activities for this technical assistance and revised the funding from US $157,700 to US $100,000 to include technical assistance for recharging and maintaining portable fire extinguishers using HCFC-123, developing guidelines on good environmental practices in the maintenance, recharge, and use of these fire extinguishers, provision of tools for analyzing and re-using HCFC-123 recovered from fire protection equipment, and awareness workshops.

Total project cost

40. Stage III of the HPMP will fully phase out all remaining consumption of HCFCs in the Philippines by 2030 for US $4,300,000, plus US $387,000 for the PMU for a total cost of US $4,687,000 based on the country's 2020-2022 average consumption[17] of HCFC calculated at US $4.8/kg in line with decision 74/50. The funding for the first tranche was adjusted to US $2,535,150.

Table 4. Agreed cost of stage III of the HPMP for the Philippines

Component	Activity	Cost (US $)
I. Regulatory framework and control mechanisms		
Regulatory	Development of HPMP web-based management information system	25,000
	Review of policy and introducing regulation on recovery and recycling and on bans	30,000

[17] Based on their average CP data

Component	Activity	Cost (US $)
	Training 400 customs and enforcement officers, updating curriculum	110,000
	Provision of refrigerant identifiers to the BOC	45,000
II. Technical assistance to the servicing sector		
II.A Refrigerant management	Continuous update and dissemination of RAC code of practice	15,000
	Continuing and expanding support for central facility and collection facilities for 18 sites in 11 regions	507,000
	Storage facility for BOC for illegally imported refrigerants	10,000
	Establishing an RRR network	303,000
II.B Capacity building	Training of 1,750 technicians	350,000
	Technical assistance to the RAC servicing sector: - Supply of educational training center to training centers and updating of training curriculum: US$ 220,000 - Supply of tools to technicians and workshops: US$ 2,200,000 - Addressing the use of HCFC-123 in the servicing of chillers: US$ 65,000 - Addressing the use of HCFC-141b in flushing of RAC circuits: US$ 55,000	2,540,000
	Providing technical assistance to solvent sector	90,000
	Providing technical assistance to firefighting sector	100,000
	Awareness campaign for stakeholders and the public on several topics	175,000
Sub-total components I and II		***4,300,000***
PMU	Coordination and management	387,000
Grand Total		**4,687,000**

Impact on the climate

41. The activities proposed in the servicing sector, which include better containment of refrigerants through training and provision of equipment, will reduce the amount of HCFC-22 used for RAC servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO_2-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by the Philippines, including its efforts to ban the import of HCFC based equipment, continue to support RAC technician training in good service practices and enhance training centres indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Sustainability of the HCFC phase-out and assessment of risks

42. The Government of the Philippines has an enforceable HCFC licensing and quota system that regulates the import and export of HCFCs and their alternatives. The Government has also implemented regulations for prohibiting the use of HCFC-141b in foam applications and HCFC-22 in air conditioner manufacturing; furthermore, the Government will strengthen these regulations and implement additional measures in the future to phase-out HCFC consumption in the servicing, solvent, and firefighting sectors. These policy and regulatory measures will help ensure compliance with the Montreal Protocol obligations and the sustainability of the project outcomes. In addition, the country will ban the import of HCFCs by 1 January 2030, except for those allowed for a servicing tail between 2030 and 2040, where required, consistent with the provisions of the Montreal Protocol.

43. The Government is implementing activities to provide technical support to the service sector to promote the adoption of low/lower-GWP refrigerants in a safe manner; this would reduce the risks related

to safe and sustainable use of flammable refrigerants. The project has also improved servicing practices to reduce HCFC leakage and emissions during installation, maintenance and repair of refrigeration and AC equipment; and sustained the training programs by supporting the TESDA regional training centres through a train-the-trainer programme so that training that can continue to be provided after the completion of the HPMP, through vocational schools and industry associations. As restrictions have eased following the pandemic, training and certification of technicians have continued, and the strengthening of training institutes will contribute to the further reduction of HCFC consumption in RAC servicing.

44. The country will also sustain the phase-out by ensuring the implementation of the existing and proposed bans on HCFC use and compliance with national regulations on HCFC consumption limits; promoting the adoption of best available technologies and practices in the sectors; strengthening the monitoring, reporting and verification system for HCFC consumption data, as well as the enforcement and compliance mechanisms to prevent illegal trade or smuggling of HCFCs or their substitutes; and enhancing the coordination and collaboration among relevant stakeholders, such as government agencies, industry associations, civil society organizations to support the implementation of the HCFC phase-out plan and address any emerging issues or challenges. The project will continue the training for customs officers to ensure adherence to the import bans and lower the risk of illegal trade. Given the country's progress in implementing phase-out activities, including through training and the control of HCFCs, risks to the sustainability of the phase-out are considered low.

Co-financing

45. The HPMP will leverage co-financing from various sources, such as the government and the private sector. The project will aim to identify and assess the potential co-financing partners and mechanisms for each activity, develop strategies and action plans to mobilize and coordinate the co-financing resources and will report on the co-financing activities and outcomes as part of the project monitoring and evaluation.

