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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
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Item 12(c) of the provisional agenda<sup>1</sup>

**DRAFT TEMPLATE FOR AN AGREEMENT  
FOR STAGE I OF KIGALI HFC IMPLEMENTATION PLANS**

**Note by the Secretariat**

**Introduction**

1. At the 91<sup>st</sup> meeting, the Executive Committee requested the Secretariat to prepare a draft template for an Agreement for stage I of Kigali HFC implementation plans (KIPs) for consideration by the Executive Committee at the 92<sup>nd</sup> meeting and agreed that the template Agreement would be reviewed once discussions on the criteria for funding HFC phase-down had been completed (decision 91/38(c) and (d)). The Secretariat prepared the draft template for the 92<sup>nd</sup> meeting,<sup>2</sup> following a review of all sections and appendices of the current HCFC phase-out management plan (HPMP) Agreement template, and including adjustments related to additional considerations for HFC phase-down and the Kigali Amendment. The adjustments to the template were marked in “track changes” and further explained in the document.

**Discussions at the 92<sup>nd</sup> and 93<sup>rd</sup> meetings<sup>3</sup>**

2. At the 92<sup>nd</sup> meeting, members noted that the freeze year of 2024 was rapidly approaching and that it was important for the Committee to agree on the draft template. There was broad agreement with the suggested draft template, although one member said that several revisions might be required depending on the results of informal consultations. He indicated that he could agree with there being one starting point for aggregate reductions expressed in CO<sub>2</sub>-equivalent (CO<sub>2</sub>-eq) tonnes if there was agreement on the approach proposed by the Secretariat in its paper on the starting point for sustained aggregate reductions.<sup>4</sup> Otherwise, the “CO<sub>2</sub>-eq tonnes” reference in the template should be kept in square brackets, along with

<sup>1</sup> UNEP/OzL.Pro/ExCom/94/1

<sup>2</sup> As contained in document UNEP/OzL.Pro/ExCom/92/50

<sup>3</sup> UNEP/OzL.Pro/ExCom/92/56 (paragraphs 214-219) and UNEP/OzL.Pro/ExCom/93/105 (paragraphs 365-368)

<sup>4</sup> UNEP/OzL.Pro/ExCom/92/46

“metric tonnes.” Furthermore, it was suggested that the template's subparagraph 7(e) could be deleted as it was irrelevant to KIPs. Penalties for failure to comply with the Agreement needed further discussion, as did the future roles of the national ozone units (NOUs) and project management units (PMUs). There was an important overlap between different multi-year agreements, and consequently, it was important to ensure the continuity of the PMUs across those different agreements, given their significant monitoring and reporting functions during the implementation of projects.

3. The contact group established to consider the matter agreed on all the elements of the draft template Agreement except for Appendices 1-A, 2-A, 5-A and 7-A, and one member suggested including, in the decision approving the template, language indicating the utility of ensuring the continuity of PMUs across multi-year agreements. The Executive Committee agreed to pursue, at its 93<sup>rd</sup> meeting, consideration of the draft template for an Agreement for stage I of KIPs.

4. At the 93<sup>rd</sup> meeting, the contact group established to discuss the matter reported that Appendix 7-A, related to the penalty due to failure to comply with the consumption targets, had been agreed; appendices 1-A and 2-A remained under consideration as they related to the establishment of the starting point, which was still under discussion; and Appendix 5-A, on monitoring institutions and roles, would also continue to be discussed at the 94<sup>th</sup> meeting. Accordingly, the Executive Committee agreed to continue, at the 94<sup>th</sup> meeting, its consideration of the draft template for an Agreement for stage I of KIPs using the working document contained in annex LXIII to the final report of the 93<sup>rd</sup> meeting<sup>5</sup> as the basis for subsequent discussions.

### **Draft template for an Agreement for stage I of Kigali HFC implementation plans**

5. The working document is reproduced in the annex to the present document. It consists of the draft template for an Agreement for stage I of KIPs as discussed so far by the contact group established at the 93<sup>rd</sup> meeting. For Appendices 1-A, 2-A and 5-A, the adjustments that are still under discussion are marked in “track changes” for easy identification and are explained in the “Adjustments and updates under discussion” section below.