2023-2025 draft business plan of the Multilateral Fund

46. UNIDO is requesting US $4,687,000, plus agency support costs, for the implementation of stage III of the HPMP for the Philippines. The total requested value of US $2,712,611, including agency support costs for the period of 2023–2025, is US $1,134,670 above the amount in the business plan.

Draft Agreement

47. A draft Agreement between the Government of the Philippines and the Executive Committee for stage III of the HPMP is contained in annex I to the present document.

RECOMMENDATION

48. The Executive Committee may wish to consider:

(a) Approving, in principle, stage III of the HCFC phase-out management plan (HPMP) for the Philippines for the period from 2023 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $4,687,000 plus agency support costs of US $328,090 UNIDO, on the understanding that no more funding from the Multilateral Fund will be provided for the phase-out of HCFCs;

(b) Noting the commitment of the Government of the Philippines:

(i) To completely phase out HCFCs by 1 January 2030 and to ban the import of HCFCs by 1 January 2030, except for those allowed for a servicing tail between

2030 and 2040, where required, consistent with the provisions of the Montreal Protocol;

(ii) To ban the import, manufacture and installation of HCFC-123-based chillers by 1 January 2026;

(iii) To ban the import, assembly and manufacture of HCFC-123-based fire suppression and fire protection equipment no later than 1 January 2030;

(c) Deducting 93.28 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

(d) Approving the draft Agreement between the Government of the Philippines 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 the Philippines should submit:

(i) A detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030-2040;

(ii) If the Philippines were intending to have consumption during the period 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; and

(f) Approving the first tranche of stage III of the HPMP for the Philippines, and the corresponding tranche implementation plan, in the amount of US $2,535,150 plus agency support costs of US $177,461 for UNIDO.

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF THE PHILIPPINES 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 the Philippines (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 and 4.3.3 (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 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;

(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. UNIDO has agreed to be the lead implementing agency (the "Lead IA") in respect of the Country's activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring coordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The role of the Lead IA is contained in Appendix 6-A. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in rows 2.2 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 to facilitate implementation of this Agreement. In particular, it will provide the Lead 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 between the Government 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	109.32
HCFC-123	C	I	1.70
HCFC-141b	C	I	51.85
Total			162.87

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2023	2024	2025	2026	2027-2028	2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	105.29	105.29	52.64	52.64	52.64	52.64	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	82.56	82.56	52.64	52.64	52.64	52.64	0	n/a
2.1	Lead IA (UNIDO) agreed funding (US $)	2,535,150	0	0	1,683,150	0		468,700	4,687,000
2.2	Support costs for Lead IA (US $)	177,461	0	0	117,820	0		32,809	328,090

Row	Particulars	2023	2024	2025	2026	2027-2028	2029	2030	Total
3.1	Total agreed funding (US $)	2,535,150	0	0	1,683,150	0		468,700	4,687,000
3.2	Total support costs (US $)	177,461	0	0	117,820	0		32,809	328,090
3.3	Total agreed costs (US $)	2,712,611	0	0	1,800,970			501,509	5,015,090
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								83.88
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)								25.44
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)								1.70
4.2.2	Phase-out of HCFC-123 to be achieved in the previous stage (ODP tonnes)								0
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)								0
4.3.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)								7.70
4.3.2	Phase-out of HCFC-141b to be achieved in the previous stage (ODP tonnes)								44.15
4.3.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								0

*Date of completion of stage II by 31 December 2023 as agreed at the 90th meeting

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 Plan 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. In order to assist the Country in monitoring and evaluating the progress of implementation of the Agreement, the project management will be within the Department of Environment and Natural Resources--Environmental Management Bureau (DENR-EMB), which will be responsible for:

(a) Coordination with stakeholders in the public and private sectors;

(b) Preparation or review of terms of reference for consultancy services to support implementation, and supervision of HCFC phase-out activities;

(c) Preparation of monitoring reports in cooperation with the Lead IA and as required by the Executive Committee, including the Tranche Implementation Reports and Plans according to the schedule set forth in Appendix 2-A;

(d) Facilitating project supervision or evaluation as may be required by the Lead IA and the Monitoring and Evaluation Officer of the Executive Committee;

(e) Undertaking procurement of goods and services necessary for implementation of the commercial refrigeration and foam sector plans, technical assistance, and monitoring and supervising works of the consultants;

(f) Financial management to ensure effective use of the Multilateral Fund resources;

(g) Updating and maintenance of a project management information system;

(h) Facilitating performance and financial audits as required;

(i) Organizing meetings and workshops for DENR-EMB's staff and staff of other relevant agencies to ensure full cooperation of all stakeholders in the HCFC phase-out efforts;

(j) Informing the industry of the availability of funds from the Multilateral Fund;

(k) Organizing training and technical assistance for the beneficiaries;

(l) Supervision and evaluation of projects with assistance from technical experts to be engaged as part of the technical assistance component; and

(m) Monitoring progress of HCFC phase-out on the demand side by direct oversight of subproject implementation.

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;

(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) 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, the allocation of the reductions to the different budget items and to the funding of the Lead IA;

(k) Ensuring that disbursements made to the Country are based on the use of the indicators;

(l) Providing assistance with policy, management and technical support when required; and

(m) 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 Plan's 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 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 $100 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 Plan 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.