#### Adjustments and updates under discussion

##### *Appendix 1-A: The Substances*

6. Rather than having the starting point for aggregate reductions in consumption broken down by substance, as is the case in HPMP Agreements, the consumption of all Annex F substances is combined into a single starting point for aggregate reductions. This will provide Article 5 countries with more flexibility in prioritizing HFCs, selecting technologies and alternatives, and elaborating and implementing strategies to meet the agreed phase-down obligations, based on their specific needs and national circumstances and following a country-driven approach, in line with decision XXVIII/2 of the Parties.

7. In the column “Starting point for aggregate reductions in consumption”, the words “ODP tonnes” have been replaced by “CO<sub>2</sub>-eq tonnes” and left in brackets as the Executive Committee has not yet made a decision on the starting point.

8. Based on the experience with funding the phase-out of HCFC-141b contained in imported pre-blended polyols under the HPMPs, the table includes an optional row for Annex F substances contained in imported pre-blended polyols (in brackets), pending an Executive Committee decision on whether the phase-down of Annex F substances contained in imported pre-blended polyols will be funded.

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<sup>5</sup> UNEP/OzL.Pro/ExCom/93/105

*Appendix 2-A. The Targets, and Funding*

9. To facilitate the reading of the annual consumption targets and commitments, it is proposed that rows 1.1 and 1.2 include, in addition to consumption in CO<sub>2</sub>-eq tonnes, the percentage of reductions in consumption from the baseline.

10. In contrast to HPMP Agreements that include the breakdown of phased-out substances, KIP Agreements will group all relevant substances into one category as follows: row 4.1.1 to indicate the total amount of Annex F substances agreed to be phased down under the Agreement; row 4.1.2 to indicate the total amount of Annex F substances phased down under the previous projects (e.g., stand-alone investment projects approved before the submission of stage I), where applicable; and row 4.1.3 to indicate the total remaining eligible consumption for all Annex F substances. In addition, Appendix 2-A includes, in brackets, rows 4.2.1, 4.2.2 and 4.2.3, indicating the same parameters for HFCs contained in imported pre-blended polyols, in the event that the Executive Committee decides to approve funding for their phase-down.

11. The footnote to Appendix 2-A indicating the date of completion of the previous stage has been deleted, as it is not applicable to stage I of the KIPs.

*Appendix 5-A: Monitoring Institutions and Roles*

12. This Appendix is still under discussion, given the proposal by one member at the 92<sup>nd</sup> and 93<sup>rd</sup> meetings to further discuss the future roles of the NOUs and the PMUs and the importance of ensuring the continuity of the PMUs across different overlapping agreements, in view of their significant monitoring and reporting functions during the implementation of projects. A second paragraph had been added to the Appendix at the 93<sup>rd</sup> meeting and upon discussions during the contact group it was deleted and replaced by the text “including post project completion” in brackets in the first paragraph. This alternative text is still under consideration by the contact group.

**Recommendation**

13. The Executive Committee may wish to consider approving the draft template for an Agreement for stage I of Kigali HFC implementation plans, contained in the annex to the present document.

## Annex

Colour-coding is used to guide bilateral and implementing agencies and Article 5 countries in drafting their Agreements. The colours are explained below:

- Pink is used for all required entries to be filled in by the country, including main text and the tables
- Green is used for optional paragraphs related to the manufacturing sector or technology; these sections should be removed from the Agreement where not relevant or applicable
- Blue is used for differentiation between one and several agencies

## TEMPLATE

**DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF [COUNTRY]  
AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND  
FOR THE REDUCTION IN CONSUMPTION OF HYDROFLUOROCARBONS  
IN ACCORDANCE WITH STAGE I OF THE KIGALI HFC IMPLEMENTATION PLAN**

**(Period: [initial year-final year])**

### Purpose

1. This Agreement represents the understanding of the Government of [country] (“the Country”) and the Executive Committee with respect to the reduction of controlled use of Annex F substances set out in Appendix 1-A (“The Substances”) to a sustained level of [value] CO<sub>2</sub>-equivalent (CO<sub>2</sub>-eq) tonnes by 1 January [year] in compliance with the Montreal Protocol schedule and the terms of this Agreement.
2. The Country agrees to meet the annual consumption limits of Annex F 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 Annex F 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 Annex F substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for Annex F substances specified in Appendix 1-A, and in respect to any consumption of Annex F substances that exceeds the level[s] defined in row[s] 4.1.3 [and 4.2.3] (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 stage I of the Kigali HFC implementation plan (“the Plan”) as approved. In accordance with subparagraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of Annex F substances 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 [10/12] 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 accordance with 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 accordance with Appendix 4-A covering each calendar year until and including the year for which the Funding Approval 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 approved funds, according to the evolving circumstances, to achieve the smoothest reduction of consumption and phase-down of Annex F substances specified in Appendix 1-A, in accordance with the following considerations:

- (a) Reallocations categorized as major changes must be documented in advance, either in a Tranche Implementation Plan as foreseen in subparagraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted [10/12] 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 that would modify any clause of this Agreement;
  - (iii) Changes in the annual levels of funding allocated to the 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

on the climate, and any differences in CO<sub>2</sub>-eq tonnes to be phased down if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would accordingly decrease the overall funding level under this Agreement;

- (b) Reallocations not categorized as major changes may be incorporated into the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report;
- (c) Any enterprise included in the Plan that would be found to be ineligible under the policies of the Multilateral Fund (i.e., due to foreign ownership or establishment after the applicable cut-off date) would not receive financial assistance. This information would be reported as part of the Tranche Implementation Plan; and
- (d) Any remaining funds held by the bilateral or implementing agencies or the Country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

8. Specific attention will be paid to the execution of activities in the refrigeration servicing sector included in the Plan, in particular that the Country may use the flexibility available under this Agreement to address specific needs that might arise during project implementation.

#### **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. [Lead agency] has agreed to be the lead implementing agency (the “Lead IA”) [and [Cooperating agency] has/have agreed to be the cooperating implementing agency/agencies (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/or Cooperating IA[s]] 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 the independent verification as per subparagraph 5(b). [The Cooperating IA[s] will support the Lead IA by implementing the Plan under the overall coordination of the Lead IA.] The role[s] of the Lead IA [and Cooperating IA[s]] is/[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[s]] with the fees set out in row[s] 2.2 [and 2.4...] of Appendix 2-A.

#### **Non-compliance with the Targets in the Agreement**

11. Should the Country, for any reason, not meet the Targets for the elimination of Annex F 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 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 CO<sub>2</sub>-eq 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, [and] the Lead IA [and the Cooperating IA[s]] to facilitate implementation of this Agreement. In particular, it will provide the Lead IA [and the Cooperating IA[s]] 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 subparagraph 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 subparagraphs 1(a), 1(b), and 1(d) 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 conditions set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

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

## APPENDICES

### [APPENDIX 1-A: THE SUBSTANCES

Substances	Starting point for aggregate reductions in consumption [(GDP CO <sub>2</sub> -eq tonnes)]
Annex F substances	
[HFC-141b Annex F substances contained in imported pre-blended polyols]	

### APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2023	2024	...	...	2029	Total
1.1	Montreal Protocol reduction schedule of Annex F substances	%	n/a	freeze	freeze	freeze	10
		CO <sub>2</sub> -eq tonnes					
1.2	Maximum allowable total consumption of Annex F substances	%					
		CO <sub>2</sub> -eq tonnes					
2.1	Lead IA ([Lead agency]) agreed funding (US \$)						
2.2	Support costs for Lead IA (US \$)						

Row	Particulars	2023	2024	...	...	2029	Total
2.3	Cooperating IA ([Cooperating agency]) agreed funding (US \$)						
2.4	Support costs for Cooperating IA (US \$)						
3.1	Total agreed funding (US \$)						
3.2	Total support costs (US \$)						
3.3	Total agreed costs (US \$)						
4.1.1	Total phase-down <del>out</del> of Annex F substances {substance-1} agreed to be achieved under this Agreement [(ODP-CO <sub>2</sub> -eq tonnes)]						
4.1.2	Phase-down <del>out</del> of Annex F substances {substance-1} to be achieved in previous projects [(ODP-CO <sub>2</sub> -eq tonnes)]						
4.1.3	Remaining eligible consumption for Annex F substances {substance-1} [(ODP-CO <sub>2</sub> -eq tonnes)]						
[4.2.1	Total phase-down <del>out</del> of HCFC-141b Annex F substances contained in imported pre-blended polyols agreed to be achieved under this Agreement [(ODP-CO <sub>2</sub> -eq tonnes)]						
4.2.2	Phase-down <del>out</del> of HCFC-141b Annex F substances contained in imported pre-blended polyols to be achieved in previous projects [stages (ODP-CO <sub>2</sub> -eq tonnes)], where applicable						
4.2.3	Remaining eligible consumption for Annex F substances HCFC-141b contained in imported pre-blended polyols [(ODP-CO <sub>2</sub> -eq tonnes)]						

[\*Date of completion of stage I as per stage I Agreement: {day/month/year}]

### APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

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

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of four 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-down of Annex F substances, how the different activities contribute to it, and how they relate to each other, including, where applicable, activities related to energy efficiency approved in the context of HFC phase-down pursuant to decision 91/65. The report should include the amount of Annex F substances consumption reduced as a direct result of the implementation of activities, by substance, the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to inform the Executive Committee on the resulting change in climate-relevant emissions. The report should also include quantitative information on the activities implemented and further highlight the 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, use of flexibility for the 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 on the Plan's results and the consumption of Annex F substances, as per subparagraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification of consumption data must be provided with each tranche request, covering all relevant years for which a verification report has not yet been acknowledged by the Committee, as specified in subparagraph 5(a) of the Agreement;



- (c) A written description of the activities to be undertaken during the period covered by the requested tranche including quantitative information, 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 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 subparagraph 1(a) above; and
- (d) An Executive Summary of about five paragraphs, summarizing the information contained in subparagraphs 1(a) to 1(c) above.

#### **APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES**

1. [This section must be completed by the Country and the Lead agency. It must provide a detailed and credible indication of how progress is to be monitored, [including post project completion,] and which organizations will be responsible for the activities.]

2. [The country and leading implementing agency will specify the role of the NOU and PMU, if any, in monitoring and reporting including after the completion of the project]

#### **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 the 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 are reflected in the updates to the overall Plan and in the future Tranche Implementation Plans, consistent with subparagraph 1(c) of Appendix 4-A;
  - (e) Fulfilling the reporting requirements of the Tranche Implementation Reports and Plans and of the overall Plan as specified in Appendix 4-A for submission to the Executive Committee [including the activities implemented by the Cooperating IA[s]];
  - (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 HFC consumption targets had been met;

- (g) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (h) Carrying out the required supervision missions;
- (i) Ensuring the presence of an operating mechanism to allow for an effective and transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (j) [Coordinating the activities of the Cooperating IA[s] and ensuring the 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[s]], 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 the policy, management and technical support when required;
- (n) [Reaching consensus with the Cooperating IA[s] 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.

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 of the consumption of Annex F substances mentioned in Appendix 1-A, as per subparagraph 5(b) of the Agreement and subparagraph 1(b) of Appendix 4-A.

**APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCIES** [delete section if not needed]

1. The Cooperating IA[s] 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[s], and referring to the Lead IA to ensure a coordinated sequence of 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 WITH THE TARGETS IN THE AGREEMENT**

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$[value] [for non-low-volume-consuming (LVC) countries the figure would be twice the cost effectiveness of the project in US \$/CO<sub>2</sub>-eq tonne; for LVC countries the amount would be US \$7.00] per CO<sub>2</sub>-eq tonne 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. Where the country has failed to comply with the Agreement due to illegal trade, the reduction in funding would not be applied if the illegally traded controlled substances are seized and subsequently, confiscated, destroyed, exported, or returned to the country of origin.

## **APPENDIX 8-A: SECTOR-SPECIFIC ARRANGEMENTS [delete section if not needed]**

1. [Appendix 8-A is foreseen for situations where the Country and/or the Lead/Cooperating agencies wish to include in the Agreement any sector-specific arrangements. This will be mostly the case for non-LVC countries. Specifically, this appendix can be used in cases where there have been sector plans or sector phase-out projects prior to the submission of the Plan, which are subsumed into the Plan and where the related conditions require reflection in this Agreement. The appendix can also be used if the Country requests to extend the provisions of Appendix 2-A by adding sector-specific funding, phase-down schedules, or additional responsibilities for the Lead/Cooperating agencies. In cases where Appendix 8-A is needed, a reference should be included in the appropriate section of the Agreement. If only minor arrangements are required, the reference could be included in one of the appendices, in particular Appendix 6.]